

**MONGOLIA****NOROV ALTANKHUYAG, Governor**

It is a great honor and privilege for me to address the 38th Annual Meeting of the Board of Governors of the Asian Development Bank. Please allow me to join my fellow Governors in expressing gratitude and appreciation to the Government of the Republic of Turkey and the citizens of Istanbul for their generous hospitality and the Asian Development Bank management and personnel for excellent arrangements for this meeting.

Taking this opportunity I would like to congratulate once again President Haruhiko Kuroda with his election as the President of ADB. I strongly believe that with your guidance and leadership, ADB will contentiously succeed in addressing development needs of the region, accelerating economic growth and reducing poverty.

Allow me to shortly brief on socio-economic development situation of Mongolia. It has been over 15 years since Mongolia has launched its transition to democracy and market economy. During this time, efforts of the Government were directed toward accelerating reforms in all sectors of the economy, policies were targeted to restructuring and to ensuring private sector development. As a result of these measures, in recent years, we have had a steady economic growth, and in 2004, the economic growth reached 10.6 percent. This growth mainly underpinned by higher livestock production, investment in the mining and mineral sectors, growth in industrial and service sectors.

In recent years, the inflation level was low, with an average of 5.6 percent, while in 2004 it reached 11.0 percent. One of the factors which have had played a role was the price increase in oil.

Implementation of the programs aimed to stabilize the macroeconomic situation supported by the international financial institutions, made to decrease the budget deficit significantly in recent years. Also, improved cash management, set up legal environment for government procurement and public sector financing and management concept were of benefit in reducing the budget deficit as well. Comparing to 7 to 8 percent of budget deficit of five years ago, in terms of GDP, it has decreased to 2.2 percent in the year 2004.

Despite these favorable economic turns, Mongolia remains vulnerable to external factors due to the narrow base of the economy and poverty still remains persistent with 36 percent of population living below national poverty line.

A new Grand Coalition Government, which has been established as a result of the parliamentary elections last June, has set out a Government Action plan where the policy directions for the coming 4 years has been determined. New Government is committed to ensuring macroeconomic stabilization and has determined private sector development as a leading engine of growth to achieve sustainable economic growth, promote access to knowledge-based market, diminish disparities between urban and rural development. To reduce the vulnerability of economy and to support the economic growth, more attention is placed in reducing poverty in years 2006-2008. As reflected in the government program, the aim is to implement the policy, which will make the production of industrial and exporting goods to increase and in turn having an impact on unemployment and poverty. The target is to keep economic growth rate above 6 percent and the rate of inflation below 5 percent.

Mongolia became a member of the ADB in 1991. Since then our cooperation expanded to almost all sectors of economy of Mongolia. Assistance provided by the ADB totaled to more than 500 million USD of concessional loans and 50 million USD worth of grants and technical assistance. And recently, the Government and the ADB have reached a common understanding on the strategy and programs for the coming years of 2006 to 2008.

Finally, on behalf of the Government of Mongolia, I express my sincere acknowledgement to ADB for its contribution to the economic development and poverty reduction of the region, as well as for continuous support and assistance to Mongolia's efforts toward the market economy.