MILLENNIUM DEVELOPMENT GOALS-BASED COMPREHENSIVE NATIONAL DEVELOPMENT STRATEGY OF MONGOLIA

(Draft)

Ulaanbaatar
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<tr>
<td>SGH</td>
<td>State Great Hural (Parliament)</td>
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<td>MDGs</td>
<td>Millennium Development Goals</td>
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<td>NDS</td>
<td>National Development Strategy</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>S&amp;T</td>
<td>Science and Technology</td>
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<td>GNI</td>
<td>Gross National Income</td>
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<td>GMF</td>
<td>General Macroeconomic Framework</td>
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<td>ICT</td>
<td>Information and Communications Technology</td>
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<td>HI</td>
<td>Health Insurance</td>
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<td>NSC</td>
<td>National Security Council</td>
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<td>ASEAN</td>
<td>Association of Southeast Asian Countries</td>
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<td>APEC</td>
<td>Asia-Pacific Economic Cooperation</td>
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<td>DM</td>
<td>Diplomatic Mission</td>
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<td>FTA</td>
<td>Free Trade Agreement</td>
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<td>IB</td>
<td>International Bachelor</td>
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<td>VTTE</td>
<td>Vocational Training and Technical Education</td>
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<td>STIs</td>
<td>Sexually Transmitted Infections</td>
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<td>AIDS</td>
<td>Acquired Immune-Deficiency Syndrome</td>
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<td>WHO</td>
<td>World Health Organization</td>
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<td>RI</td>
<td>Research Institution</td>
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<td>REI</td>
<td>Research, Experiment and Invention</td>
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<td>SMEs</td>
<td>Small and Medium Enterprises</td>
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<tr>
<td>HEPP</td>
<td>Hydro-Electric Power Plant</td>
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<td>AS</td>
<td>Agricultural Sector</td>
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<td>UN</td>
<td>United Nations</td>
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<td>RF</td>
<td>Russian Federation</td>
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<td>PRC</td>
<td>People’s Republic of China</td>
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<td>MOFA</td>
<td>Ministry of Foreign Affairs</td>
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<td>GSP</td>
<td>General Scheme of Preference</td>
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<td>DME</td>
<td>Dimethyl Ether</td>
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<td>SICs</td>
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INTRODUCTION

1. The Millennium Development Goals (MDGs)-based Comprehensive National Development Strategy (NDS) of Mongolia shall define in a comprehensive manner a policy for the next fourteen years toward supporting the Mongolian human development in a humane, civil, and democratic society by promoting economic growth, as well as actively developing the country’s society, economy, science, and technology in strict conformity with global and regional development.

2. Starting from the early 1990s, Mongolia has witnessed a rapid transition from a command-administrative system to a multiparty democratic system, and from a centrally-planned economy to a market economy with numerous challenges being overcome in changing the country’s social relations, consciousness and mentality; currently, the transition period is nearly over and the country is entering a stage of dynamic development.

However, there was no significant reduction in the number of poor people with unfair distribution of national income creating a trend toward increasing social inequality, and thus slowing down human development and creating a negative psychological environment.

The technological progress and the process of globalization have become a reality and major changes have occurred in the external environment of the country. New political and economic groupings as well as influential powers are emerging in the Euroasian region with their economies becoming increasingly interrelated. The rapid economic growth of neighboring countries brings both new opportunities and new challenges.

Partner countries have developed their long-term policies until the year 2030 and set out to actively implement them.

The aforementioned context and the need to rapidly develop the country’s economy, address pressing social issues and duly meet Mongolia’s international commitments toward achieving MDGs underlie the demand for defining medium and long-term state policy and strategic framework for national development.
3. The objective of MDG-based NDS is to strengthen and protect Mongolia’s sovereignty while fostering national pride, and become a middle income country by way of achieving MDGs through strengthening human capacity and intellect; attaching priority to promoting private sector-led dynamic economic growth and Mongolian human development, including sustainable educational, healthcare, scientific, technological, and environmental development; creating a knowledge-based economy whose growth is ensured through high-technology-based, environment-friendly production and services; fostering a democratic system of governance, which serves its citizens, protects human rights and freedoms, and is free from corruption and red tape.

4. MDG-based NDS has been developed using a “World-Region-Mongolia” paradigm. MDG needs assessment, GMF macroeconomic model developed by United Nations Organization (UN) drafts of sectoral policy documents prepared by ministries, documents of a conference on theory and practice of NDS, 10 projects by scholars and experts selected in the course of a contest and an aggregate report thereof were used in compiling the current document. In addition, suggestions and comments provided by the general public as a response to the public debate in media, results of consultations with political parties, NGOs, private sector and civil society organizations, as well as recommendations put forward by UN and other international organizations during the third Government of Mongolia (GoM)-External Partners Technical Meeting have been incorporated into this policy document. Recommendations adopted at a consultative meeting between the Mongolian National Development Institute and experts from South Korean economic and development policy institutes were also taken into account. The structure of this draft NDS comprises of the current document, economic estimations and the rationale for MDG-based NDS (Annexes 1 and 2).

5. The following fundamental policy documents were reviewed in the formulation of NDS, namely: the Constitution of Mongolia (1992), the Development Concept of Mongolia (1996), Programme for Sustainable Development of Mongolia for the 21st century (1998), National Development Programme of Mongolia (2005) as well as other 304 policy documents developed during the last 15 years, including the National Security Concept of Mongolia, Foreign Policy Concept of Mongolia, Economic Growth Support and Poverty Reduction Strategy, Mongolia National MDGs Report, Regional Development Concept of Mongolia, the Parliament resolution on MDGs (No 25), and the Mongolian regional development programmes.

The long-term development priorities and policies of Mongolia, strategies for their implementation and expected outcomes described in NDS refer to two phases: 2007-2015 (achieving MDGs and actively developing the
country’s economy) and 2016-2021 (making a transition to knowledge-based economy).

Henceforth, the implementation of NDS will be ensured through incorporation of its ideas into medium and short-term development programmes and plans, the Government Action Plan as well as programmes to be jointly implemented with international organizations, which support Mongolia.

ONE. RATIONALE

1.1 Global development trends

Driven by revolutions in science and technology, the mankind is shifting from an industrialized society to a knowledge-based, globalizing society. The world economic and market relations are influenced by a totally new context of globalization, manifested in huge movements of people and goods as well as boundless flows of information and services. This, in its turn, prompts countries around the world to closely align their human and social development policies as well as economic growth forecasts with global and regional development trends.

To ensure fast and sustainable development of the country in this context, it is required to develop long, medium and short-term development policies and strategies, with due account taken of the impact of global development trends on Mongolia’s development, particularly of regional development trends on the Asian continent, North and East Asia, as well as the impact of positive and negative effects of globalization.

Globalization. Herein the effects of globalization are viewed in terms of economic inter-dependence, technological connectivity, relations among people and their political participation in this process.

Lessons learnt from globalization indicate that attempts to pursue an over-protectionist policy and assumption of a cautious position in international relations carries the risk of holding back the country’s development and causing Mongolia to lag further behind other countries.

On the other hand, a country without short, medium, and long term development policies is unable to catch up with the pace of globalization and minimize its negative effects, and thus faces the prospect of complete backwardness.

Economy. Two thirds of the world population resides in countries integrated into the world economy. By the year 2020 the world economy will
expand by 80% compared to its size in 2000, and per capita income is likely to increase by 50%. A knowledge-based economy is likely to dominate in the future.

**Labor market.** Fundamental changes are expected to occur in the patterns of global production, trade, employment and wages. In regions and countries, like Japan and Europe where the population is ageing, the demand for guest workers will significantly increase, thus providing developing countries with a source of income, exceeding their export revenues.

**Technological revolution.** One of the benefits of globalization lies in the comparative advantage it offers to countries, which mastered new technologies and succeeded in internalizing them. In the future, faster technological progress is expected to encompass not only some areas, but also revolutionize all spheres of life through synergy of information, bio-and nano technologies.

**Governance.** Scholars suggest that “fragile democracies,” which have not delivered concrete results over long-term and did not manage to address pressing issues of the day are likely to fall into deep crisis and fail. Even a term of “failed state” was brought into usage.

### 1.2 Regional development trends

The process of emerging Asia as a global development epicenter in addition to Europe and America is gaining momentum with rapidly developing economies and growing populations of India and China attracting the world attention.

Countries in Asia are becoming more integrated in terms of their trade and economic relations, and, in addition to the evolving process of setting up a common Asian bonds market, discussions are underway with regard to establishing the Asian Monetary Fund and introducing the single Asian currency.

The following is a brief summary of global and regional development trends:

1. There are opportunities for countries to accelerate their development provided they take due advantage of globalization.
2. There are increased opportunities to reduce unemployment and eliminate poverty through common efforts with primary focus placed on human development.
3. There is a possibility to eliminate development gaps within countries.
4. In addition to promoting ecologically friendly development, there is a possibility to develop the capacity to prevent natural disasters.
5. There are increased opportunities to accelerate the development of newest technologies, such as information, communication, bio, nano, robotics and space technologies.

6. There are opportunities for making substantial investments into the development of science and technology, and introducing the achievements of these sectors into manufacturing and services sectors with a view to promoting greater efficiency.

7. There are growing opportunities for developing regional cooperation and free trade as well as fostering a region-wide services production.
TWO. CURRENT SITUATION AND ENVIRONMENTAL ASSESSMENT OF MONGOLIA’S DEVELOPMENT

2.1 Current situation of Mongolia’s development

**Development trends for Mongolia.** The analysis of the country’s GDP indicates that in 2002 Mongolia’s economy reached its pre-1990 level of production, thus bringing an end to the period of transition. Increased rate of global and regional economic development as well as more favorable economic and trade environment for Mongolia have created additional opportunities for the country to easily connect with regional and world markets, and introduce its goods and services to the rest of the world. These favorable conditions provide Mongolia with a good opportunity to achieve MDGs and set out on the road of rapid development.

The strengths and weaknesses of the country’s development as commonly viewed in the world are the following:

**Strengths:**

1) High enrollment rate in primary schools,
2) Good vaccination coverage,
3) Relatively high number of doctors per 1000 people,
4) Proper age structure of the population,
5) Improving macroeconomic indicators,
6) Proximity to such huge markets as Russia and China,
7) Abundant mineral resources.

**Weaknesses:**

1) Slow population growth and short life expectancy,
2) High level of infant and maternal mortality,
3) Poor quality of education and shortage of skilled labour,
4) Direct dependence of the agricultural sector on weather conditions,
5) Small percentage of forests and growing desertification
6) Limited and unreliable energy supply,
7) Shortage of adequate housing,
8) High level of unemployment and poverty,
9) Narrowly-based economic structure,
10) Excessive Government expenditures,
11) Lengthy procedures of issuing special licenses, widespread corruption and red tape, weak capacity of the civil service,
12) Narrowly-based structure of the foreign trade, including exports structure,
13) Small domestic market,
14) Underfunding of healthcare, education and science sectors, and existence of inefficient spending patterns in these areas,
15) Weak protection of intellectual rights.

**Mongolia and MDGs.** In 2005 the Parliament of Mongolia reviewed MDGs endorsed at the UN summit and issued Resolution No 25, which outlined Mongolia-specific MDGs and instructed the Parliament Standing Committees and the Government to ensure their achievement.

The following weaknesses are identified in the MDGs needs assessment report and when comparing the current level of Mongolia’s development to that of other countries:

1) The probability of full achievement of Mongolia-specific MDGs is declining each year.
2) The economic growth has not reached high levels and remains unstable.
3) Economic growth depends on a few sectors only.
4) Income per capita has not increased on a substantial basis.
5) The structure of economic sectors has not improved.
6) The policy to promote private sector remains vague.
7) Despite the tendency for increased public investments observed in recent years, these investments are poorly targeted and thus, have limited impact.
8) Global climate change and destructive human activity have a negative impact on the environment.
9) Social instability continues.
10) Poor governance is likely to continue.

**2.2 Environmental assessment**

**Relative advantages:**

1) Rich historical heritage and tradition,
2) Almost entirely pristine, unique natural ecosystem, rare species of fauna and flora, abundant, vast territory and a corresponding unique nomadic lifestyle,
3) Abundant mineral resources,
4) High literacy rate.

**Relative disadvantages:**

5) Small, dispersed population and labour force shortage, particularly, shortage of qualified engineers, technical staff, workers and experts with knowledge of market economy,
6) Low level of scientific and technological development, poor competitiveness of the quality of goods and services on the world market,
7) Extreme climate, high dependency of animal husbandry and agricultural sectors on changes in weather conditions,
8) Narrowly-based economic structure and poor infrastructure,
9) Remoteness from major continental and regional international roads and communication routes, landlocked location,
10) Fragile ecosystem, weak capacity for environmental recreation,
11) Highly limited financial and foreign currency reserves, dependence of economy on a few commodities only,
12) Weak governance.
THREE. PRINCIPLES, VISION AND PRIORITIES
OF MONGOLIA’S DEVELOPMENT

3.1 Principles of Mongolia’s national development

NDS shall be based on the following principles:
- Ensure democracy, justice, human rights, freedom, equality, and national unity,
- Create conditions for each citizen’s participation, contribution and leading role in the country’s development,
- Build capacity and structure for the implementation of development policies and strategies,
- Ensure rapid and sustainable development based on market economy;
- Allocate funds in accordance with a priority and needs of a sector, monitor spending and ensure its efficiency,
- Promote all kinds of partnerships,
- Develop adaptability to the changing environment,
- Promote accountability at all levels, ensure transparency and respect for law.

3.2 Values of Mongolians

NDS shall embrace the following values:
1) Compliance with the Constitution of Mongolia,
2) Living and working in justice, ensuring social harmony and peace,
3) Building, jointly with others, individual and social progress
4) Developing patriotism based on the principle of the country’s development being the key to strengthened independence and sovereignty.

3.3. Vision for Mongolia’s national development

The vision for Mongolia’s national development until the year 2021 is defined as follows:

“Mongolia is a country with rich and proud history and promising and glorious future.”

We, the Mongolians, shall respect our history and culture, have national pride, be highly educated and confident in ourselves so as to achieve our hopes
and aspirations, and live comfortable, prosperous and contented lives in our homeland.

The development of Mongolia is a guarantee for its security and independence. The root of development lies in the national unity.

3.4 Partners for implementing NDS, their roles and responsibilities

The partnership among citizens, enterprises, the State and civil society shall play a crucial role in implementing the objectives of NDS. The partners shall have the following roles and responsibilities:

The citizens shall
- care for their families, live healthy lives provide proper upbringing and education for their children,
- be economical and spend their incomes wisely,
- refrain from and avoid developing bad habits,
- be highly educated and have the capacity for continuously improving their knowledge,
- meet their commitments while enjoying their rights and freedoms,
- actively participate in social life and voice their views and opinions.

The entities of all kinds shall
- strive to create new jobs,
- provide safe and healthy working conditions,
- upgrade the skills of their employees and provide them with social support,
- carry out their obligations under national legislation,
- protect the environment and introduce ecologically-friendly technologies,
- compete fairly on the market,
- ensure transparency of their activities and reporting.

The civil society shall
- establish an effective monitoring over the performance of public institutions and their senior officials,
- make their voices heard and actively participate in decision-making on important public issues.

The State shall
- create favorable environment for its citizens to live healthy and safe lives, run businesses and make investments,
- establish a sound and reliable financial and banking system, provide for its health and transparency,
- provide for responsible, transparent, open and fast-to-deliver public administration, foster the system of governance, which serves the citizens,
- create conditions for high quality, accessible, and fast delivery of public services to citizens,
- improve legal framework for doing business through eliminating red tape and reducing the number of relevant legal acts.

3.5 Priorities of MDG-based NDS

NDS shall be implemented in the framework of the following six priorities:

1. Achieve MDGs and provide for an all-round development of Mongolian people.
2. Actively develop export-oriented, private sector-led, high technology-driven manufacturing and services, create a knowledge-based economy.
3. Exploit strategically important mineral deposits build up savings, ensure high rate of economic growth, and develop modern processing industry.
4. Actively develop regions and infrastructure to reduce urban-rural disparities.
5. Halt imbalances in the ecosystem and implement protective measures to create an environment for sustainable development.
6. Further consolidate the system of political democracy in the country, foster an accountable, just system free from corruption and red tape.
FOUR. HUMAN AND SOCIAL DEVELOPMENT OF MONGOLIA

Within the framework Mongolia’s development priority number 1:

Pursue a policy to fully achieve MDGs by 2015 and reach 0.8 human development index by 2021, continuously improve the "quality of life of Mongolians" through enabling favorable conditions for living healthy, long and peaceful life, respecting one’s history and culture, working creatively, uncovering and developing one’s intellectual abilities, talents and skills and expanding one’s choices and opportunities.

4.1 Poverty Alleviation and Employment Policy

Implement a policy to achieve MDGs and eradicate poverty through intensifying Mongolia’s economic growth, substantially increasing jobs, strengthening families, improving livelihood capabilities, undertaking fundamental reforms in employment, social welfare and social security systems.

Phase one (2007-2015):

Strategic objective 1. Halve poverty through implementing pro-poor economic policy directed at fostering a relatively wealthy middle-class and ensuring income growth:

- Update the Economic Growth Support Poverty Reduction Strategy (EGSPRS) every two years in line with the priorities of NDS, intensify the implementation of EGSPRS.
- Keep the real unemployment rate under 3.0 percent.
- Aim to register, enroll in professional training and consequently provide employment to all those unemployed, poor and living under the poverty line.
- Provide economic incentives to business entities and institutions to create new jobs.

Phase two (2016-2021):

Strategic objective 2. Increase employment and improve the quality of social welfare and services:

- Reach the level of middle income countries in job availability.
- Promote welfare system based on family, society and community.
4.2 Gender Equality Policy

Implement policy to promote equal roles and responsibilities of women and men in the society and ensure their equal development and participation in the distribution of power.

**Strategic objective 1.** Ensure human rights based gender development through universal gender education and provision of gender equality in the labor market:

- Strengthen mechanisms for the Government policy support in developing gender equality issues.
- Nurture an approach to view gender equality in the context of progressive traditions of the national cultural and achievements of the human civilization.
- Ensure that curricula at all educational levels are gender sensitive.
- Ensure equal participation of men and women in the labor market.
- Support position of women in professional sphere and at managerial level, increase their leadership role and ensure equal opportunities.

4.3 Family Development and Demographic Policy

Create conditions for families and children to live a healthy life and develop in a safe environment, respect one’s traditions and customs, protect and care for the nature and environment, develop one’s talents, grow up as an ever-learning, creative, responsible citizen – owner of one’s own destiny. Implement policy to strengthen families and increase population.

**Strategic objective 1.** Develop family to become a favorable environment to live in:

- Make family an environment to preserve and develop traditional culture and customs.
- Identify poor and vulnerable families, enroll them in appropriate social services network and alleviate their income poverty.
- Provide children living in difficult conditions with family or family-like environment.
- Elaborate and implement the “Comprehensive Programme on Family and Child Development.”

**Strategic objective 2.** Develop human capacity to better adapt to changing environmental and climatic conditions:

- Ensure that every person keeps record of one’s family tree to prevent any hereditary disorders.
Create conditions to change passive, dependent lifestyle of people into an active self-responsible approach, fostering self-development and achievement of one’s purpose in life.

**Strategic objective 3.** In implementing reproductive policy, encourage women to deliver many children at young age, create favorable family conditions for healthy growth, education, and proper rearing of children. The net population growth to be more than 1.8 percent in 2007-2015 and 2.4 percent in 2016-2021:

- Develop and implement national standard of free medical check-ups, treatment, and nourishment, special supplementary food for mothers and children from conception until the age of one.
- Ensure that a job of a delivered mother is retained, maternity leave allowances are not lower than her monthly pay, social and health insurance contributions are calculated according to years of service.
- Pay salary to mothers who gave birth to more than 4 children, brought up the youngest child till age of six, preparing him/her to school, counting the years of child rearing as working years.
- Put in a legal language and implement social and health insurance incentives system for parents of four and more children aged 0-18 years.
- Implement a policy to provide subsidized housing to families with four and more children aged 0-18 years.

**Strategic objective 4.** The State to draw priority attention to ensure that children from the moment of birth to the age of six are brought up in a family or in an equally comfortable environment, given proper rearing and morale, provided with pre-school education:

- Create conditions for breastfeeding, and special medical monitoring of children till the age of six.
- Provide children aged 0-6 years from families below the poverty line with healthy food, suitable for their age and at subsidized prices.

### 4.4 Education Development Policy

Make education a social commitment, lift up the national education system to near the international standards and continuously increase intellectual, creative and capable human resources. Implement national “Education” programme.

Introduce 12-year general education system from 2008 and by 2015 enroll all girls and boys in primary education, alleviating gender inequality at all levels of education. Implement policy to match the professional vocational and higher educational systems to international standards. Accomplish the transfer to the
international competitive educational system by 2021. Promote respect for intellectuality nation-wide, change training at all levels of education to match the new intellectual approach of the 21\textsuperscript{st} century. Increase amount and solvency of educational sector financing.

**Strategic objective 1.** Provide students with equal opportunities for accessible, qualitative education that meets their demands:

- Create conditions to enroll all toddlers in preschool education.
- Achieve gender balance in students.
- Increase opportunities for male teachers to work at secondary schools.
- Support re-education.
- Provide preschool education for herders’ children aged 0-6, suiting to nomadic lifestyle.
- Enroll fully six year-old children in schools.
- Increase number of children to reside in dormitories by 2.1 times.
- Continue “Lunch” programme in secondary schools.
- Raise the literacy rate up to 99.0 percent by 2010.

**Strategic objective 2.** Develop educational standards and curricula at all levels and revise their implementation policy, strategy, standards, rules and procedures in a comprehensive manner:

- Develop pre-school, primary and secondary education standards, alternative programmes and syllabuses based on comprehensive competence and intelligence approach.
- Build laboratory structure in pilot schools to serve as a start-up and adjustment mechanism for the educational reform. For this, select or newly establish up to 10 schools in Ulaanbaatar and up to 2 schools in aimags and intensify the work of the “Education Reform Team”.
- Introduce English as a major foreign language and create conditions to switch to the Latin script by 2015. By 2021 ensure that the civil service is competent to function in English.
- Provide financial support to high schools, vocational schools and universities which use English as the medium of instruction.

**Strategic objective 3.** Provide a comprehensive solution for the professional and methodological development of teachers, their salaries, incentives and social issues. Substantially increase investments into human resource development:

- Reform the pre- and intensive training system for teachers and administration.
- Provide conditions for on-job teacher training and increase participation of professional NGOs.
Address social welfare issues of teachers and educational managers through developing their skills, establishing adequate performance evaluation criteria, raising salaries and incentives.

Provide hardship allowances for geographical remoteness and severe climatic conditions.

 Achieve an even distribution of teachers in urban and rural areas starting from 2015.

Starting from 2007 increase expenditures on national in-service training by six-fold over those of 2004, and ensure an annual 10 percent increase thereafter.

**Strategic objective 4.** Enhance the role of the State in bringing the national educational system closer to international standards:

- Provide schools with syllabuses that match international educational standards.
- Support transformation of public and private universities, which are close to the international standards, to campus modality.
- Establish vocational training centers with international methodologies and foreign investment.
- Increase number of institutions offering IB diplomas. Fully exempt these institutions from taxes and duties.

**Strategic objective 5.** Develop and implement open content and flexible forms of education that would allow citizens to improve their education and benefit from re-profiling trainings:

- Create favorable legal framework to provide State policy support to the leading professionals, implement targeted programmes to nurture talents and skills, increase funding for these programmes, and finance rationally.
- Improve quality of technical, vocational and higher education, enhance enrollment planning and coordination.

**Strategic objective 6.** Enhance school-centered management, renew schemes, reflecting structure, features and location of educational institutions:

- Improve administrative and professional management of the educational sector.
- Renew schemes, reflecting structure, features, size and location of kindergartens and schools of all levels.

4.5 Healthcare Sector Development Policy
The National Health Development Policy of Mongolia provides equal, accessible, fair, qualitative and effective medical services and assistance to the population, steadily reduce disease and mortality rates, support population net growth and increase life expectancy. Increase health sector financing and improve its targeting. Elaborate and implement a national “Health” programme.

**Strategic objective 1.** Strengthen, in a comprehensive manner, capacity of soum and family clinics to provide primary medical services, conduct diagnosis, treatment and vaccination, combat dental disease, prevent Sexually Transmitted Infections (STIs), Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Syndrome (AIDS) and tuberculosis, enhance maternal and infant healthcare:

- Develop capacities to protect maternal and infant health, combat STIs, HIV/AIDS and tuberculosis.
- Create a system of mobile family doctors for herders.
- Provide hardship allowances for difficult climatic conditions and geographical remoteness.

**Strategic objective 2.** Develop capacities of soum, aimag, district hospitals, national clinics and professional centers:

- Introduce diagnostic and therapeutic methodologies for dental and systemic disease at soum level.
- Create conditions at aimag and district hospitals for early diagnosis and treatment of cancer.
- Improve services of specialized clinics and professional centers to the level of developed countries.
- Constantly renew methodology and technology of medical services of health organizations of all levels in accordance with current international standards.
- Introduce methods of distance diagnostics and treatment at hospitals.
- Computerize medical case records.

**Strategic objective 3.** Provide medical organizations with highly professional and skilled personnel:

- Instill patient-centered approach at health organization.
- Bring continuous human resources and professional development to the international standards.
- Improve system of wages, incentives and allowances for doctors and specialists.

**Strategic objective 4.** Decrease incidence of diseases and premature mortality, increase life expectancy. Fully support participation of private sector and non-governmental organizations in running above activities in rural areas:
– Create necessary conditions for the population to lead healthy lifestyles.
– Expand advertisement and training on healthy lifestyle, protection of one’s health from climatic hardships and hereditary disorders.
– Develop different rehabilitation and nursing services.
– Introduce selected methods of traditional medicine in healthcare services.
– Develop leading production technologies for pharmaceuticals, medical tools, supplies and equipment.
– Expand activities of the private sector in health sector.

**Strategic objective 5.** Ensure sustainability of management, information and financial systems:

– Introduce per citizen cost estimates and shift to the modality of fully financing required expenditures.

**4.6. Culture and Art Development Policy**

Implement policy to strengthen position of national culture in the world’s culture by protecting and developing advanced findings and values of the Mongolian civilization, by preserving a reasonable balance between tradition and innovation; nurture national consciousness, awareness and pride for national history and culture in every Mongolian citizen; give every Mongolian citizen intellectual awareness, knowledge, education and rearing that enable them to revere their national culture while respecting other cultures; commercialize works of art and culture; and protect intellectual property.

**Strategic objective 1.** Establish favorable economic and organizational environment for the dynamic development of national culture:

– Accelerate transition of culture management, organization and financing to the market economy; improve professional and managerial skills at all levels.

**Strategic objective 2.** Provide population with accessible and good quality arts and culture services, satisfy intellectual needs of citizens:

– Conduct a step-by-step research and identify intellectual needs of Mongolia’s different nationalities, national minorities and different demographic groups, then choose appropriate types and effective forms of arts and culture services for them.
– Enhance environment to preserve and develop traditional Mongolian script.
Provide State support to preservation, protection and restoration of tangible and intangible heritage of the Mongolian traditional culture, and make it accessible to national and global cognition and education.

4.7. Science and Technology Development Policy

Provide State policy support to training leading national professionals in science and technology, alongside, creating legal environment for development of science sector, support technological talents and skills. Implement a national “Technology” programme. Develop capacity to acquire and adopt technology.

**Strategic objective 1.** Establish and develop Research and Development (R&D) competitive firms that meet market demands:

- Identify Science and Technology (S&T) priorities, establish and develop system for their implementation.
- Intensify activities of the S&T management and the S&T Fund in conformity with international standards, and increase their funding.
- Create anew no less than five national research centers.

**Strategic objective 2.** Establish effective national system for innovations, enhance the economic effectiveness and productivity based on technological innovation:

- Implement policy to create infrastructure elements for innovation, increase funding, and choose proper forms of innovations.
- Establish sustainable legal and organizational environment to support the collaboration and partnership of public and private organizations in S&T activities.
- Create a system to identify directions of Mongolia’s technological development and elaborate long-term forecasts.
- Establish “technology centers.”
- Significantly increase involvement of the private sector in ordering and implementing scientific, technological and innovation programmes and projects.

**Strategic objective 3.** Establish legal and institutional system to protect and utilize R&D outcomes:

- Enhance the system of protecting and utilizing the intellectual property rights.
- Create an integrated database of research outcomes, and start their commercialization.
– Provide State support in making top theoretical research works accessible to public.

4.8. Social Welfare and Labor Policy

Implement a social welfare policy targeting low-income, vulnerable groups and supporting economic growth. Consider investing in social welfare as an investment in future generations. Based on the implementation of appropriate social development policy, create a favorable social environment for human development and population growth and improve the quality of life of Mongolians.

Strategic objective 1. Improve quality and accessibility, enhance types and forms of social welfare services:

– Elaborate and develop comprehensive social services for young children, elders and disabled people who require special care.
– Enhance involvement of private sector and civil society in delivery of social welfare services to rural population, implement the principle of social partnership.
– Modify traditional form of social welfare and care into a set of services aimed to support and facilitate development of households with assistance of private sector, civil society and community.

Strategic objective 2. Implement a programme to provide employment services to young people, those working in informal sector and abroad:

– Create conditions to motivate the return of highly educated and trained Mongolian citizens who are working and living abroad.
– Register all extremely poor and unemployed citizen, provide them with short-term vocational training, and create conditions for their employment.
– Undertake legal, economic, and organizational measures to transform informal sector workers into formal sector.

Strategic objective 3. Facilitate employment growth, effective coordination of labor market and improvement of citizens’ living standards:

– Support young entrepreneurs with new ideas and initiatives in starting up businesses through business incubator and micro-credit mechanism.
– Implement a “Labor Exchange” project.

Strategic objective 4. Enable adequate service quality and accessibility of social welfare and care through enhancing social insurance system:

– Mandate social insurance coverage for all employees of juridical persons.
- Establish National pension insurance system encompassing pension insurance of workers and pension insurance of military servants, enroll self-employed citizens, herders, students, and unemployed.
- Establish a multi-layer pension system.
- Starting from 2010 steadily increase the retirement age; by 2015 set the retirement age for males as 65 years, and 60 years for females.
- Decrease the proportion of pension fund contribution by employers to 9.5 percent, while increasing the proportion paid by employees to 7.5 percent.
- Decrease financial pressure on the Government by developing additional private sector social welfare system.
- Decrease the Government’s share of civil servants’ social insurance contributions, while significantly increasing their salary level.
- Develop a social insurance system based on the market principles, enhance mechanisms of accumulating finances in social insurance funds, and create a legal environment for turnover of accumulated capital.
FIVE. ECONOMIC GROWTH AND DEVELOPMENT POLICY

Within the framework of Mongolia’s development priority number 2:

Mongolia chooses a development strategy focused on export-oriented industry and services and private sector-led economic growth.

The main goal of the economic policy is, in 2007-2015, to achieve MDGs, attain annual economic growth of at least 14 percent, increase GDP per capita to at least 5,000 USD, and establish the basis for intensive economic development; in 2016-2021, to increase average annual economic growth to at least 12%, customize and develop knowledge-based economy, increase GDP per capita to a minimum of 12,000 USD, create economic capacity and resources to join the ranks of middle income countries.

Continuously increase labor productivity and investment efficiency, create intensive economic growth. At first, dynamically develop mineral extraction industry, later intensively develop processing industry. Consequently, actively develop private sector-supported, high-tech based, export-oriented processing industry, make economy multi-faceted, become a country with relatively low dependency on mineral resources.

Achieve sustainable economic growth by actively enhancing regional and infrastructure development, eliminating growth disparity in rural area and establishing favorable business environment.

5.1. Macroeconomic Policy

Create favorable macroeconomic conditions for implementation of MDGs-based NDS.

5.1.1. State budget policy

State budget policy to be directed at enhancing macroeconomic growth and sustainable budget balance, increasing the real income of the population and its access to social services, and supporting development of real sector. Budget policy to be aimed at implementing MDGs Commercialize mineral deposits, form a “Treasure Fund”, distribute to citizens and properly utilize the income from tax and natural resources usage fee.

Strategic objective 1. Enhance budget planning to implement MDGs-based NDS:
Enable legal coordination for elaboration and implementation of the State budget in line with NDS.

Enhance budget management and financial power of local authorities, improve the accountability system, and achieve better coherence between national and local budgets.

Plan and finance the budgets of State organizations based on their actual needs.

**Strategic objective 2.** Increase budgetary investments in line with MDGs achievement. Utilize budgetary investments based on medium and long term development programmes and projects:

- Make budgetary investments based on targeted programmes, socio-economic development master plans and projects.
- Increase investment in infrastructure.
- Continuously increase budgetary investments in education and health in line with MDGs, especially in regions and rural areas.
- Support through budgetary investments introduction of modern information and communication technologies and enhancement of technical education system.

**Strategic objective 3.** Implement budget expenditure policy targeting population with low and medium incomes:

- Increase State budget funding for the creation of new jobs, raising general educational level, decreasing maternal and child mortality and halting the spread of contagious diseases.
- Increase social welfare funding pensions and social transfers based on the growth of national income.
- Increase financing of care and services for vulnerable groups. Improve financial assistance to elders.
- Provide state budget support to training highly-qualified professionals overseas.

**Strategic objective 4.** By exploiting mineral deposits of strategic importance, though internationally acceptable funding mechanisms create capital accumulations, establish funds such as “Mongolian Development Foundation” and “Sustainability Foundation” directed at accelerating socio-economic growth. Elaborate and implement a national “Minerals” programme:

- Introduce and implement a procedure to allocate one portion of the “Treasury Fund” revenues to citizens by opening inscribed accounts as a “Bounty of Homeland” to compensate citizens for lost opportunities of the transition period and create equal opportunities for development.
Support utilization of funds to be allocated as a “Bounty of Homeland” to citizens’ inscribed accounts for paying long-term housing mortgage, children’s tuition fees, small business start-up and medical care fees.

### 5.1.2. Taxation Policy

Tax policy will be directed at actively supporting export-oriented industry and services.

**Strategic objective 1.** Support following export-oriented industry and services, as well as some import-substituting industries through adequate taxation policy:

- Support introduction of advanced technologies in the processing industries of minerals, wool, cashmere, meat, milk and leather, as well as production of some import-substituting food products.
- Support production of electronics and brain-intensive small-size products.
- Attract investments by domestic and renowned multinational corporations.
- Support export-oriented services, tourism sector, and production of brand products.
- Direct the customs duty policy to support the establishment of appropriate correlation structure between production and consumption, growth of the competitive domestic industry, imports of leading technologies, exports of end products.

**Strategic objective 2.** Increase the State budget revenues by expanding the tax base and improving tax collection:

- Keep tax pressure at appropriately low level by ensuring correlation between economic growth and tax income growth. Enhance the taxation system.
- To introduce tax loans and taxes on accumulated taxes.
- Use adequately tax amnesties and other methods of tax coordination to reveal the shadow economy.

**Strategic objective 3.** Support the regional development through prudent tax policies, i.e.:

- Small and medium enterprises in remote and poorly developed areas.
- Development of main regional centers.
- Industrial and technological parks.
- Creation of free economic and trade zones.

### 5.1.3. Monetary and Loan Policy
Properly manage inflation. Support export production, attain realistic exchange rate for the Mongolian currency and further maintain stability of the exchange rate. Create favorable investment and business environment through enhancement of banking and finance system and services, and lowering loan interest rates.

**Strategic objective 1.** Properly manage the consumer price index defined inflation, set, and then maintain realistic exchange rate for the national currency in line with the export support policy and:

- Eliminate inflation pressure on economy by maintaining the annual inflation rate lower than 3 percent.
- Shift from a reserves-based form of monetary policy to an inflation-focused form.
- Create favorable environment for savings insurance.
- Ensure sound management of widespread use of USD. Set-up a Currency Bureau, tie MNT with a specific international currency, thus stabilizing inflation and exchange rate of MNT at the level of tied currency. Create favorable investment, trade and finance environment.

**Strategic objective 2.** Enhance the banking and financial system and banking and financing services:

- Develop banking and financial system in line with the general pattern and development trends of developed countries. Develop the banking system in the areas of specialized services such as general services and financial mediation.
- Create and operate State-owned “Development bank”.
- Improve bank solvency and ensure fair competition in banking and financial markets.
- Develop stock market. Sell competitive stocks on foreign stock markets thus strengthening oversees financial sources. Expand trade of the Government bonds, particularly, in the area of investment.
- Stabilize mortgage cooperatives.
- Improve risk management of banking and financial organizations.
- Make efforts to transform Ulaanbaatar city into major banking and financial center of the North-East Asian and Central Asian regions.
- Establish and support specialized organizations, i.e. cooperatives, unions, export-import banks – that support export productions.

**Strategic objective 3.** Create a most favorable investment and business environment by lowering interest rates on loans:

- Lower loan interest rates in line with loan supply and demand, and implement it in close link with the policy on decreasing bank risks.
Lower interest rates of trans-lending loans and prolong terms of the loans obtained from the foreign loans aimed at promoting Small and Medium Enterprises (SMEs) and increasing job positions.

- Link monetary growth of the given fiscal year with the growth of the economy.
- Stimulate investments by attracting long-term funding sources from foreign markets.

**5.1.4. Debt policy**

Create conditions for sustainable development free from debt burden. Adopt a policy to decrease foreign debt and increase investments. Increase the accumulation of domestic capital.

**Strategic objective 1.** Maintain the volume of foreign credits at a proper level and decrease credit risks:

- Within the framework of NDS, identify effectively and follow the needs for mid- and long-term government credits in every economic and social sector.
- Maintain at a manageable level the share of foreign loans in GDP.
- Adhere to a policy principle to receive from international financial organizations and donor countries loans and particularly grant aid that are financially and economically viable and required for the achievement of MDGs.
- Develop the domestic financial market, and utilize resources to the fullest extent. By increasing accumulation of domestic capital, decrease dependence on foreign loans and aid.
- Follow a policy to seek loans that allows the performance of debt service without burdening the budget.
- Encourage greater allocation and disbursement of grant aid in the social sector.

**Strategic objective 2.** Enhance and develop credit management:

- Establish an appropriate credit management system.
- Put in place a legal framework whereby the Government determines the ceiling of the loans in a given year and the Parliament endorses it.
- Effectively disburse foreign loans for targeted areas and create and implement a mechanism to evaluate and monitor the use of funds.
- Improve the monitoring of foreign loans obtained by private firms, and reduce the loan risks.
5.1.5. Policy of improving the competitiveness

Improve the competitiveness of Mongolia by offering macro-economic incentives.

**Strategic objective 1.** Develop and improve the competitiveness of the Mongolian citizens:

- Consistently enhance technical and managerial skills of Mongolians. Encourage introduction and adoption of foreign education system and professors in order to improve engineering and technical professional training.
- Set and continuously implement an objective to train Mongolian employees with advanced skills.

**Strategic objective 2.** Introduce advanced technologies in production and services, and increase their competitiveness:

- Create a favorable economic and legal environment to attract foreign direct investment and prominent transnational corporations.
- Develop and operate economic free zones and other special legal status zones, and support the introduction of advanced technologies.
- Provide incentives for factories and firms that invest in R&D and the copyright usage and support them in the adoption of advanced technologies.
- Provide incentives for the introduction of advanced technologies in the regional centers.

**Strategic objective 3.** Stimulate competitiveness by improving environment and its competitiveness:

- Introduce, in a systematic manner, new advanced services aimed at establishing red tape free and efficient public services.
- Create modern road and transportation, information communication, and energy sectors infrastructure that are competitive in the region and Asia at large.

5.1.6. Strategic objectives of foreign trade policy

Create a favorable environment for the implementation of economic development strategy with predominant export-oriented production and services.

**Strategic objective 1.** Adequately increase the variety and quantity of export products:
- Systematically reduce the export of minerals and raw materials of animal origin, and increase the export of final products.
- Increase the export of small-size, knowledge intensive products and services.

**Strategic objective 2.** Improve variety and quantity of import products in line with the prospective economic development trends:

- Support production of selected products that can substitute imports.
- Support the import of advanced technologies and small-size portable, knowledge-intensive technologies and equipment.

### 5.1.7. Development of private business.

The private business based on market economic principle and fair competition play a leading role in the NDS of Mongolia, including creation of new jobs and increasing the income of citizens.

It will be the responsibility of the State to provide support for the private business, to remove the obstacles it faces, and to create a favorable environment in foreign markets.

**Strategic objective 1.** Develop and strengthen the public-private partnership:

- Invigorate the activities of the public-private advisory board, and establish a mechanism of regular discussions.
- Create environment for transparent and fair activities of private business.
- Pay attention to enhancing the social role and responsibility of private business.

**Strategic objective 2.** Reform the legal framework of business activities and reduce the involvement of the Government in the activities of private business to the minimum:

- Review and simplify the structure and system of State regulations.
- Make more efficient the laws, rules and regulations that govern business activities, including business startup, daily operations, business closure and others through reviewing, reducing and simplifying them.

### 5.2. Development policy of real economic sectors

Within the framework of Mongolia’s development priority number 3:

The development of real economic sectors will be directed toward the implementation of MDGs, the acceleration of the economic growth, and
establishment of knowledge-based economy. Systematically increase the share of services and industrial sector in GDP to 85% in 2015, 92% in 2021, and create an economic structure that is comparable with middle income countries.

5.2.1. Industrial development policy

5.2.1.1. Development policies for geology, mining and minerals, and heavy industry

Exploit the mineral deposits of strategic importance based on advanced technologies, intensify economic development, improve the structure of economic sectors, build financial capacity and the capital accumulation in order to establish a knowledge-based economy.

Phase one (2007-2015):

Strategic objective 1. Exploit mineral deposits of strategic importance. Undertake government-funded geological surveys, pursue a policy that enables the State to own over 51% of the share of the mineral deposits upon completion of resource evaluation:

- Start to exploit mineral deposits: Copper and gold of Oyu Tolgoi, copper of Tsagaan Suvarga, coal of Tavan Tolgoi, silver of Asgat, nonferrous metals of Tsav, iron ore of Tumurtei, coal and bitumen of Choir-Nyalga, brown coal of Tsaidam, uranium of Mardai and Gurvanbulag, and other major deposits of strategic importance
- Increase the capacity of Erdenet Ore-dressing Corporation, and enhance the product processing.
- Significantly increase the production of cathode copper and steel.
- Start processing of coking coal.
- Adopt technologies for extracting fuel and petroleum from coal.
- Increase the volume of oil extraction.
- Improve the level of mineral raw material processing, and increase the output of final products.
- Expand geological exploration and mineral survey.

Strategic objective 2. Protect the natural environment in mining sector and maintain the ecological balance:

- Improve the rehabilitation of mined areas.
- Introduce unified standards for exploitation technology.
- Make an ecological and economic assessment of deposits and improve standards for evaluating, imposing and making payable penalties for ecological damage, compensation and fees.
- Improve the safety and health conditions of mining. Encourage and expand exploitation of underground minerals and processing of minerals deep underground.
- Put in place incentives for mining that produce minimum waste and for the introduction of advanced machinery and technology.

**Phase two (2016 -2021):**

**Strategic objective 1.** Exploitation of strategic deposits will be intensified. Advanced machinery and technology will be introduced in mining and natural resources sector, processing and sale of end products will be expanded:

- Widely introduce advanced, sophisticated technology that has minimum waste and environmentally friendly to maximize the utilization of mineral resources.
- Maintain at an appropriate level volume of extraction of mineral resources, enhance the level of processing and significantly increase the development of end products.
- Build large plants of extraction and processing of oil that will fully meet domestic needs and export oil products on international markets.
- Develop small and medium size enterprises and services affiliated to mining and heavy industry complex.

**5.2.1.2. Policy of developing processing industry**

Develop competitive processing industry and improve considerably economic diversification.

**Phase one (2007-2015):**

**Strategic objective 1.** Expand production of end products capable of competing at international markets, in particular:

- Develop production of export-oriented, knowledge intensive, small-size competitive products.
- Produce ecologically clean products competitive on international markets.
- Produce diagnostic materials and medicine by bio-technological and genetic engineering methods. Encourage the use of nano technology.
- Develop processing of textile, sewing and woven garment and wool and cashmere products.
- Create centers of adopting the advanced technology.
- Develop production of food and consumer goods that can be produced domestically and decrease the high level of dependency on import.
Apply advanced technology to process construction raw materials widely used domestically and manufacture flat glass, mineral paints and other products.

Extract oil products from peat and coal.

Increase oil production and processing.

Promote manufacturing of portable machinery, equipment and parts widely used in animal husbandry, land cultivation, construction, light industry, food production and energy sectors.

Smelt copper, manufacture and export communication cables, coil wires, spare parts of machinery and equipment.

**Strategic objective 2.** Create and develop industrial and technology parks with available domestic and external resources for the regional development:

- Adopt a Law on Industrial and Technology Parks.
- Develop industrial and technology parks in some regional centers and cities.
- Implement ecologically friendly and advanced machinery and technology intense “Programme for processing cashmere, camel and sheep wool”, “Programme for development of leather production” that are targeted for regional development.

**Phase two (2016-2021):**

**Strategic objective 1.** Strengthen and increase the volume of a knowledge-intensive, advanced technology-based production:

- Increase extraction and processing of oil and its products and fully satisfy domestic needs.
- Develop some sectors of small machinery by producing spare parts for radio and computer equipment.
- Develop chemical industry; apply a comprehensive processing of coal and manufacture various kinds of end products for export.
- Introduce technology of new materials production in areas of ceramics and optics for computer and electrical devices.

**5.2.1.3. Development policy for small and medium size production and services**

Create favorable conditions for substantially decreasing unemployment and alleviating poverty by vigorous development of medium size production and services.

**Phase one (2007-2015):**
Strategic objective 1. Create legal environment supporting the development SMEs:

- Adopt laws on SME, financial aid, provision and credit collateral fund.
- Support export-oriented SME through holidays in customs duties and VAT.
- Create legal environment to protect rights of small stakeholders.
- Support small and medium entrepreneurs by large scale introduction of leasing services for portable equipment.

Strategic objective 2. Provide efficient and prompt public services for SME entrepreneurs:

- Consider and reflect voices of professional associations that express rights and interests of SME in the decision-making process related to SME.
- Support the SME in accordance with the concept of regional development and create the business incubators.
- Transfer fully the services of issuing licenses and permits into online modality in conformity with the law on special licenses.

Phase two (2016-2021):

Strategic objective 1. Accelerate development of some service sectors and increase their share in the economy:

- Increase the production of information and communication technology including software applications.
- Specialize in manufacturing of goods of selected world large producers.
- Develop inter-sector services such as transport and financial intermediations.

5.2.1.4. Development policy for agriculture and food industry

Develop agriculture and food industry into a modern agricultural and industrial complex and pursue a policy to fully satisfy domestic food and water supply for the rural population.

Phase one (2007-2015):

Strategic objective 1. Decrease substantially the outbreak and spread of contagious animal diseases and increase animal husbandry production:

- Start the application of modern technologies, including biotechnology to protect animals from contagious and parasitic diseases.
Strengthen hardy qualities of Mongolian domestic animals by averting them from genetic diseases and re-enforcing their biological capabilities including that of withstanding climate challenges.

Improve the quality of animals and breeding and develop intensive animal husbandry by regions.

Exempt to fullest extent individuals and economic entities involved in the intensified animal husbandry from taxes.

Expand the capacity and sustenance of pastures by their rational use, ownership, improvement, protection and restoration of overgrazed whereby decreasing the vulnerability of the animal husbandry.

Strategic objective 2. Increase agricultural production by improving land farming, developing irrigated cultivation and introducing biotechnology:

Establish private ownership for land used in intensive farming.

Exempt to fullest extent individuals and entities involved in the intensive farming from taxes.

Create rational irrigation system and offer leasing services of irrigation machinery and equipment.

Utilize widely the early ripening types of seeds and increase varieties of cultivating plants.

Encourage business entities that import or produce domestically small scale, modern machinery and equipment facilitating the household business activities.

Create areas growing fruits and fruit trees and expand the plantation of fruits and berries.

Strategic objective 3. Introduce, in a systematic manner, advanced technology in food processing and improve competitiveness of products:

Increase manufacturing of ecologically clean food products and selected food products that can replace imports.

Develop food processing based on modern hardware and technology and supply the population with nutritious, high quality, and safe foodstuff in balanced quantities and start exporting it on international market.

Create wholesale centers and stock markets in appropriate regions and establish a rational network for food marketing.

Strategic objective 4. Increase water supplies for land farming, pastureland and herdies and take steps to soften water. Build water reservoirs to supply cities and mining industry. The national programme “Water” will be implemented:

Build large irrigation systems and water reservoirs by rationally adjusting the flow of some rivers and collecting water from floods, rain and snowfalls.

Irrigate some unutilized pastureland by digging wells, collecting rainfall and increase the flow of springs and water sources.
– Improve supply and quality of drinking water for herders.

Phase two (2016-2021):

**Strategic objective 1.** Introduce biotechnology, improve livestock breeds, and raise the level of crop yield:

– Use biotechnology, and promote livestock health through developing the production of animal vaccines, sanitizers and disinfectants.
– Increase crop capacity by ensuring a wide-scale introduction of modern irrigation technologies.

**Strategic objective 2.** Set proper sanitary and hygienic standards in food production and services, as well as at all levels of food consumption, supply the population with safe and sufficient amount of foodstuffs:

– Based on needs of the population, promote robust development of small and medium-size food production enterprises which use high technologies; meet domestic demand for ecologically clean foodstuffs and increase exports.
– Improve the system of monitoring food quality, food safety standards, and upgrade laboratory analysis to the level of developed countries.

5.2.1.5. Tourism development policy

Promote fast development of tourism as one of the leading sectors of the economy. Develop and implement a national “Tourism” programme.

Phase one (2007-2015):

**Strategic objective 1.** Increase the capacity to transport and receive tourists, improve roads, communications and power supply in main tourist areas:

– Increase the number of direct flights to countries, which represent the main tourist markets for Mongolia, launch flights to new destinations.
– Ensure coordination between the work of improving roads, communications and power supply in main tourist areas with policies and plans to develop other sectors of the economy.

**Strategic objective 2.** Build significantly larger tourist complexes and new varieties of tourist attractions, based on specific features of different regions of Mongolia:

– Reduce dependence on seasonal change and increase the number and
variety of tourism products and services.
- Establish and operate an organization in charge of implementing tourism policy.
- Increase the number of tourists visiting Mongolia to one million.

Phase two (2016-2021):

Strategic objective 1. Accelerate the development of tourism industry and upgrade the quality of services to international standards:
- Upgrade standards for all kinds of services and improve the monitoring of services delivery.
- Upgrade the level of education and training of personnel to international standards, and improve the structure and organization of the tourism sector.
- Increase the number of tourists visiting Mongolia to equal the country’s population.

5.3 Infrastructure development policy

Within the framework of Mongolia’s development priority number 4:

The policy to develop infrastructure will take into account demands of the population and economic needs of the country. The infrastructure development policy will be directed at exporting energy, transforming regional transport routes into a “bridge” connecting two neighbours, Asia and Europe, and upgrading them to a new level of transport brokerage services. Private sector participation in infrastructure development will be encouraged.

5.3.1. Roads and transportation development policy

Phase one (2007-2015):

Strategic objective 1. Improve legal environment for development of roads and transportation sector:

- Improve standards, norms and regulations for constructing, repairing and maintaining roads.
- In addition to revising the Law on Roads and Transportation, the Law on Civil Aviation, the Law on Railways, the Law on Water Transport and other relevant norms and regulations, adopt new laws as required.
- Renew contracts and agreements in line with international conventions, standards and development trends; accede to relevant international agreements.
Strategic objective 2. Expand and develop the road network:

- Prioritize construction of roads, which run parallel to routes linked through international road network.
- Complete the construction of horizontal and vertical axes of the Millennium Road.
- Complete the construction of paved roads along some of the vertical axes of infrastructure network.
- Build paved roads to connect regional and provincial centres to the capital city, followed by interlinking regional and provincial centres.

Strategic objective 3. Introduce modern equipment and technologies into the road sector, improve road maintenance and services:

- Introduce road construction technologies which suit local weather conditions; adopt new equipment and technologies.
- Improve road testing and experimental research.

Strategic objective 4. Increase competitiveness of the railway and improve traffic safety:

- Construct the second railway linking two neighbouring countries.
- Supply the main railway with electric trains.
- Study the possibility of constructing a railway exit into the country’s western region and start construction work.
- Expand railway network in Gobi and Eastern regions.
- Plan the construction of an integrated domestic railway network in coordination with the development of mineral deposits, and start construction works.

Strategic objective 5. Deepen the reform of the air transport sector, develop infrastructure, increase the range of services, and develop air transport with a view to ensuring its competitiveness on international markets and turning it into a sector dominated by private ownership:

- Build an international airport in Ulaanbaatar City, a new airport in Kharkhorin City, and equip airports in rural areas with paved runway, lighting, and landing system.
- Increase private sector participation in air transport sphere.
- Improve flight safety of transit planes flying over Mongolia’s territory, and increase their numbers.
- Increase the number of international destinations and the number of flights.

Strategic objective 6. Create favorable legal environment for investment and private sector participation in sea and water transport sectors, and expand areas of their operation:
Develop water transport sector, provide it with modern vessels, and support private sector participation and investment in this sector.
Obtain access to sea through leasing a sea port, and start performing registration of sea vessels independently.

**Strategic objective 7.** Improve road network in Ulaanbaatar City and upgrade the quality of public transport services:

- Coordinate the work of improving roads in Ulaanbaatar City with urban planning and transport policy.
- Assemble and produce electric transport vehicles domestically. Introduce a system of new means of public transport in Ulaanbaatar City and a management and transport regulation system “Smart” for handling street traffic.

**Strategic objective 8.** Considerably reduce the negative impact caused by motor vehicles on environment, population and street traffic:

- Make all vehicles in Ulaanbaatar and other big cities shift to liquefied gas.
- Shift to a system of imposing extra taxes on vehicles, which fail to meet established standards and compensating for the damage they cause.
- Completely resolve the problem of air pollution in Ulaanbaatar City.

**Phase two (2016-2021):**

**Strategic objective 1.** Expand the road and railway network, develop air and water transport, and complete the work of connecting the capital city, centres of aimags and regions with paved roads:

- Complete the construction of paved roads along vertical axes of infrastructure network.
- Create and operate a highly profitable new system of road exploitation.
- Complete the construction of a railway network which encompasses the whole territory of Mongolia.

### 5.3.2. Energy sector development policy

**Phase one (2007-2015):**

**Strategic objective 1.** Establish an “Integrated Energy System of Mongolia,” increase the profitability of energy sector and create the most favourable conditions for its development. Build capacity to export energy abroad.

- Define the policy of supplying electricity to Gobi region and provide mining
plants to be built in the near future at Oyu Tolgoi, Tavan Tolgoi and Tsagaan Suvarga mining deposits with sources of energy supply.
- Connect power systems of Eastern and Western regions with the central power system.
- Enhance energy security, establish infrastructure links with two neighbouring countries, and resolve the issue of exports and imports based on patterns of consumption.
- Build and use new sources of electric and thermal power in Ulaanbaatar City.
- Complete the “Integrated Energy System” Programme and fully provide for the country’s domestic energy needs.
- Build hydroelectric power plants on big rivers.
- Join regional energy integration initiatives, start exporting energy.
- Implement a step-by-step policy of utilizing nuclear energy, including working towards building a nuclear power plant. To this end, create legal framework allowing state ownership of uranium deposits and pursue a policy of cooperation with well-established state-owned foreign companies.
- Create a modern system of regulating energy flows.

**Strategic objective 2.** Improve electric power supply to soums, settlements and herder households:

- Apart from connecting soums and settlements, which are not linked to the integrated energy system to electricity transmission air lines, ensure steady supply of electricity to soums and settlements through using renewable and other energy sources.
- Within the framework of a “100, 000 Solar Gers” Programme, provide all herder households with solar and wind energy sources.
- In soums and settlements located in the vicinity of coal deposits, build small electric power plants, which operate on coal gas fuel.

**Phase two (2016-2021):**

**Strategic objective 1.** Increase the efficiency of Mongolia’s integrated energy system and create favourable conditions for its development:

- Increase the efficiency of regional energy systems
- Create a modern system to regulate energy flows

**5.3.3 Fuel Sector Development Policy**

**Strategic objective 1.** Gasify coal and supply small-size power plants with fuel:
- Build small-size plants, which use coal to produce smoke-free fuel.
– Build and operate medium and large-size industrial complexes, which produce liquid fuel from coal.

**Strategic objective 2.** Build and operate coke-chemistry and coal, energy and chemical industrial complexes:

– On the basis of Tavan Tolgoi coking coal deposit, process coal, and set up and operate a centre and a coal chemistry research laboratory.
– Produce petroleum products from coal.

**Phase two (2016-2021):**

**Strategic objective 1.** Build a large capacity power plant using clean coal technologies and acquire full industrial capacity to produce petroleum products from coal:

– Build a fuel, energy and coal chemistry complex at Choir-Nyalga coal deposit.
– Obtain hydrogen, methanol, DME and other new kinds of fuel from coal.
– Acquire full coke-chemistry production capacity and export no less than 5 million tonnes of coke annually.

**5.3.4. Information and Communications Technology Development Policy**

Information and communications technology is viewed as the main engine of Mongolia’s economic and social development in the 21st century.

**Phase one (2007-2015):**

**Strategic objective 1.** Create the most favourable environment for development of information and communications technology sector in terms of software, technology, legal framework, structure, organization, financial and economic conditions as well as human resources:

– Complete transferring the main information and communications landlines network to digital technology, switch to 3G spectrum, create 2 combined land-based/satellite high-speed broadband Internet gateways.
– By year 2010, launch small-size, multifunctional satellites into geostationary orbital slots allocated to Mongolia by the International Telecommunications Union, and create a reserve Internet gateway.
– Develop production of information technology equipment, manufacture software, create necessary conditions for their adoption and exports, provide all kinds of assistance and support from the State.
**Strategic objective 2.** Ensure wide-scale introduction of achievements of information and communications technology into all spheres of social and economic life:

- Start providing distance medical treatment, distance primary healthcare assistance, and create necessary conditions for highly qualified doctors to offer medical advice and treatment from afar.
- Introduce distance banking services, distance payment, trade, non-cash circulation and social welfare services.
- Actively develop a wireless telephone communications system in rural areas, and by the year 2015, provide up to 60 percent of the population with a new generation mobile services using main landlines network; ensure coverage of up to 50 percent of the entire territory with such services by using solely the main landlines network.

**Phase two (2016-2021):**

**Strategic objective 1.** Renovate information and communications technology sector in terms of software, equipment and information supply, improve technological, legal, structural, organizational, financial, economic and human resource environment:

- Increase the speed and rate of information transmission, and switch to 5G spectrum.
- Provide for a total of 4 international Internet gateways.
- Increase the number of security servers.
- Connect all soums and settlements by fiber optic cable and small capacity digital radio relay systems by the year 2021, and provide up to 70 percent of rural population with an opportunity to receive online public and commercial services.
- Create a small-size, moderately priced optical or radar distance surveillance satellite system starting from 2016 in the geostationary orbital slot, and make use of satellite imagery in geodesy, cartography, weather forecasting, environmental monitoring, agriculture, security and defence, as well as in times of natural disasters and emergencies.
- Launch a new generation, extra small, multifunctional and fully digital communication satellites into the geostationary orbital slot starting from 2016.
- Enable each person residing in up to 95 percent of the country's territory to have access to information, communications and technological services in either fixed or mobile form by 2021.
- Increase production and exports of software.

**5.3.5 City planning and construction development policy**
Accelerate urban construction with due account for proper patterns of population settlement. Bring the production of construction materials to the level of countries with medium level of development. Draft and implement a national “Cities” programme.

**Strategic objective 1.** Develop a proper population settlement layout and create favourable living conditions for residents of cities and other settled areas:

- Develop and implement a state policy on population settlement. Improve legal environment for city construction and upgrade the norms and standards of urban planning.
- Back the implementation of a regional development policy with urban development policy.
- Create the most favourable conditions for developing the main regional centres into cities of no less than 50 000 residents each at the first stage, and approximately 100 000 residents each thereafter.
- Reduce population density in the capital city, develop satellite cities of Baganuur, Nalaikh, and Bagakhangai, and ensure proper level of population density there.
- Improve engineering infrastructure and land use in rural towns and settlements in line with relevant provisions of a master plan.

**Strategic objective 2.** Construct buildings, which meet modern-day quality standards, create and develop manufacturing of new kinds of construction materials, and develop municipal economy:

- Enhance national capacity for erecting high-rise buildings and big manufacturing facilities.
- Introduce new equipment and technologies into manufacturing of construction materials, improve the quality of products and increase their variety.
- Upgrade norms and standards pertaining to buildings and manufacturing of construction materials to international level.
- Develop more actively the manufacturing of construction materials based on local resources of raw materials.

**Strategic objective 3.** Significantly increase the amount of housing. Implement a national “Housing” programme:

- Increase the number of funding sources for the construction of housing, create and develop a system of primary and secondary markets of long-term housing credits. Establish a housing construction fund and introduce a contractual savings system.
- Connect ger districts of the capital city to the central sewage system and fully provide for the residents’ needs for drinking water.
- Develop ger districts into residential areas with participation of residents.
and increase the supply of housing, which corresponds to the purchasing power of the population.
- Provide housing subsidies and discounts for low income citizens and vulnerable social groups.
- Support private sector participation in building infrastructure for new residential areas and districts.
- Provide the majority of households with housing by the year 2021.

**Strategic objective 4.** Improve land use in cities and other settled areas, and refine the system of property registration and its overall performance:

- Accelerate land reform. Give land into private ownership of each citizen free of charge, and improve the legal framework for putting land into economic circulation.
- Create a national land information system, and deliver prompt services to citizens, legal entities and government institutions.
- Create a land monitoring network; develop and implement programmes and projects to recreate ruined and degraded lands.
- Enlist each property in the national property rights registration database, improve and strengthen property registration system.

**Phase two (2016-2021):**

**Strategic objective 1.** Further improve city planning and increase the production of new kinds of construction materials:

- Actively develop main regional centres.
- Create free economic and trade zones; in the vicinity of big mineral deposits build modern world-class cities and settlements.
- Introduce new equipment and technologies into manufacturing of construction materials, improve the quality of merchandise and increase its variety.

**5.4. Regional and rural development policy**

Within the framework of Mongolia’s development priority number 4:

Ensure consistent implementation of the regional development policy and significantly reduce the development gap between urban and rural areas.

**Phase one (2007-2015):**

**Strategic objective 1.** Improve planning and management of regional development, accelerate regional development:
Implement development programmes until the year 2015 for the Western, Khangai, Central, Eastern and Ulaanbaatar regions.

Draft and implement development programmes for the main regional centres, i.e., Khovd, Uliastai, Erdenet, Kharkhorin, Darkhan, Zuunmod, Undurkhaan and Choibalsan; draft and implement development programmes for aimags and sub-regions; draft and implement master plans for developing settlements.

Establish and operate an effective system of local governance.

**Strategic objective 2.** Harness economic growth of Western, Khangai, Central, Eastern and Ulaanbaatar regions to promote development and achieve MDGs. Draft and implement a national programme on “Rural Development”:

- Make a prudent choice of large-scale national and regional projects, which can serve as “levers” for national and regional development, properly coordinate their implementation and create a large number of new jobs; significantly reduce the level of unemployment and poverty.
- Accelerate development of industrial and services sectors in rural areas, actively develop agriculture, and improve the structure of economic sector.
- Develop an optimal network of intensified animal husbandry on the basis of main regional centres, aimag centres and large mining plants; establish and develop a sound farming network based on irrigation agriculture.
- Ensure steady development of high technology-based world competitive services, as well as small-scale brain-intensive manufacturing in Ulaanbaatar region.
- Reduce migration to cities by creating manufacturing and social infrastructure in rural areas, as well as favourable conditions for pursuing business activities.

**Strategic objective 3.** Lay the foundations for a knowledge-based economy in rural areas:

- Create and operate free economic and trade zones in towns nearby Ulaanbaatar City, as well as in Zamiin Uud, Altanbulag, Tsagaannuur and other settled areas; introduce high technologies.

**Phase two (2016-2021):**

**Strategic objective 1.** Significantly reduce urban-rural development disparity, and actively develop a knowledge-based economy in rural areas:

- Ensure smooth operation of Production and Technology Parks, and expand export-oriented manufacturing and services in rural areas.
- Accelerate the development of industrial infrastructure and complete construction of regional energy and paved roads networks.
- Establish modern information and communications network in rural areas.
- Transform tourism and processing industry into one of the leading sectors of rural economy.
SIX. ENVIRONMENTAL POLICY

Within the framework of Mongolia’s development priority number 5:

Implement a policy, which envisages a set of integrated social, economic and ecological measures directed at protecting the environment, including efforts at protecting atmosphere, land, mineral wealth, water, forests, as well as fauna and flora; proper utilization of mineral resources; reducing the effects of desertification and droughts; cutting the emission of hazardous chemicals and radioactive waste; and improving waste management.

**Strategic objective 1.** Limit and halt environmental pollution and degradation:

- Implement a set of legal, economic, managerial and organizational measures to reduce environmental pollution in Ulaanbaatar City, large towns and settlements.
- Increase the use of renewable energy, including the use of solar, wind and hydro energy sources on their own or in combination with each other.
- Implement an integrated policy of using new technology and management to collect, transport, store, sort out, recycle, and reuse solid waste in urban and other settled areas and thus, create new job opportunities.
- Within the framework of the Clean Development Mechanism (CDM) of the Kyoto Protocol, implement a joint project to reduce greenhouse emissions and sell it at a market price.

**Strategic objective 2.** Implement an integrated policy aimed at proper use of land and mineral resources:

- Upgrade natural resource management at national and local levels by improving laws and regulations on the use of mineral resources and environmental protection; introducing economic instruments to enforce laws, and establishing a self-financing mechanism; improve coordination among different sectors.
- Create, under the state protection, a national land heritage fund, comprising of pristine areas dear to many generations of Mongolians.
- Expand the network of specially protected natural areas, create a sound structure of its management system, and introduce a modern-day security management.

**Strategic objective 3.** Create necessary conditions for protecting and ensuring proper use of water resources, preventing their shortage, and providing the population with water, which meets health requirements. Implement a national “Water” programme:
- Improve legal mechanism, which regulates the protection and proper use of water resources; improve water resource management, its structure and organization.
- Resolve the problem of public and industrial water supply through replenishing surface water reservoirs by putting some of them into economic circulation.

**Strategic objective 4.** Create conditions for sustainable use and protection of forest reserves, reforestation and maintenance of ecological balance:

- Explore forest reserves by using satellite data and remote sensing, determine the sprawl, structure, and composition of forests, develop forest mapping and sustainable forest management programmes, and create a forest database based on geographical information systems.
- Within the framework of a medium-term strategic objective, undertake measures to make climate milder, restock woodlands and create green zones in Gobi and steppe regions to facilitate fight against desertification, soil erosion, and sand movement.
- Strengthen forest protection through introduction of modern management methods; create a liability system to ensure proper use and protection of forests by allowing local residents and communities to own up to 20 percent of forests on a contractual basis.

**Strategic objective 5.** Contain depletion of animal and plant life, and create conditions for their natural recreation and sustainable use.

- Revise procedures related to ensuring sustainability and natural growth of populations of rare and extremely rare species, lay legal and economic grounds for their protection, explore ways of creating reliable biological resources by using biotechnological achievements to perform assisted reproduction, and create and protect gene pools of rare and extremely rare species.
- Secure support from international organizations, donor countries and individuals for efficient implementation of long and short-term projects designed to establish and protect reserves and habitat of wildlife, and increase domestic and foreign funding sources.
- Take measures to study the dispersal and reserves of rare and extremely rare plant species, create and protect their gene pool, establish a system of registration, information and monitoring, draft a plan for their proper use, provide for restoration and cultivation of rare plants.
SEVEN. LEGISLATIVE AND STATE STRUCTURE
DEVELOPMENT POLICY

Within the framework of Mongolia’s development priority number 6:

The implementation of NDS is directly linked to legal environment, stable functioning of government institutions, civil service competency and system of accountability.

7.1 Legal reform

**Strategic objective 1.** Strengthen government institutions and improve legal environment to ensure transparency and accessibility of public services:

- Ensure accessibility and transparency of public services.
- Adopt best practices of common law legal system, and improve the legal system as a whole.
- Ground drafting of legal acts on analysis and research, and assure orderliness of this process.
- Provide for greater consistency between laws and regulations, eliminate incongruities between articles and provisions of different laws, and complete the codification of laws in a systematic and swift manner.
- Create a system of strict law enforcement.

**Strategic objective 2.** Guarantee protection of human rights:

- Strengthen national capacity to protect human rights and freedoms.
- Create legal environment for compensating damages incurred by other people’s illegal actions.
- Ensure human right to a healthy and safe environment.
- Provide for special protection of the rights of disabled citizens.
- Improve legal environment for protecting the rights of children.

**Strategic objective 3.** Improve legal framework for creating a safe environment in the society:

- Create a legal system to reinforce safety of the population.

**Strategic objective 4.** Improve the political system, deepen democracy:

- Ensure strict conformity between the national legislation and international treaties to which Mongolia is a party.
– Provide consistent support to civil society organizations and foster a system of democratic governance which encourages the partnership between civil society and the State.
– Create an atmosphere of respect for law, justice and human rights, develop and strengthen the civil society.
– Ensure private sector participation in economic decision-making, and create the most favourable legal environment for supporting it.
– Improve the system of administrative and territorial units, reduce their number, diminish official red tape, and upgrade the quality of public services.

7.2. Development of Mongolia’s state structure and public administration

Improve and foster a system of democratic, transparent, explicable, efficient, accountable, responsible, and stable state structure, and an efficient administration of legislative, executive and judicial powers consistent with the rule of law and interests of the citizens.

Strategic objective 1. Choose one of the classic forms of democratic state structure, improve the system of democratic governance, and ensure stability of public administration.

Strategic objective 2. Ensure transparency and citizen participation in the public administration decision-making process:

– Increase the number of female candidates for parliamentary elections to no less than 30 percent of the total number of nominees.
– Strengthen the law-enforcement function of the Government.
– Reinforce the Anti-Corruption Agency and provide support for its activities.
– Improve a mechanism of holding high-ranking public officials accountable to citizens and voters.

Strategic objective 3. Create necessary conditions for ensuring an independent and fair functioning of the judiciary:

– Undertake comprehensive measures to improve legal foundation for the activities and organization of the judicial branch of government and deepen judicial reform.
– Improve management and human resource supply.
– Implement basic UN principles pertaining to independence of the judiciary.
– Draft and consistently implement a programme to ensure economic independence of the judicial branch.
- Improve a system of selecting, appointing, promoting, and dismissing judges.
- Introduce a practice of adhering to international treaties and norms in legal proceedings.

**Strategic objective 4.** Enlarge administrative and territorial units in accordance with their economic capacity and human resources:

- Merge neighbouring soums in terms of administration and territory to make larger soums.
- Create a system of group settlements and increase their economic capacity.
- Strengthen the capacity of baghs and khoroo as primary administrative units, which provide public services to citizens.
- Provide for a system whereby governors of baghs and khoroo are appointed by upper level governors, and budgets are approved and dispersed independently by institutions of local governance.
- Reinforce and develop institutions of local governance to enable them to independently deal with issues of local development.

**Strategic objective 5.** Reform state registration and information system, and establish a reliable system and an inventory of electronic information:

- Complete a shift to an electronic form of state registration, computerize state registration verification documents and use them in combination with other electronic data.
- Make civil registration documents available in electronic form.
- Renew address books of the capital city, aimag centres and large settlements, introduce an integrated, nation-wide system of codification, and create a comprehensive registry of addresses, names of places and water reservoirs in line with international standards.
- Provide for a swift and complete improvement of the registration and information system.

### 7.3. Public administration and civil service reform of Mongolia

Implement a policy of strengthening the capacity of civil service to implement the Comprehensive National Development Strategy and reform the system of public services delivery in line with customer needs and demands.

**Strategic objective 1.** Develop strategic planning and performance management capacity:

- Strengthen capacity of the civil service, especially that of general
managers, to perform strategic planning.

- Strengthen performance-based management of civil service.

**Strategic objective 2.** Upgrade policy analysis and leadership management to a new level:

- Develop capacity of the civil service to make policy statements, analysis and monitoring.
- Select high-ranking public servants, especially general managers, through a process of open and competitive examination.

**Strategic objective 3.** Ensure organizational and human resource development:

- Foster performance-oriented, learning institutions with transparent internal decision-making.
- Equip each civil servant with human resource management skills.

**Strategic objective 4.** Improve human resource management information system and system of wages and benefits:

- Create a new, nationwide human resource information system for civil service.
- Adjust the civil service wage system in line with labour market conditions, promote transparency, and improve it through linking the wage system to a sound performance appraisal management mechanism.

**Strategic objective 5.** Provide for an adequate size of the civil service and improve the quality and access to public services:

- Strengthen civil service capacity and gradually reduce the number of civil servants to an optimal level through conducting a functional review of central and local state administrative institutions.
- Introduce social auditing of the quality and accessibility of basic public services.
- Provide for non-partisan civil service, enhance authority of the Civil Service Council, provide for stability of the civil service, create a system of procuring human resources for civil service, and upgrade the overall quality of civil service.

### 7.4 National security policy

Pursue a policy directed at safeguarding the independence and sovereignty of the country on international arena by taking an active part in establishing a common security mechanism in the Asia-Pacific region, including
one, which involves countries in North-East Asia; raising the country’s prestige by consistently pursuing a peaceful foreign policy in international relations, consolidating democracy internally, ensuring stable economic and social development, and protecting human rights and freedoms. Adhere to the principle of holding robust development to be the country’s main security guarantee, and resolving the country’s development problems not on its own, but rather by promoting a mutually beneficial cooperation with other countries. Improve legal environment in line with international norms to prevent outside powers, organizations and individuals interfering in the domestic affairs of Mongolia.

**Strategic objective 1.** Develop cooperation with foreign countries to safeguard against international, non-traditional security threats and protect the population against natural disasters:

- Actively cooperate with relevant foreign organizations in the fight against such cross-border crimes as international terrorism, separatist tendencies, penetration of violent religious movements, spread and transit of drugs, illegal weapons trade and human trafficking.
- Conclude agreements with neighbouring and other countries on the provision of legal assistance in pursuing, finding, and punishing criminals with no heed to international borders.
- Expand international cooperation aimed at safeguarding against natural disasters and preventing the spread of various contagious diseases.
- Cooperate with neighbouring countries on ensuring the quality and safety of imported goods, foodstuffs and drugs.

**Strategic objective 2.** Implement a national security policy aimed at ensuring a robust economic development, stable political and social situation, and environmental protection:

- Create conditions wherein the police, intelligence services, courts, and prosecutors fight crimes without violating basic human rights and ensure social order; citizens respect law and social order, understand the work of law-enforcement organizations, as well as support and cooperate with them.
- Establish an integrated mechanism of preventing natural disasters and providing assistance to their victims.

**Strategic objective 3.** Revise the National Security Concept, the Law on National Security, the Law on the National Security Council and other relevant legislation in line with the objectives NDS; create a mechanism to monitor and assess the enforcement of these legal documents, as well as the implementation of the decisions thereof by the National Security Council:

- Revise laws and regulations governing the implementation of the national security policy and other related activities in line with the objectives of
NDS.

- Determine the appropriate structure, organization and the competence of the National Security Council, and improve the mechanism of implementing and monitoring the enforcement of decisions issued by the National Security Council.
- Coordinate the implementation of NDS with the State policy of ensuring and strengthening the national security.

**7.5 Foreign policy**

Steer the country’s foreign policy at creating a favourable external environment for implementing NDS and forging effective partnerships with other countries.

Create conditions for reliably protecting the security and independence of our sovereign nation by maintaining friendly relations with the two neighbours and other countries in the world, strengthening the country’s position on international arena, creating a network of mutually beneficial political, economic and humanitarian cooperation with leading regional and other powers, as well as protecting the legitimate interests of Mongolian citizens and legal entities abroad.

**Strategic objective 1.** Implement a peaceful and active foreign policy:

- Implement a peaceful, non-confrontational, open and multi-pillar foreign policy.
- Respect international law and strictly comply with the commitments undertaken by Mongolia in international treaties and agreements.
- Attach priority importance to maintaining mutually beneficial, balanced relations with the two neighbouring countries. Pursue a policy of gaining access to the markets of these countries in accordance with the principles of free trade.
- Implement a policy of maintaining comprehensive partnership relations with the USA, Japan and the European Union. Set a goal of concluding free trade agreements with these countries and regions and work towards achieving it.
- Expand Mongolia’s relations with India, the Republic of Korea, and ASEAN countries and work towards further developing partnership cooperation with these countries in the field of investment, culture, and humanitarian affairs.
- Stimulate and expand traditionally friendly relations and cooperation with the countries of Eastern Europe.
- Take an active part in further developing the country’s relations with Turkey, Kazakhstan and some Arab countries.
- Seek constructive participation in regional political and economic...
integration schemes and gain membership in the Asia-Pacific Economic Cooperation (APEC).

- Attach priority to joining the efforts of deepening integration in North East Asia and East Asia, and strengthen the country’s position in these regions.
- Take an active part in developing cooperation in Central Asia and strengthen Mongolia’s position in this region.

**Strategic objective 2. Develop effective foreign economic relations:**

- Pursue a policy of diversifying as much as possible the country’s foreign economic relations.
- Seek to conclude free trade agreements with other countries. Consider political and economic implications of doing so.
- Implement a consistent policy of actively promoting the interests of land-locked countries, including by ensuring a notable reduction and subsequent elimination of transit and other fees imposed on Mongolian goods by the Russian Federation and the People’s Republic of China.

**Strategic objective 3. Promote foreign relations in other fields.**

- Implement a policy of protecting the rights, freedoms, legitimate interests, and safety of Mongolian citizens residing in other countries, expanding ties of cooperation with Mongolian nationals living abroad, encouraging mutual support in preserving the Mongolian language, culture and traditions, as well as welcoming their assistance in developing Mongolia.
- Adhere to the principle of assigning to Mongolian Embassies and other diplomatic missions to international organizations not only professional diplomats, but also people well qualified in economics, science and technology.

### 7.6 Defence Policy

In elaborating and implementing its foreign and domestic policies, the Mongolian Government will keep strengthening the country’s defense capacity at the center of its attention and will establish an effective system of general management and civilian control of Armed Forces. A local defense system fitting Mongolia’s Regional Development Programme will be created.

**Strategic objective 1. Establish and strengthen integrated defense system based on local defense.**

- While pursuing Mongolia’s socio-economic objectives, accumulate proper reserves for State mobilization in line with defense interests of the country.
- Improve health, provide higher education, knowledge and skills to young generation, improve quality of the Armed forces’ permanent staff and mobilization reserves, nurture a feeling of pride for the country’s Armed Forces in all citizens.
- While elucidating the meaning and purpose of the notion of patriotism and linking it to the country’s higher developmental goals and aspirations, make patriotism a concern of each and everyone.
- Improve State administration of the Armed Forces and create a professional, integrated management system to unify coordination of General troops, Border troops and Internal troops.

**Strategic objective 2.** Develop professional Armed Forces, capable of executing manifold tasks:

- Gradually transfer General troops into professional military units and detachments with permanent staff, bring military structure, organization, military training, armaments and military technical supply of Border troops and Internal troops closer to international standards.
- Enhance capacity and training of Armed Forces to participate in UN peacekeeping and other international activities, strengthen structure and organization of military units and detachments, specially designated for anti-terrorist activities and elimination of consequences thereof, improve their mobility and ensure permanent stand-by readiness.

**Strategic objective 3.** Implement gradual renovation of armaments and military equipment.

- Establish “Armed Forces Development Fund” supported by aid, donation and budget funds
- Improve military command communication, information system, arms and machinery of the battalions capable of performing peacekeeping operations, military units designated for anti-terrorist activities and anti-aircraft defense forces, using budget investments, international assistance and aforementioned fund.

**EIGHT. MAIN OUTCOMES OF POLICY IMPLEMENTATION, MECHANISMS FOR THEIR ACHIEVEMENT**

**8.1 Main outcomes of Mongolia’s MDGs-based NDS**

By implementing MDGs-based NDS the following considerable results will be achieved:

**Period of intensive economic development (2007-2015)**
Fully implement MDGs by 2015.

- As a result of active and rapid economic growth many new jobs created, poverty halved.
- In comparison to the year 2000, under-five mortality rate down by two-thirds, maternal mortality by three-fourth and the spread of the STD/HIV/AIDS consistently reduced.
- A notable progress achieved in fostering gender equality in all areas.
- By 2015 all children of school age fully enrolled in primary education, gender gap completely eliminated.
- General education schools transferred to 12-year system, multi-alternative curricula and programmes elaborated and implemented.
- Average annual economic growth not less than 14 percent, GDP per capita to reach USD 5 thousand.
- Extraction of mineral resources increased noticeably. Share of processing industry in GDP increased fourfold, high technologies introduced and product competitiveness increased.
- Industry for extraction of oil and chemical products from coal established. By 2015 Mongolia’s own industry supplied not less than 50 percent of the country’s consumption of oil and oil products.
- Tourism sector developed, number of tourists visiting the country in one year reached one million.
- Brain-intensive industry and service industry developed and foundation for a knowledge-based economy laid.
- A favorable environment for the development of SME achieved. Unemployment noticeably decreased.
- Opportunities for software production and export created, consumption increased.
- 20-30 thousand households in ger districts of the Capital City connected to the central power lines; nationwide average of 10 thousand households improved their housing conditions annually.
- Agricultural production intensified provision of food products to population improved.
- Livestock breeding quality improved by using biotechnology and genetic engineering, harvest of crops increased. Average annual wheat production increased fourfold, annual production of potatoes and vegetables increased by 1.5 times on average.
- In infrastructure significant objectives achieved, the length of paved roads reached 8 thousand km. Construction of railroad in Gobi and Eastern region accomplished by 60 percent. 70 percent of the construction work of the second railroad completed. Electrification of the main railroad ensured.
- All soums of Mongolia have permanent power supply, all herder households supplied with solar and wind energy. Domestic power needs fully satisfied, furthermore exporting of electricity started.
Regional development intensified excessive concentration of population in Ulaanbaatar halted. Population of some main regional centers exceeded 50 thousand.

Modern towns with population of 10-20 thousand appeared alongside strategic deposits, such as Tavantolgoi and Oyu Tolgoi.

Family strengthened and population increased. Comprehensive measures to eradicate domestic violence taken.

By 2015 enrollment of children in primary education reached 99.1 percent, in secondary education - 97.2 percent and in basic education - 98.3 percent.

Number of state or non-state owned general education school centers corresponding to or nearing the international standards to be more than 10.

Have more than two universities, nearing the international standards.

Family doctor system fully customized.

60 percent of soum and aimag hospitals and 100 percent of the district hospitals equipped with treatment and diagnostics equipment.

Medical case records 100 percent transferred to electronic cards.

Number of patients from rural areas arriving for diagnostics decreased by more than 50 percent.

A treatment and diagnostics center that meets international standards established, number of patients going oversees for treatment and diagnostics noticeably decreased.

Accessibility and quality of medical services reached 75 percent.

Air pollution in Ulaanbaatar and other big cities halted. Comprehensive management of garbage and waste implemented, thus sharply decreasing sources of environmental pollution.

The size of territories playing special role in the preservation of the ecosystem balance of Mongolia will reach more than 20 percent of its total territory, i.e. more than 30 million hectares.

Drinking water needs of the 70 percent of the urban population and 60 percent of the rural population satisfied.

**Transition to knowledge-based economy (2016-2021)**

At this stage average annual economic growth not less than 12 percent, GDP per capita reaches USD 12 thousand, brain-intensive industry and services expanded, knowledge-based economy developed, Mongolia became a middle-income country.

Mongolian economy as a whole became significantly more efficient and competitive.

Transfer from extraction of mineral resources to production of end products accelerated.

Average of not less than 15 thousand households will improve their housing conditions nationwide annually.
By 2021 middle-income citizens constituted 60 percent of the total population, Human Development Index reached 0.8.
By 2021 enrollment at all school levels reached 100 percent.
Number of schools and universities with curriculum fully corresponding to the international standards increased.
Financing of research work reached 2 percent of GDP in 2015 and 3 percent of GDP in 2021. One-third of these expenses shouldered by the private sector.
Mongolia became a country that adopted and mastered modern technology.
Tourism developed, number of tourists visiting Mongolia a year equaled the country’s population.
Efficient agriculture and farming developed, food needs of the population satisfied mainly by domestic ecologically clean products, export of food products increased.
Consumption of oil products fully supplied by domestic production.
Modern transportation, communication and energy infrastructure, competitive in the region and in Asia, created. Length of paved roads reached 11 thousand km. Exploitation of second railway started, a railroad network in Western, Gobi and Eastern regions established.
By 2021 Mongolia fully and reliably satisfied its power, heating and energy needs by domestic sources, furthermore it supplied power and energy to the world market.
Regional main centers developed, their population topped 100 thousand people each, favorable conditions for people to permanently live and work in their localities created.
Average life expectancy reached 72.
Needs of soum and aimag hospitals fully satisfied.
Number of patients arriving for diagnostics and treatment from rural areas to the city decreased by 95 percent.
Accessibility and quality of medical services reached 95 percent.
Targeting of social welfare services improved and their efficiency increased.

8.1.1 National and Regional Programmes of Mongolia

The following National Programmes will be implemented within the framework of NDS:

- “Mineral resources”
- “Technology”
- “Infrastructure”
- “Water”
- “Rural development”
The following Regional Programmes will be implemented, industrial and technological parks and complexes will be established:

- Western, Eastern, Central and Hangai Regional Development Programmes,
- Inter-linked business incubator parks in Nalaikh, Bagahangai and Baganuur districts of the Ulaanbaatar city, “Airservice International” park,
- “Darkhan” industrial technological park,
- “Altangobi” industrial technological park in Choir,
- “Dornod” industrial technological park,
- “Kharkhurem (Kharkhorin)” training, scientific, technological park,
- “Khovd”, “Uliastai”, “Undurkhaan”, “Zuun Mod” industrial technological parks established.
- Zamyn Uud, Altanbulag, Tsagaannuur free economic and trade zones established.

8.1.2. Laws to be newly adopted or revised

The Government of Mongolia will elaborate and get approved list of laws that need to be newly drafted or renewed within the framework of legal reform.

8.1.3 Development foundations

1. “Mongolian Development Foundation”
2. “Treasury Fund”
3. “Sustainability Foundation”

8.1.4 Indicators of main outcomes

Following will be the indicators of MDGs-based NDS: MDGs, Human Development Index of 0.8 by 2021, GDP per capita to be not less than USD 5 thousand by 2015, and USD 12 thousand by 2021, Economic Competitiveness - 80, infiltration of high technology higher than average, ICT accessibility - 70 percent of the population, noticeable increase in foreign direct investment and share of export, housing supply more than 50 percent, drinking water availability - 70 percent in urban areas and 60 percent in rural areas, total forest area – 18
million hectares, irrigated area 300 million hectares, change in economic structure (percentage to GDP by 2021: mining – 18 percent, agriculture – 8 percent, processing industry – 40 percent, services – 35 percent). Along with above, indicators for each sector will be elaborated.

A well-coordinated, efficient and responsible democratic structure of State institutions, with a system of mutual checks and balances fully established by 2008.

In 2008 issue of suitable and sustainable structure of the Government worked out and legislated.

A comprehensive policy to establish suitable administrative and territorial unit structure with fewer units and levels, provide services to citizens in an easy and prompt way, strengthen the independent nature of the local institutions by 2012. (level of achievement of NDS is shown in Appendix 1, Table 9.)

8.2 System to Implement Comprehensive Policy

Upgrading the leadership capacity necessary to implement Mongolia’s MDGs-based NDS will be a necessary pre-condition for the successful implementation of the Strategy.

The Government, in its draft Action Plan for its term in office, will determine Government Priorities, based on the long-term NDS and will have this draft Action Plan approved in accordance with rules and regulations stated in the relevant laws and will organize its implementation.

8.2.1 Coordination system

Within the framework of NDS-based Action Plan the Government will coordinate this long-term Strategy through providing strategic planning, policy guidance, programming, coordination, monitoring and evaluation for each of the Government’s main sectors.

An institution responsible for NDS will be established within the Government structure. In addition to elaborating long-term national and regional development plans, developing wide-scale programmes, and ensuring inter-sector coordination, this institution will be responsible for monitoring, analyzing and evaluating the implementation of policies, plans and programmes. Furthermore, it will be responsible for monitoring and improving the current policy document, developing a long-term vision for the future, and submitting them to the Government for approval.
8.2.2 Planning mechanism

The Government will incorporate NDS in the main guidelines for Mongolia’s economic and social development, budgetary notes, yearly budgets, monetary policy and ensure its implementation.

8.2.3 Financial Requirements to Implement Objectives of the Comprehensive Strategy

According to the GMF model calculation, Mongolia will need approximately 14 billion USD between 2007 and 2015 in order to achieve MDGs. Out of which 28 percent will be directed to infrastructure, 27 percent to education and 19 percent towards the health goals. 51 percent of the total expenses are operational expenses, while 49 percent are capital expenses. According to the yearly breakdown of investment, 2010 is the year with highest investment rates due to the planned implementation of large infrastructure projects and programmes in this year. While the expenses to achieve other goals are, in general, equally distributed over the years (Appendix 1).

Financing of 21 billion USD is needed between 2007 and 2021 to implement real sector goals. Adding 8 billion USD to be spent on infrastructure within the framework of achieving MDGs, total investment will reach 29 billion USD (Appendix 1, Table 8).

Financing for the real sector will be put together from the following sources:
- Funds by the Government of Mongolia – 10 percent,
- Private sector investment and foreign direct investment – 75 percent,
- Foreign aid and loans – 15 percent;

8.2.4 Evaluation of the Implementation Outcomes

In order to execute constant monitoring, analyzing and evaluation of the progress and results of the activities, undertaken in the process of implementing NDS following activities will be organized:

Stages for implementation monitoring and evaluation of the objectives reflected in the policy document:

**Stage 1:** First stage evaluation of the Policy Goals *(Timeline: 2010.06.30)*

**Stage 2:** Intermediate stage evaluation of the Policy Goals *(Timeline: 2015.06.30)*
Stage 3: Final stage evaluation of the Policy Goals (Timeline: 2020.06.30)

Monitoring and analysis to be a continuous process.

Monitoring, analysis and evaluation will be implemented by the Ministries and State institutions with the participation of relevant professional and research organizations and NGOs, in accordance with the unified plan. Related expenses will be included in each year's budget.

Each objective reflected in the policy document will have indicators to evaluate its implementation results. Indicators to evaluate most important goals will be determined for each sector in advance.

8.2.5 Reporting and Control System

Implementation of the MDGs-based NDS will be reported to the Government by relevant government institution at each year-end and then be reported by the Government to SGH within the first quarter of the next year.

National Security Council will continuously supervise implementation of the National Programmes within the framework of NDS.

8.2.6 Possible Risks to Mongolia's Long-term Development and Risk Management

The following possible risks will be taken into account while implementing NDS.

Economic risks:
- Sharp drop in prices of gold, copper and coal in world markets
- Trade restrictions and tariffs discrimination policy by neighboring countries
- Regional banking or financial crisis
- Decline or halt in foreign investment
- Sharp rise in oil prices
- Sudden decline in world's, especially China's economic growth
- Domestic financial crisis, substantial budget deficit

Natural and climatic changes, disasters:
- Draught, dzud occurrence over several years
- High impact of desertification
- Other disasters
**Risks to population health:**
- Major outbreak of livestock disease of category "A"
- Major outbreak of such highly contagious disease as bird flu and plague
- Major outbreak of HIV/AIDS

**Industrial and business risks:**
- Large-scale, long-term electricity black-out
- Industrial or technical catastrophe
- Breakdown of road, transportation and communication networks

**State administration risks:**
- Poor implementation of approved legal acts and regulations
- Absence of visible positive results of the State and government activities for an extended period of time
- Weak system of reciprocal control of State institutions, unclear power distribution and absence of accountability
- Inability to hold just, transparent elections
- Growth of corruption
- Protracted social crisis

Risk management mechanism for above-mentioned risks will be constantly improved within medium and short-term planning and their implementation ensured.
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Table 2: Alternative “XX-less” calculated according to the GMF model: Main macro-economic indicators for 2007-2015

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