

**Opening statement by H.E. Mr. N. Enkhbayar, President of Mongolia at  
the “Mongolia Economic Policy Conference” organized by the World Bank Group**

28 October 2008

Distinguished participants of the Conference,  
Ladies and gentlemen,

I am privileged to deliver opening statement at today’s conference organized by the World Bank Group jointly with the Government of Mongolia to review the economic development of the country, to discuss encountered challenges and ways forward.

Distinguished local and international development practitioners including Mr. Egor Gaidar, former Prime Minister of Russia, Mr. Justin Lin, World Bank Chief economist will participate in the conference and allow me to emphasize that it is very timing event in the context of on-going discussion by the Parliament of the 2009 monetary and fiscal policy of Mongolia.

I am pleased to share in my opening statement views on the MDG-based comprehensive national development strategy of Mongolia upon acceptance of the request from the World Bank Resident Representative.

The economic growth of the country has been stable in recent years. Compared to 1990 the economic growth in 2007 has increased by 157%. GDP growth was 7.1% in 2005, 8.6% in 2006 and 10.2% in 2007 respectively and GDP per capita reached 1220 USD. The growth in mining, processing industry, agriculture, construction and industry sectors have positive impact on the social and economic development of the country. The country enjoyed surplus in the foreign trade and the foreign reserves of the country amounts to one billion USD thanks to the high prices of key export commodities at global markets. The Government of Mongolia is persistently undertaking policy measures to ensure the social safety of citizens, to promote human development through increased investments into the social sector, to address poverty through improved energy supply and infrastructure development in the rural area. However, the increase

of wages of civil servants, the wide-scale social assistance programs, the extensive investments with limited cost-benefit analysis into infrastructure and social sectors not only have deteriorated prices and tariffs, reduced effectiveness of the private sector combined with the direct and indirect effect of the global economic and financial crisis that increased the living costs, but also began to influence the overall macroeconomic situation.

In this context the country faces the unavoidable need to identify the long-term development priorities and in my capacity of the Head of the State I have initiated the formulation of the MDG-based comprehensive national development strategy.

According to the survey made in first half of 2008 in second quarter of 2008 GDP is increased by 13.3%, including: 14.6% services sector, the actual growth of the industry is 4.3% compared to second quarter of 2007.

The Comprehensive national development strategy based on experiences and lessons learnt from the last 15 years of the new history of Mongolia, is the policy document developed at the juncture of 3 periods of time adequately identifying the current challenges and objectives for coming 15 years to ensure the prosperous living.

The transformation process commenced in 80-90s of the last century and its essence was to move towards democracy and market economy. The transition process was indeed complex with both positive and negative consequences. The transformation process rolled over two centuries had different distinctive features in various countries and with different degree of success; however, the generic philosophy behind the process can be defined as “dismantling and rebuilding”. Mongolia compared with the most advanced countries similar in transition has modest results, however, compared with those countries that did not succeed in “dismantling” the old system and in “rebuilding” the new system has successfully overcome the hardships of the transition.

In response to the people’s anticipation to accelerate the progress, to strengthen the national sovereignty and taking into account the completion of the transition process and moving towards advanced development, as the President of this country I have issued a decree to formulate the

MDG-based comprehensive national development strategy and the task force has been working for more than one year completing several stages.

This policy document has been formulated based on the goal to foster the sustainable development of Mongolia through careful analysis of the global development patterns and active integration into political and economic cooperation in the region.

The vision of the comprehensive national development strategy defined as “Mongolia is the proud and glorious country”. It means that the Mongols shall respect their history and culture, have the national dignity, confident in themselves as to realize our desires and aspirations, live comfortable, prosperous and contented lives in our homeland.

National development is a guarantee of Mongolia’s security and independence. The root source of the development lies in the national unity and not in conflict.

Today Mongolia is facing a number of challenges to be addressed in the comprehensive national development strategy. The challenges primarily include high unemployment and poverty levels, reduced population growth, and deteriorated development of education and health sectors, imbalances in the ecosystem, accumulated economic problems, and weak delivery of public services.

The MDG-based NDS shall be implemented through two development phases: rapid economic development phase in 2007-2015; transition to knowledge-based economy in 2016-2021.

The rapid economic growth leads to changing requirements to workforce that limits the supply of jobs to the market. Therefore, the success factor is to train workforce with convertible skills and qualifications and supply the labor market in the context of increased economic competitiveness and open market economy.

The knowledge-based economy development strategy shall be implemented within the framework of the following six priority areas:

1. Achieve the Millennium Development Goals and provide an all-round development of Mongolian people
2. Exploit mineral deposits of strategic importance, generate and accumulate savings, ensure intensive and high economic growth, and develop modern processing industry
3. Intensively develop export-oriented, private sector-led, high technology-driven manufacturing and services, to create a sustainable, knowledge-based economy
4. Ensure intensive development of the country's regions, their infrastructure, reduce urban-rural development disparities
5. Create a sustainable environment for development through halting imbalances in the country's ecosystems and protecting them
6. Consolidate further political democracy, foster a transparent, accountable, just system free from corruption, and red tape.

The 2006 Living Measurement survey reveals that 32.2% or 202.4 thousand households with 830.0 thousand people live in poverty. The poverty coverage in urban area is 27.9% and 37.0% in rural areas. According to the Living Standard measurement survey of 2002-2003, 36.1% lived in poverty. The decline of the poverty rate only by 4 points is far below the expectations. In other words, we are in danger of "continuous poverty circle".

In August 1988 the two millionth citizen of Mongolia was born and the average population growth rate in 1969-1979 nearly reached 3.0%. However, in 1990-2006 the population growth rate decline almost twice and the population of 0-14 age was consistently declining. If this trend continues to 2021 the prudent balance between the retired and working age groups of the population will be lost leading to serious economic difficulties. Therefore, Mongolia needs to undertake series of policy measures to promote the population growth.

Children from herders' and poor families have limited opportunities to access education services, children of 0-2 age and with development needs do not have equal opportunities to access social services and special education programs. A number of 8-15 age children who are out of school

have not significantly reduced. The right for equal opportunities to the primary education is the most commonly violated right. There is also a worrisome disparity in the quality of primary and secondary education services between urban and rural and urban and urban suburb districts. The quality of vocational and higher education does not meet the contemporary requirements.

The vulnerable environment of the country is negatively affected by the global climate change and human-caused malpractices. Influenced by the global climate change and the human-caused malpractices, an ecosystem balance of the country is severely deteriorated by extensive desertification, soil erosion, pasture degradation, shortage of water resources and some types of biodiversity.

Though the key macroeconomic indicators have sustainably improved, the economic growth of Mongolia cannot match the required demands. The experience of developed countries demonstrates that at early phases of the development these countries enjoyed sustainable high economic growth. For instance, developing countries enjoyed 8-9% of economic growth in 1980-1987 whereas, the average economic growth of last 5 years in Mongolia is 7.1%.

The economic growth is continuously driven by the environmentally unfriendly extractive industry, the pastoral animal husbandry, wholesale and retail trades.

Therefore, the phase one of the comprehensive development strategy shall aim to address these challenges.

The primary objectives of the MDG-based comprehensive national development strategy is to develop capacity and promote intellectual growth of the people; to achieve MDGs; to create totally new knowledge-based economy that enable economic growth based on application of advanced mining technology, information and communication technology, bio and nanotechnologies, promotion of environmentally-friendly manufacturing, transits, logistics, financial mediation services; to nurture the state and government system that serves to the people, protects human rights and freedom and free from corruption and red tape; strengthens the

sovereignty of Mongolia respecting the national pride. Enabling the private sector-led economic growth, human development, including family development, education, health, science and technology, sustainable environmental development are the priorities areas to ensure comfortable and prosperous living of the people.

The underlying development root of the country is the focus of this policy document on the promotion of the economic growth and development strategy that is based on export-oriented manufacturing and services, private sector leadership. The key objective of the economic policy is to develop knowledge-based economy, create economic capacity and resources to achieve by 2021 GDP per capita 15 thousand USD. That is indeed quite ambitious vision.

The country aims to continuously enhance effectiveness of productivity and investments and enable rapid economic growth. In the first phase of the development process, the focus will be given to development of mining industry to collect revenues in the “Mongolian Development Fund” and enable distribution to the people of the country “Gift of the homeland” to make long-lasting dreams come true and open opportunities to enhance people’s livelihood. The longer term strategy is to develop capacity for secondary processing of commodities and thus develop private sector-led, advanced technology-based and export-oriented manufacturing and services with gradual reduced dependence on the mining sector.

The private sector that is based on market economy principles and fair competition is the driving force to implement the country’s comprehensive national development strategy, to create jobs and get the people out of poverty. It is indeed the state’s obligation to promote the private sector development, to minimize barriers encountered by this sector and ensure enabling external environment for the private sector that produces 80% of GDP and comprises 88% of the total workforce.

The development of the real sectors shall be focused to achievement of MDGs, intensification of the economic development and creation of the knowledge-based economy and consistently increase the ratio of the services and industry sectors in GDP to 90% by 2015 and 95% by 2021 so that the country will have an economic structure similar to middle income countries.

I am confident that this Economic Conference shall come up with a range of valuable ideas and recommendations to further streamline the implementation of the national development strategy that is based on the “**triple 15**” concept of achieving 15% of economic growth in coming 15 years with 15.000 USD of GDP per capita.

Allow me wish all the best to the participants of the Conference.

Thank you for your attention.