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Promoting Economic Diversification and Employment Creation in Mongolia through Regional Cooperation

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ASIAN DEVELOPMENT BANK

The Asian Development Bank (ADB's) Work in East Asia

Developing Member Country (DMC)	Status
People Republic of China	Active Borrower
Mongolia	Active Borrower
Hong Kong, China	Graduated
Taipei,China	Graduated
Republic of Korea	Graduated

Mongolia

COUNTRY CONTEXT

MONGOLIA



0 00 100 150 200 250
Kilometers



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- National Capital
- Provincial Capital
- City/Town
- Main Road
- Provincial Road
- Railway
- River
- Provincial Boundary
- International Boundary

Boundaries are not necessarily authoritative.

86°00'E

111°00'E

92°00'E

111°00'E

50°00'N

50°00'N

42°00'N

42°00'N

Selected Data

Indicator	Value
Total Surface Area	1,564,120 km ²
Population	3,090,000
Population in Poverty	21.6%
Infant Mortality Rate	19, per 1,000 live births
Unemployment Rate	7.5%
Forest area	8.1% of total area
GNI per capita	\$3,870
Trade Balance	11.9% of GDP
Current Account Balance	-4% of GDP
External Debt	188.4% of GNI



A Typical Mongolian landscape

Continental climate, with average yearly temperatures below zero. The country has low precipitation, with increasing droughts due to climate change.



A significant portion of the population is nomadic

This is a ger, the typical nomadic dwelling – mobile and very adaptable to the climate.



The country has around 70 million livestock

Primarily sheep, cows, horses, camels and goats.



And infrastructure is very underdeveloped

This makes the rural sector uncompetitive, with struggles to get products to market. The enormous area and low population pose additional problems for agribusinesses.



ADB's Landcruiser (Stuck at -35 Celsius)



A rural road inUvs aimag, just 3 km from
the provincial capital

Note the electricity network, bringing power from the Russian Federation



Mining and Extractive Industries dominate the economy

Copper, gold, coal and oil are the key products, with 90 of exports going to the PRC

Mining-Led Growth

Rapid Growth: 17.3% in 2011

But Limited Employment Impact – only 4% of the labour force

Dutch Disease: very rapid influx of foreign currency led to an appreciation of the local currency (Togrog) – this made local non-mining products (e.g. dairy products) expensive compared with imports. Very rapid growth also led to high inflation

Vulnerability: commodity prices are highly volatile – with quick downturns in prices, there are major shocks on the economy

Diversification not only promotes employment, but also acts as a shock absorber during commodity-led downturns



Modern Rail Infrastructure is Essential for Competitiveness



Urbanization

As rural livelihoods grow relatively more difficult, people flock to urban areas. This leads to increases in need for urban and social services.



Informal Settlements become the norm

Locally known as 'ger areas' – although orderly, ger households are not connected to water, sanitation or heating. Pollution thus becomes a major problem.



Ulaanbaatar

The capital city has tripled in size since the early 90's, driven by rural migrants, often who lost their animals in 'dzuds'. With half the population using coal-fired stoves, Ulaanbaatar has become one of the world's most polluted cities.



Ulaanbaatar



Case of Western Mongolia



Economy Based on Agriculture/ Pastoralism and Tourism

The region is remote and mountainous, with reliance on air connections to Ulaanbaatar



Sheepskins/ Leather production - Core Agribusiness

ADB supported companies like this with funding through commercial banks and advice. This company, Darkhan Nekhi, sells coats and other garments domestically, as well as to customers in Russia. With better connections it is looking to tap demand in colder regions of China.



Lake Tolbo

The region possess abundant water resources – with the construction of the road, residents of the area have started selling fish for export to China



Eagle Hunting: a festival is a draw for tourists

Numbers are limited, however, as most tourists fly in via Ulaanbaatar – reaching Bayan Ulgii is a 3 hour flight from the capital. Driving from Xinjiang was practically impossible until now.



Connections to PRC and Russia

A \$170m grant/loan from ADB under the CAREC program is opening up connections to neighboring China and Russia, and beyond

Aspects of Regional Cooperation

Developing Sanitary and Phytosanitary Standards – to ensure access to Chinese and Russian markets

Promoting customs cooperation between Mongolia and PRC, including a regional border services program

Constructing a major logistics facility at the Mongolia-PRC border at Erenhot/Zamiin Uud

Providing the necessary infrastructure to ensure access to markets

Directly supporting agribusinesses

Providing trade finance



Case of Huvsgul Aimag, Northern Mongolia



Reindeer Herding – Tsaatan Livelihoods



Teepees, with modern features



Lacking Infrastructure

Restricts economic opportunity, but also serves to isolate Tsaatan communities in Mongolia from Tsaatan people in Russia. It also limits breeding stock for their reindeer, and restricts the numbers of tourists who can visit.



The county doctor

ADB is supporting health services, and also forestry development



Tourism

ADB is supporting sustainable tourism, with great opportunities to bring in national and international tourists, including from Russia – the lack of connections is a major brake to developing this sector.

The Central Asia Regional Economic Cooperation Program (CAREC)

AN OVERVIEW

CAREC Members

Afghanistan

Mongolia

Azerbaijan

Pakistan

PRC (Xinjiang and Inner Mongolia)

Tajikistan

Georgia

Turkmenistan

Kazakhstan

Uzbekistan

Kyrgyz Republic

Overview of CAREC in Mongolia





The Altanbulag to Zamiin Uud Highway

This 997 km road links Altanbulag, on the border with Russia, with Zamiin-Uud, on the border with China. It is the country's main regional artery,. This section was built in 1998 with ADB support but lacking maintenance led to a deterioration of the road surface.

Regional Cooperation Programs involving Mongolia

CAREC

Greater Tumen Initiative

Steppe Road Initiative

Eurasian Economic Union

Belt and Road

Circle of Altai Mountain Cooperation

Ulaanbaatar Dialogue

Shanghai Cooperation Organization

More information available on
CAREC at:

<http://www.carecprogram.org/>