Economic Development in Mongolia

Over the past decade, Mongolia has experienced rapid economic growth. A natural resource rich economy driven largely by its mining industry, Mongolia saw a GDP growth rate that peaked at 17.5 percent in 2011. However, over recent years growth has slowed dramatically with a drop in foreign direct investment. The challenge ahead for Mongolia is to strengthen its business environment while fostering inclusive economic growth and broad-based, sustainable economic development.

ENHANCING PROVINCIAL COMPETITIVENESS

Two significant challenges have created barriers to growth for Mongolia’s economy. While part of the blame for Mongolia’s declining growth is falling world commodity prices, another is lack of investor confidence. In 2014, foreign direct investment fell by 58 percent, due largely to investor concerns about the country’s regulatory framework, as well as conflicts over mining agreements and licensing. The Asia Foundation is working with Mongolian partners to build investor confidence among public and private stakeholders.

In 2014, The Asia Foundation provided support and guidance to the Economic Policy and Competitiveness Research Center (EPCRC), Mongolia’s preeminent think tank, to conduct its annual Mongolian Provincial Competitiveness Survey. The survey analyzes 180 criteria to rank Mongolia’s 21 aimags (provinces) according to four categories: economic performance, governance efficiency, business efficiency, and infrastructure. The results of the survey have been used to improve economic governance at the provincial level, build credibility among investors, and provide a basis for evidence-based dialogue among policymakers. The publication of this survey aligns with The Asia Foundation’s efforts to promote business environments and attract foreign direct investment, while strengthening and supporting economic cooperation between provinces.

In 2015, to provide greater transparency and accessibility of the findings, the results of the survey were made available for the first time on an interactive website (www.aimagindex.mn). In order to make economic data accessible to all, the website features easy to understand tables and graphs. The implications of the survey were also discussed at the sixth annual Mongolia Economic Forum in Ulaanbaatar in April 2015.

BUILDING A PROSPEROUS BUSINESS ENVIRONMENT

Ulaanbaatar is an important economic region, accounting for approximately 64 percent of Mongolia’s GDP. Since 2012, The Asia Foundation has worked closely with the Ulaanbaatar City Municipality, most recently to provide technical assistance for the development of the Ulaanbaatar Economic Development Strategy. The aim of the strategy is to

The rapid urbanization of Ulaanbaatar, now home to 50 percent of Mongolia’s population, has presented a number of challenges and opportunities for green growth.
improve the business environment and highlight the importance of public-private partnerships in building a prosperous city and thriving economy conducive to job creation.

Developed in consultation with the private sector, civil society, academics, and the national government, the Strategy lays out a vision for Ulaanbaatar in 2030. It envisions a competitive and diverse economy, with a strong focus on the transition of informal businesses to the formal sector, and the development of value-added manufacturing and the service sector. It foresees Ulaanbaatar as an international business center, with supportive programs promoting the development of small and medium enterprises, and a clean and green living environment, among other attributes.

The Strategy will be used in conjunction with the Mongolian Provincial Competitiveness Survey to promote dynamic public-private dialogues between the private sector and provincial authorities, and assist them in identifying much-needed reforms and ways to improve the local business environment, especially for small- and medium-sized enterprises.

SUPPORTING GREEN GROWTH

The rapid urbanization of Ulaanbaatar, now home to 50 percent of Mongolia’s population, has presented a number of challenges and opportunities for green growth, a term used to describe economic growth that is environmentally conscious, uses natural resources in a sustainable manner, and enhances the synergies between environment and economy. The Ulaanbaatar City Municipality and The Asia Foundation signed a Memorandum of Understanding in June 2015 in Ulaanbaatar to improve and expand opportunities for collaboration, including on the development of an Ulaanbaatar City Green Growth Strategic Action Plan. The partnership will identify clear strategic objectives for green growth development in Ulaanbaatar City, and will build partnerships and develop action plans to achieve those goals.

The Foundation also provided technical and financial support to the city for the successful organization of a meeting under the umbrella of the Northeast Asian Mayor’s Forum in September 2015 in Ulaanbaatar. Representatives of 12 cities in the Northeast Asian region gathered to share their experiences and lessons learned on their journey to sustainable and green growth, and explored ways of cooperating in areas of mutual interest. The Foundation’s offices in Korea and China participated in this event, opening up the possibility for more coordinated regional economic cooperation.

PROMOTING WOMEN’S ECONOMIC EMPOWERMENT

Another area of focus for The Asia Foundation is women’s economic empowerment. Despite overall improvements in the economy, women in Mongolia still face difficulties in starting their own businesses, ascending to management-level positions, and receiving wages on par with men across sectors. A key element of developing the business environment is increasing opportunities for women to realize their full economic potential. In 2014, together with the National Committee on Gender Equality (NCGE), the Foundation organized a meeting on “Promoting Women in Business: Women’s Entrepreneurship and Economic Empowerment in Mongolia.” The one-day meeting drew over 60 women from parliament, ministries, the business sector and civil society to discuss the challenges and opportunities that women face, as well as provide advice to aspiring women entrepreneurs.