



MINISTRY OF FOOD AND AGRICULTURE OF MONGOLIA

GOAL

- ~ To support the regional and rural development providing economical growth,
- ~ To provide the favourable environment of stable development in the agricultural sector

VISION OF THE MINISTRY

- ~ To form the intensive food and agricultural sector, which is able to compete in the external and domestic markets and overcome the natural and economical obstacles

FOREIGN INVESTMENT ENVIRONMENT AND THE FUTURE PERSPECTIVES

As you know agricultural sector in Mongolia has been and is still holding a weighty share in the country's economy. The agricultural sector produces over 20 per cent of GDP and 13 per cent of the national hard currency income is generated from exports of products of food and agricultural origin.

In the last 10 years , for instance, over 60 projects and programs have been and are being implemented by international organizations and foreign countries as aid and loans in the food and agriculture sector of Mongolia with total cost of approximately 300 million USD. These have played an important role in overcoming the difficulties related to Mongolia's transition from centralized economy to market economy.

Many of these projects have been oriented towards helping this sector transit to market relations, studying the inception conditions for market economy relations, training of human resources, supporting sectoral property privatization, organizing training and seminars for producers, supplying office and training equipment as well as improving the capacity and management of the sector.

Currently there are 25 foreign projects with total financing of 79,5 million USD implemented in this sector. Of these, 11 projects are technical assistance, 5 projects are grant aid, 3 projects are loans and 4 projects are implemented with funds accumulated from previous projects. At the moment, every aimag has one or two foreign ongoing projects implemented its territory.

According to the recent estimation done by our ministry of the priority investments in food and agriculture sector, over 1,3 billion USD are required to implementing activities in the nearest five years only. We can see clearly how much space and need for investment we have in the food and agriculture sector.

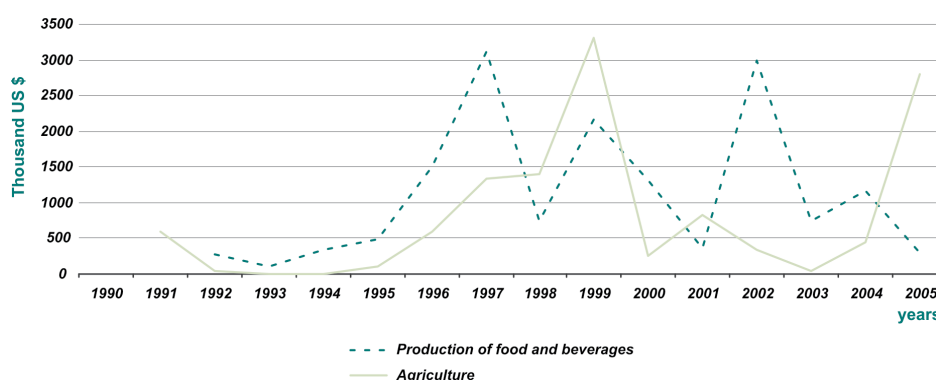
FDI inflow in Mongolia in the food and agriculture sector

(cumulative value), thousand US \$

Table.1

Sector	Total	%	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Production of food and beverages	15,614	1.1			272	97	336	491	1,509	3,125	750	2,170	1,310	356	2,993	736	1,176	294
Agriculture	12,103	0.8		589	43	7	7	106	595	1,332	1,392	3,315	253	825	346	50	447	2,797
Amount	27,717	1.9																

Figure.2



The Government of Mongolia is carrying out a strategy directed to support foreign direct investment. In this framework, governmental, foreign invested and rural development supporting projects in the food and agricultural sectors had been implemented and have currently being implemented.

As a result of the implemented projects, foreign direct investment into food and agricultural sector has increased significantly. The above figure shows the production of food and agricultural products from 1990 to 2005.

FDI into the agricultural sector was US\$106 thousand in 1995 and 253 thousand USD in 2000. FDI in the agricultural sector has significantly increased and reached US\$2,797 thousand in 2005.

It is observed, foreign investment in the food production has relatively been declining. For instance, FDI in the food production had reached US\$ 2,170 thousand in 1999 and decreased US\$ 736 thousand in 2003 and US\$ 294 thousand in 2005.

