

# Mongolian Economy

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## Feature

Let us talk about our exhausted soil like we discuss smoke

## 2018 review

Crisis-struck year for State

Mongolia...  
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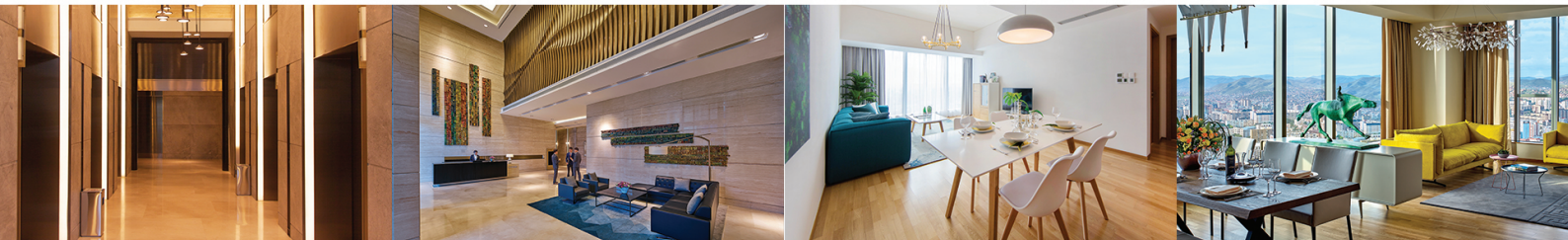
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**I**t is our privilege to greet our readers with our last issue of 2018.

2018 has been a thriving year for both economic growth and accomplishments of the private sector. If we successfully keep that growth and rise, 2019 prospect definitely looks bright. International institutions are projecting Mongolia's economy's growth at more than 6.5 percent. The government of Mongolia says it would be 8 percent. Legislators are planning to increase the money supply to make certain progresses towards society and social development. If the People's Party successfully solves its internal dispute, peacefully implement their plans, the year 2019 could be a flourishing year for citizens, for the private as well as public sector. Certainly, we should make sure that economic growth will be inclusive for everyone. This year's growth shows us there is no need to talk nonsense about Non-Inclusive growth.

Big projects are soon to be implemented in 2019, according to the government. It is going to implement projects such as the new water treatment plant which is a project to increase water supply, Gachuurt-Nalaikh highway, thermal power plant as well as solid waste recycling plant. It has determined to put Tavan Tolgoi deposit into the economic circulation, which has been discussed and dispatched for many years. Tavantolgoi is preparing for an IPO at international stock market to finance its operations. The Government is said to implement Tavan Tolgoi and the above mentioned projects next year. If true, Mongolia's economic growth will accelerate, business will intensify and citizens' lives will improve. Zandanshatar.G, chairman of Cabinet Secretariat of Government, wrote in "World in 2019" that Mongolian economy is becoming warmer while global economy is at a chilly pace.

2018 was a year of economic challenges for "Mongolian economy" magazine too. Last five years were years of patience for our colleagues and for our team. The most rewarding part is that we have overcome these years with our readers' and subscribers' trust and

strength given to us. The New Year will be our year of intense development. We will pay more attention to the quality of our magazine. We will deliver improved content, and research based articles. 2019 will be a year of self-development which will focus on magazine standards. In order to enrich our content, we are discussing to officially to cooperate with international magazines and newspapers such as The Economist and Harvard Business Review magazines

We are planning to renewed English contents as well. The quality of the information requested by foreign investors and external readers is of particular concern. We will deliver true and analyzed information to the economic and business world.

Also we will make a reform to the [www.mongolian-economy.mn](http://www.mongolian-economy.mn) website, which is also bilingual. The goal is to redefine and refine the development and content and become a specialized economic website.

Our magazine has expanded its operation in the last quarter of 2018 under the name "Economy Media" LLC. Together with the monthly Mongolian Economy magazine and [www.mongolianeconomy.mn](http://www.mongolianeconomy.mn) website, we have recently published "The World" issue in the scope of The Economist magazine's special license. We have recently published our very first issue of Business.mn magazine for entrepreneurs and businessmen. In this sense, we have expanded our operation by starting to release economic and business magazine as well as one annual international issue.

Finally, I would like to express my gratitude again to all our readers and subscribers. I very grateful that your continuous support by subscribing and reading our publishing. As a token of our gratitude we would like to give "The World in 2019" issue as a present. To our dear English readers, we have planned to publish a English language magazine with the information and articles about Mongolia you have always wanted.

Dear valued subscriber, we hope you will continue being with our magazine. I wish you health and success in your career for the coming 2019.

Founder, Editor-In-Chief  
Bekhbayar Damdindorj





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## Outlook

In the next decade, India and Southeast Asia's coal demand will remain high. India will become the largest coking coal importer by 2022. However, Mongolia will not have a share from this demand. Our country has no buyer owing to the fact that we can only transport our coal by vehicles and only to our neighbor China. Coal is the main export item for Mongolia, composing 90 percent of total exports. China may have stopped importing coal because its coal import plan has been fulfilled, but that is not a fact. According to the National Development and Reform Commission of China (NDRC), the country's coal imports in 2019 should not exceed this year. Some people say that this is partly an action to protect domestic market. Considering the messages implying that low quality coal imports cause air pollution and affect ecosystem, passing coal mixed with earth dust through Chinese border will be a fairy tale. This is another reason. In the first 10 months of 2018, China imported 252 million tons of coal and just 27 million tons remain in plan to be bought from the initial amount of 279 million tons. But it is matter of time that the limitation established by our major buyer will create a trouble to the country's economy. It is doubtful that China will cancel the prohibition in the first month of 2019. Mongolia may have to wait until the end of Lunar New Year. No clear explanation has been made from our Southern neighbor, which is another purchase plan for China that has been fulfilled, and they aim to focus more on renewable energy sector in the coming years.



China's coal demand is not drained yet. Summing up that China had limited its coal need, it is obvious that the phrase "Budget amendment" is going to be heard often as Mongolia constitutes its budget from mining and coal exports. The next year's budget proposal illustrates that the industry will not rely heavily on one sector, but taxpayers are forced to repay the budget deficit unless the 42 million tons of coal is exported. There is a risk of interruption to welfare system: children's monthly allowance of 20,000 MNT and the program "Mothers with salary" may be ceased. But then, the Deputy Finance Minister reports that one out of three people in Mongolians is poor. These people are going to be classified as extremely poor and those who are in the middle-class will be called poor. The Economist magazine, in its annual special edition, forecasted

Mongolia's economic growth to be 6.8 percent. The Minister of Finance should work to stimulate this growth on people's lives. We should wait and see how it will work out. As for the country, which is highly dependent from imports, USD rate appreciation is a huge risk. The Ministry of Finance and Bank of Mongolia are responsible for the rise of tugrug. According to Focus Economics, the average coal price will range around 81 USD. However, China is not attracted to coal and India and Southeast Asia are likely to fill this gap. Only the fact that 22 large thermal power plants are going to be commissioned in 2019 assures the demand for coal. Being a ►



## Opinion

## Naranbaatar.L: Budget revenue can be fulfilled and surpassed

*Mining engineer and economist Naranbaatar L. is the organizer of Coal Mongolia conference. He shared his view on the coal production and export of Mongolia with the Mongolian Economy magazine.*

- landlocked country makes it impossible for us to directly supply coal. Seeking a transmission will not create a solution. Although the demand is at different direction, authorities were talking to make an import 4,000 kilometers to the Far East crossing and now they are keeping silent. Meanwhile North Korea made it possible for us to use their railway and ports. The rumors are spread in the internet that Mongolian coal is becoming China's property under the guise to clean it.

We talked about railway for forever, but the only materialized thing is its dam. During this period, China has become world's second largest economy and is keep saving its people from poverty quickly. Currently, China has 30 days of reserves of thermal coal, which is enough for domestic consumption and will not cause any risk, and this situation forms uncertainties to suppliers, said Mike Cooper, Platts Coal Report. Also Reuters news agency reported that suppliers are heavily affected by the Chinese import restrictions. Strict requirements are urged at coals exported through small ports and for low quality coals. We need to say that this restriction started affecting domestic market.

It is difficult for our country to rely on coal sector because it is impossible to produce washed and processed coal. It is most likely that this issue will not be settled in 2019. Zandanshatar.G, Chairman of the Cabinet Secretariat remarked, "Political instability, for instance, fictitious expectation that Government would be dismissed, has created a situation that some entities and commercial banks are keen on saving USD. On the other hand, owing to the fact that coal transportation and export has been seized, rumors about USD appreciation has taken place and USD rate has rose to 2670 MNT. Once it has been proved that the rumor was false, the rate dipped to 2620 MNT." He also added that Mongolians can be assured that coal export will go according to budget projections. ■

**-Can the coal industry fully function as it is pictured in the 2019 budget? If not, how will the mining industry recover gaps in the economy?**

-According to the budget planning of 2019, the government planned to sell 42 million tons of coal. The Chinese National Development and Reform Commission has determined to freeze import until the end of the 2018 due to the fact that quota for coking and thermal coal imports has been saturated.

This is likely to continue until February. Therefore, there occurs concrete risk of interruption in the budget revenue from the coal sector. But there is a solution.

**-What kind of solution do you think?**

-Concentrated coking coal price, which currently stands at 250 USD in Shanxi and 230 USD in Baotou, is likely to remain stable next year. During the conference held in Beijing, Sara Liu, Deputy Director of Fenwei Energy Information services Co., Ltd (<http://sxcoal.com>), said that coking coal price will be 240 USD next year according to a research. Therefore, if the government supports concentrated coal export by its policy, it can fetch its revenue lost due to border bottleneck. The export estimation of concentrated coal is about 5 million tons in 2018 while cheaper raw coal remains at around 29 million tons.

**-People occasionally say government support is needed. What kind of policy will be supportive?**

-Concentrated coal is being sold at 185 USD at Gants Mod port and raw coal is priced at 78 USD at the outset. To sum up, budget damage can be recovered if government manages to make a deal with Chinese side to export 10 million tons of concentrated coal.

We need to migrate to quality from quantity, in other words, we need to adhere a policy that sells high-priced coal that includes VAT.

**-What kind of measure is necessary to accomplish that? Moreover, what type of policy can be pursued?**

-Currently, concentrated coal accounts for only 14.5 percent of total coal exports. The rest are all raw coal. 160 kilometers of traffic jam will not be formed and budget revenue can be fulfilled and surpassed if 2,000 trucks transport raw coal and another 1,000 transport concentrated coal. This is a short term action Mongolia can take immediately. In the medium term, railway construction has to be carried out and the main solution is to make Gashuun Sukhait port an international status port. Materialization can be started by tomorrow. It is 100 percent possible. Unfortunately, the government is pursuing a policy of exporting millions of tons of cheap raw coal. ■

## Minister

# Tserenbat.N: Air pollution will be reduced by 40-50% next year



*Mongolian Economy magazine interviewed Tserenbat .N, the Minister of Environment and Tourism on various subjects such as air pollution and policies the Ministry will be implementing next year.*

**-What are your ministry's plans for 2019? Please tell me about your primary tasks carried out last year?**

-The main work undertaken in 2018 was to consolidate the 19 overlaps in the environmental sector in conjunction with the Ministry of Justice and Home Affairs and the German Technical Cooperation Project to submit to the Parliament. These were unrelated to the subsequent adoption laws, one was denying other provisions or was overlapping them. Once the draft law is approved in 2019, these laws will have a common understanding and will be able to be implemented equally.

The Ministry will undertake specific activities in each sector in 2019. Comparing to the past, people have are actively participating in nature protection nowadays and are keen on introducing and adapting eco-friendly

technologies. Based on this, we intend to do a number of works in the same year. We have cooperated with international and domestic organizations to prevent negative consequences in the future. One of these is the "Change the Attitude" campaign. Under the campaign, we have been working on changing the traditional thinking and practices. In order to reduce the negative impacts in the future, the "Green Passport" campaign has began to implement environmental protection and eco-friendly technology for high school students and to practice many more decent practices. We implemented a training program involving many young people who became gamekeepers of the households and who will live in environmentally friendly age and launched a "Green Passport" campaign across Mongolia. There are nine tasks to do. For example, we would like to start with a simple calculation of how to reduce carbon dioxide emission by classifying waste, water and energy savings. The campaign was awarded by the World Green Organization and awarded the "Green apple" award for the "Nature Protecting Program that



► covered most people". It is a declaration that our work has been approved not only by Mongolian people.

**-What is the result of the "Green passport" campaign?**

-In the first year of the campaign, "Let the Naadam festival run clean" campaign was implemented in every corner of Mongolia. Statistics show that waste has been reduced during the working hours. Furthermore, it is prohibited to use, import and manufacture disposable single-use plastic bags starting from March 1st. Also there is positive news that private entities have quit the usage of disposable plastic bags and are shifting to paper and fabric bag usage.

**-How long it will take to see the results of prohibiting plastic bags?**

-Firstly, plastic bags have been used for a long time and those which do not dissolve in soil have been prohibited. We have no choice but to use administrative means. Government resolution was released. We are in need of protecting our world. The main goal is to build reusable appliances. Single-use disposable plastic bag is so thin that it is difficult to collect and recycle it. On the other hand, plastic bags are affecting the wildlife. There is a danger that wild animals die unnaturally by eating plastic bags. Statistics say that 100 million plastic bags are being dumped annually in Mongolia. I believe that this number will significantly reduce when the sanctions are effective.

**-Let's analyze the main sectors of MET. Soil, water, air pollution and forests. Because the smoke is visible to human's eyes, we talk more about smoke. There is a data which implies that soil contamination is poisoning capital city residents more than air pollution and it has reached a disastrous level. What exactly is the soil pollution in Ulaanbaatar?**

-The main reason is that we did not settled in compliance with community standards. On April 04, 2003, the Chingeltei district court resolution was issued. In order to transfer to Ulaanbaatar city, adults were obliged to pay 50,000 MNT and children had to pay 25,000 MNT at the time. But the National Human Rights Commission has complained that it had violated the Constitution and stopped it. In such a way, we started violating our own community rules. In 2015, "Clean air fund" was disbanded. Since then, no money had been budgeted for reducing air pollution and the budget has been set up since 2016. Officials have promised to do an efficient work.

Soil contamination is the result of violating this legislation too. Before the parliamentary election, candidates of State Great Khural had been promising to provide for migrants that never lived in Ulaanbaatar city. By the time when their needs were satisfied, the settled

areas have been polluted consequently.

I have been leading "National Committee on Reducing Environmental Pollution" for over a year. The reality of the situation is that we have to follow the rules. Ulaanbaatar should impose a tax on citizens. There should be a legal resolution that tax will only be spent on providing healthy and safe life for those who are living in the capital. In addition, the law on legal status of urban areas should be quickly changed and the right to solve city life and social issues must be transferred to city authority. Otherwise, all the existing laws are general. When a problem rises, it is thrown to some structure. The responsible Government body will not be found and the issue disappears among the structures.

International projects and programs are being implemented on soil pollution. For example, certain financing is being spent on project implementation to change the sanitation and reduce soil pollution. Also infrastructure is needed. There are ADB sub-centers in Bayankhoshuu, Chingeltei and Khailaast which are carrying out the program. We are the ones who are causing the obstruction to the task realization. Citizens are not living in the land they should be living on, which affects network establishment work. There is no consistency in one task. There is a need to provide the conditions and timing for a consistent implementation. Certainly, environment pollution cannot be eliminated in a short period.

There is an issue with drinking water. A project is being implemented in cooperation of Ulaanbaatar city Municipality, Government and MCC. In the soil pollution, the ADB project and the National Committee for Reducing Environmental Pollution have adopted technological solutions to reduce soil pollution. Over the last decade, no money has been spent on exploration and extraction of pure water. Additional exploration must be carried out in order to expand current reserves. The Water Agency will be established in 2019. It will seek and use water in Mongolia with professional eyesight, and will continue its policy.

We have held a legal discussion about Law on compensation of water contamination. Whoever uses water randomly, the person will pay more. Entities that use gray water will have payment discount. If water reusing technology is introduced to mining fields, environment plan will be approved. We are urging to import a new environmentally friendly technology.

**-People say smoke is increasing dramatically. But experts say that it had been decreased. I would like to ask from the Minister of the relevant sector. What now? ►**

► -National Committee on Reducing Environmental Pollution performs many functions of the Government. Vice-ministers of the ministries come in and make policy decisions. The committee is a special organ that provides correspondence between the sector. For example, it decides whether the Ministry of Energy or Ministry of Construction and Urban development should settle the issue. In the past, 74 low pressure stoves were connected to integrated heating and 20,000 households have been provided with reliable energy sources. "Tavan Tolgoi fuel" company has been established to supply improved fuel for the people and reserve it. The first stage line was commissioned and technology is being arranged equally. The private sector is now preparing some of its back-up production. The winter of 2018-2019 is the most difficult winter for us. This is because of the low budget of 16.3 billion MNT for this year, lower than last year. Most of these will go to subsidies related to zero electricity tariffs in ger district areas at night. In the coming year, about MNT 75 billion will be spent on environmental pollution reduction. Most of this will be used to support improved fuel production. It is important to pay attention to reducing heat loss. If we reduce heat loss, we have the opportunity to reduce overall raw coal consumption by up to 30%. In 2019, ger district households will be provided with improved fuel. Training on changing the attitude and on reducing ger district heat loss will be organized among the public. Government and the Ministry of Environment and Tourism are discussing a way to open credit source suitable for people's revenue amount with Mongolian Bankers' Association.

**-You said that citizens will be contacted to banks and will be provided with improved fuel. How do you see the outcome? Do you have any data?**

-Raw coal consumption will be dropped by 30-40 percent, in a case we start using improved coal. 600 thousand tons of refined fuel will be ready by September, 2019. As of today, we use 1.2 million tons of raw coal. Thus, using the refined coal in the coming year, we will cut raw coal consumption by half. The amount of toxic substance is decreasing. It is assumed that poor air quality and pollution can be reduced by 40-50 percent.

**-What are the responsibilities of the Capital city citizens? We have an attitude of thinking that air pollution is only state's fault and officials are not doing their work.**

-Ger district residents need to take measures to reduce heat loss. In particular, households living in

ger districts lose 80 percent of their heat via its floor. The Government of Mongolia and the Ministry of Environment and Tourism have developed a picture of private house for the family of 4-6 members. Accordingly, the right to enter into a mortgage loan will occur. Today, 220 thousand people have different standard of home, apartments and stoves. We cannot even follow the rules of development standards. This will be fixed step by step. If you have a house with heat loss, you need to construct it again and be able to issue a mortgage loan. We are going to open up opportunities for green loans and projects. There are about 220,000 chimneys in the capital, 80,000 of them are in Mongolian gers. Each household will have different insulations, felt, cotton, paper and plastic bags.

**-What will be the tourism sector policy next year? When will the policy on bringing 1 million tourists take place?**

-Tourism is at the forefront sector of Mongolia's economic priority. We will stand firm on the position of bringing 1 million tourists by 2020. Three major tasks will be carried out in tourism industry in 2019. We will train industry personnel. We will require guides to speak 3 languages: Russian, English and Chinese. Hygiene standards will be improved. Such policy will be developed in tourism with business feature. Due to seasonal characteristic, united tasks are being done. In the coming year, six regional airports will become international. Roads will be renewed. We will support air carrier companies. We will provide long-term financial support to industry sectors. This will enable tourism to become one of the key economic sectors. When Tourism Industry Policy and Programs is approved in 2019, these activities will begin in stages. The Ministry is cooperating with global tourism organizations, including World Tour Partner, Master Card, and IBM. As a result of consulting services based on Big Data or Tourism statistics, it should reach this goal within a short period of time. They have many experiences and data of cooperation with many countries. We have the opportunity to avoid mistakes of other countries. Establishment of tourism zones along the Tuul River will start in 2019.

**-How many tourists did we get this year? How many tourists are we expected to receive in 2019?**

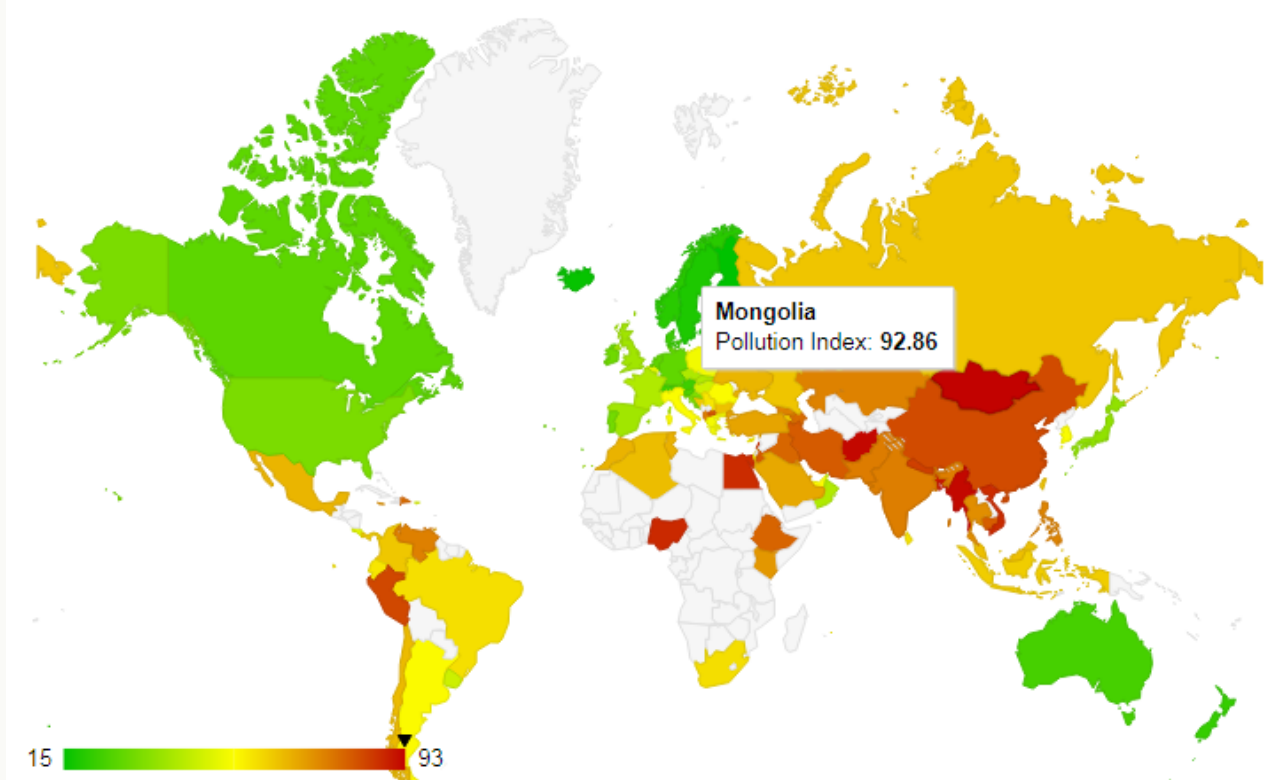
-Around 507,000 tourists have visited Mongolia in 2018. We expect this number to reach 600,000 in 2019 and 1 million in 2020. We will increase the number of cross-border tourism areas. ■



## Feature

# Let us talk about our exhausted soil like we discuss smoke

## Pollution Index for Country 2018 Mid-Year



There are 190 thousand latrine pits in Ulaanbaatar. Ministry of Environment and Tourism has reported that this is the biggest factor that is polluting soil in the capital city. The mean depth of the city's most polluted surface is 2.8 meters, close to the average depth of the latrine pit. According to the Ulaanbaatar City Mayor's Office, an average of 1 million liters of wastewater is being polluted per day owing to these latrines. The second "killer" factor is the fact that people go to toilet in open air.

In Numbeo website, which is revised twice a year, Mongolia was ranked first out of 102 countries in the "Countries pollution index 2018". Main indicators for this list were air, soil and water pollutions.

According to a survey conducted by Ulaanbaatar city

Professional Inspection Agency last month, the whole downtown is concluded to be 3-8 more times polluted than the average content, which is 10 percent higher than last year.

As a result of chemical analysis of heavy metals in some parts of the city chromium, lead, molybdenum, iron, copper, zinc and arsenic levels have exceeded the acceptable amount. Other than bacterial contamination, this type of pollution is stored for more than 50 years in the soil. During a heavy rain, the soil soaks up and heavy metals on the surface may contaminate groundwater. An analysis carried on 1.5 meters deep well water showed high bacterial contamination, while an analyze carried on 47 meters deep well water result was in low level, according to MET. ►

► Soil contamination “recovers” very slowly. Specifically, the surface layer of the soil (0-30 cm) needs about 1,000 years to develop. The self-purification process of soil is carried out in the depth of 0.2-0.25 m below the soil surface, but it depends on the amount of pollution and the types of things that caused the pollution. Chingeltei district is distinguished as the area with the most bacterial contaminated soil of all nine districts of Ulaanbaatar city. As for the district, heavy metal concentration was higher than the capital city average in some places including “Denjiin myanga”, “Khuchit Shonkhor” and “Bumbugur” markets, car repairing shops around Bayanburd circle, ger areas of Khailaast and Zuragt.

The viability of infectious pathogenic bacteria is high in contaminated soils. For example, diarrhea bacterium in blood is able to survive in soil for a year, parasites for 2-3 years, anthrax and tetanus viruses for 25-30 years and tuberculosis bacteria can survive up to 6 years. 85 percent of the cases are in children aged 0-15, while 62 percent of children with intestinal infections stay at home. As of June 2017, dysentery increased by 1.5 times and diarrhea was doubled.

According to Public Health Institute, National Center for Infectious Diseases, hepatitis rate increases in June and August due to soil contamination.

There are no other places around the world where the capital is surrounded by ger districts and has four seasons and extreme weather conditions. We need unique solution and innovation that are not used internationally. We need to create a “Mongolian technology” for a small-scale sanitation facility and eco-latrines. Mrs Uranchimeg.Ts, head of board at MET, and Mr. Batsaikhan.Ch, Senior Expert of NEMA, confirm that the world technology does not work for Mongolia.

The State Great Khural, the Government and political parties, in order to protect the environment, reduce air, water and soil pollution and to protect human health from harm caused by these factors, have approved numerous laws and regulations like “Sustainable Development Concept of Mongolia 2030”, “Green Development Policy” “Recommendations from National Safety Council”, “Program on air pollution reduction”, “Policy on development of Ulaanbaatar city until 2020”, development trend for development of 2030” and “Water” national program. However, the implementation was extremely inadequate and there were even laws which are not accomplished for six years. Therefore, there is a lack of attention for decision-makers in implementing decisions,

maintaining policy succession and not approach these policies as of political party view. As a result, soil and water has become an enemy to humans. But the danger is invisible, so Mongolians have been stressing the smoke problem.

Experts and government officials have agreed that soil contamination has reached disaster level during the forum “Soil Degradation and Hygiene in Ulaanbaatar” on December 04, 2018. Many solutions have been discussed. ■

#### Recommendations during the “Soil Degradation and Hygiene of Ulaanbaatar” forum

- First of all, to process contaminated soils at public areas with organic products, reduce chronic toxicity, to reduce pollution source at medium and long term by planting plants, shrubs and trees, which are capable to attract heavy metal and neutralize it. The measurement has to be taken beginning from spring 2019.
- Develop general requirements, rules and guidelines stated in the Waste law 8.1.8, 8.1.11 and 8.2.1,
- Introduce the system of sorting at the waste source and reusing,
- Pollutant entities must cover the area outside its ownership with organic mortar and asphalt, place plants and trees at loose soil within its fence which grow in Mongolia such as large ulmus, fat-hen, dwarfish ulmus, Siberian poplar, aspen, yellow acacia, dog bunting, algae, and sown alfalfa which are capable of reducing heavy metal pollution in the framework of their social security.
- Constructing individual mini-sized wastewater facilities in areas not connected to central grid,
- Producing low-cost self-sustaining micro-latrines and eco-friendly technologies suitable for Mongolia by supporting Mongolian engineers,
- Support from the state to households to obtain eco-latrines,
- To void land allocation of legal bodies and individuals who own land at 83 hectares of area within hygienic restriction zone for drinking water sources; and to improve its protection,
- To reduce pollution at auto washing and fixing centers, to make them to purify water and reuse the water,
- Develop a permanent monitoring system for surface and groundwater pollution,
- To make a detailed study on human health impact from soil pollution,
- Organize training and advocacy activities for inhabitants, aimed at improving the knowledge of morbidity and mortality due to soil pollution,
- There are no topics left that are not discussed. For instance, how to implement recommendations, where to find financial source, what is the simplest measure etc. If the topic is not increased, Ulaanbaatar will have the right to drop a few words about the health of soil in 50 years.



# DELSEY

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TRAVEL WORLD SHOP NARAN



## Feature



# WATER IS HUMAN'S RIGHT

Mr. Leo Heller, special rapporteur on the human rights to safe drinking water and sanitation, emphasized in his report of his official visit to Mongolia in April, “One family in Dalanzadgad, Umnugovi aimag is living a comfortable life because they are connected to the central network, so it is easy to get tap water. But not far from this family, there lives two elderly people living in a house with their pension, but they cannot afford to pay 800 thousand MNT to the central network. So they get their water from wells. Although there is a centralized network in the soum, households need to pay necessary money to build latrines, toilets and water heaters; thus, every family does not always have regular water. This is also common in urban areas. For example, 20 percent of the population of Nalaikh district of Ulaanbaatar city resides in apartments, while 80 percent live in ger areas that are not connected to hot and cold water pipelines. In Gachuurt area of Bayanzurkh district, people pay 2500 MNT to take a one-time shower, while apartment residents spend 55 liters of water in average for eight minute of shower, spending 44 MNT. Human ►



- rights and social inequality are manifested in water availability.

There is a study that water demand and supply will be equal by 2023 in our country. If Mongolia fails to implement the right water policy, there is a risk of excess water use from the potential supply. Mongolia failed to achieve the Millennium Development Goal 7, which states "to reduce the number of people without access to safe drinking water by 2015 and to reduce the number of improved sanitation" and migrated to "Sustainable Development Goal 2030". One of the reasons of that failure was that, by the time Millennium Development Goal was approved in 2008, the city had 1.065.000 people and as of 2015 the number of people reached 1.350.000 and 35,000 households were moving to the capital city every year, who have settled in ger districts.

For the first time since the implementation of the Sustainable Development Goal, the World Health Organization and UNICEF jointly conducted a water research in Mongolia in 2016. The survey found that Mongolia was one of the few countries in which men and boys were responsible for carrying water. (Photo: Gender gap in water carrying) According to the report, which involved 73 countries that had households with no connection to the central network, women were obliged to carry water in 68 countries. As for Mongolia, although women were less likely to bear the burden of carrying water, we do not know that our rights are being violated behind the word "carrying water".

The Universal Declaration of Human Rights stipulates that the water needs to be sufficient, safe, acceptable, physically accessible and affordable to everyone.

In accordance with WHO standards, human primary needs 50-100 liters of water. The availability of drinking water and sanitation facilities in Mongolia varies with ger areas and apartment dwellers. One member of a family who lives in apartment consumes about 200 liters of water per day, while household members living in gers use 7-15 liters per day. Households in ger areas get less water from wells, which are related to the carrying of water in the extreme cliffs, in the extreme climatic conditions, and the soil freezes during cold seasons so that people cannot spill the used water into the ground.

The provision says that in order to be physically accessible, the nearest water source should be with-

in one kilometer radius from a person's home and the man should spend less than thirty minutes to get water. 17.3 percent of Mongolians spend 30 or more minutes to get water, 16.3 percent of rural residents spend more than 30 minutes and 19.8 percent use non-refined water. (Figure: Average Duration of Water Getting by Countries) Depending on the size of the basin, one household gets water several times a week, while residents of ger districts spend 36 minutes at the well standing in queue.

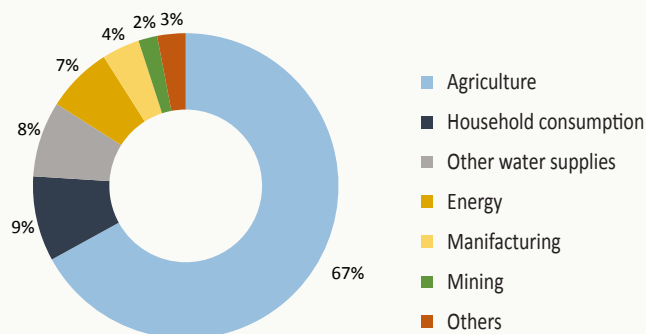
In order to be affordable, the amount of money spent on drinking water should not exceed 3 percent of the total household monthly income in accordance with the Universal Declaration of Human Rights. Households connected to the central line use one liter of water for 0.79 MNT and ger district households use it for one tugrug. However, in reality, the cost of water distribution price is 30-40 percent higher, thus the difference is paid from the budget. For instance, Water Supply and Sewerage Authority spent 6.2 billion MNT in 2012. In ger areas, however water consumption cost is higher than apartments, the water consumption stands at three percent of total household budget. The main reason for low water consumption is not the high cost but the difficulty in water transfer.

In order to be safe, water should not contain any harmful substances in human body. According to the 2013 report on drinking water quality and safety conducted by the General Agency for Specialized Inspection, 22.8 percent of water samples from the capital contained more bacteria than the allowed amount, while 5.2 percent were found to be containing intestinal bacilli. Pollution generated by artisanal miners in the region affects surface water, which negatively impacts drinking water quality. The poisonous potassium in water is colorless and odorless; hence, it is difficult to determine whether the individual is drinking a poisonous water. According to the latest 2012 data, 2.5% of deaths are associated with polluted water.

In order to be acceptable, it is imperative not to adopt any ideologies during the time water gathering and water gathering should happen in free and open condition.

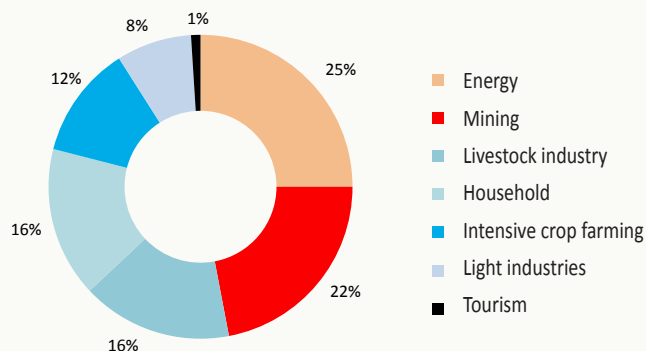
As a result of WHO report, the implementation of the provision of Human Rights Declaration, which states water must be sufficient and accessible, is being weak due to the shortage of drinking water and sanitation facilities. ■

Total world water consumption, 2015



Source: World Bank

Mongolia total water consumption, 2015



Source: National Statistical Office

### ► Why is water issues not settled until today?

The legal and regulatory framework does not cover the safety and sanitation of human rights and drinking water, which is one of the reason why citizens lack knowledge of water rights and security. The Constitution of Mongolia does not specifically specify the rights of humans to be provided by an hygienic environment in which they can use clean water, and only Article 16 states "to live in a healthy and safe environment". Therefore, conflicts may arise because courts and decision makers need to make special explanations. Furthermore, it is possible to specifically implement some of the norms and standards of human rights to be provided by guaranteed drinking water and sanitation.

In 2012, Water Authority was dissolved and the responsibility to provide Mongolian people with drinking water and hygiene had been distributed to the relevant ministries and offices. As a result, there had occurred uncertainty and unclear condition on how government would solve human rights issues regarding water. The lack of integrated water management and the lack of cooperation in those responsible offices is one of the reasons why water issues cannot be solved.

We have many things to do. Water consumers are divided into two categories: the first one is citizens who are using water; the other one is entities that are exploiting the water. Therefore, industries and businesses that exploit water are supposed to receive various water-related taxes. According to the Water Law of 2012, water consumption fees for enterprises remained inadequate, however, pollution of water caused by industries and businesses was inadequate. This is due to the lack of previous experience in water taxation in Mongolia. Consequently, we have faced four Cabinets while we could not establish a regulation on how to categorize fee

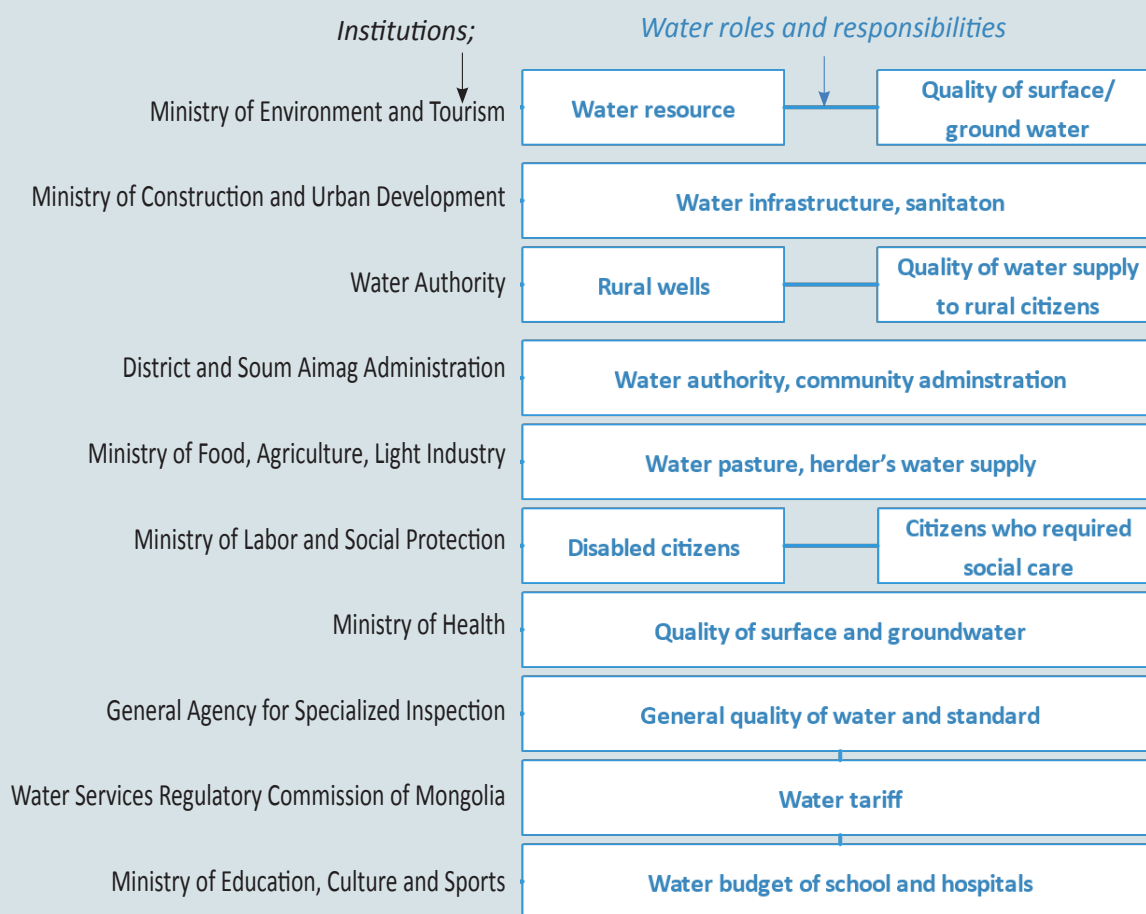
types on legal bodies that are causing different types of water pollution. International practice suggests that tax paid from businesses that use water and pollute water to finance vulnerable households' water projects and incentives for water use for residents. In 2015, 67 percent of the world's water consumption accounted for the agricultural sector, while 28 percent of Mongolia's total consumption is in agriculture, livestock and irrigation. Drinking water consumption accounts for 16 percent of our country's total consumption. (Figure 4, 5) Even if authorities determine the appropriate amount of daily usage of water, it would be impossible to impose a water charge on households when they exceed the stated level. Pursuing optimal policy on water usage charge, it would be better to our future. Individuals and businesses will learn how to cautiously use water. We need a whole system to realize the main policy and legislation on water. Water issues are not just water issues, but rather a law, corruption, and politics that involve a wide range of issues, and we need to improve the institutionalization of the pipeline rather than fixing the pipeline ahead of all.

According to the Government's 2015 standardized examination report, it is common for the schoolgirls to skip classes during their period, owing to the fact that they do not want to go to outdoor toilets during menstruation. There are still issues in women's hygiene and health, such as insufficiency of hot showers, water supply and latrines. According to the Ministry of Labor and Social Welfare, there are 885,000 households nationwide, of which 93,000 households have at least one disabled person. Half of these households live in apartments but the remaining half lives in ger districts. It is difficult for disabled people and elderly people to go to bathrooms by themselves, living in areas where they are not connected to the central network makes it more difficult for them. ■



## The lack of water coordination in Mongolia

*In Mongolia, each local administration is responsible for service provision to households, yet the Ministry of Food, Agriculture and Light Industry oversees the provision of water in pastoral land.*



Under the scope of the second compact agreement in 2019, the United States Millennium Challenge Corporation (MCC) has undertaken a two-year study to determine the barriers of development in Mongolia, in accordance with the principles of research that are essential to the implementation of the project. Mongolian and American researchers have conducted “Analysis of factors that restrict economic development” developed by Harvard's Political Associate Professor Hausman, Reinhart and Velasco. The research implies that following four factors are limiting the economic growth:

- Macroeconomic instability
- Uncertainty arising in the business sector due to unstable laws and policies
- Adverse effects of UB air pollution to people's health
- Poor access of water in poorer societies and in economically productive sectors.

In this way, when the State Great Khural approved the 350 million USD grant aid from the MCC, a project on improving Ulaanbaatar's water resources will take effect and will continue for 5 years. Following tasks will be carried out during this project within the frame:

- 50 wells will be constructed along Tuul river.
- Activities to change social attitude on water saving issue
- To establish integrated water quality laboratory.
- Infections and diseases originated from infectious sources of water cannot be separated from children.
- Child who often get sick
  - Will go get water from near wells or rivers
  - Will skip classes which will affect badly to child's education
  - Will easily get tired due to less drinking water

## Mining



Nyamtaishir.B, the founder of MAK LLC, does not always speak to public and express his personal position. The business community is well aware that he carries his duties with high quality performance. High quality performance is not just his trademark, it is his passion since he implements them with world standard. Thanks to his effort, numbers of factors that meets world standards are established in Mongolia. MAK is one of the largest tax payer companies of Mongolia. Their identification is by national significance alongside the state and international joint ventures. Talks about the MAK Tsagaan Suvarga project in relation to the recent political situation has been in the center of public attention. The following interview was published on the "Udriin sonin" newspaper by B.Nyamtaishir, Chair of Policy Department at MAK, in order to clarify the situation. It is our first concern that he has warned that the international investors would be doubted by this situation.

## Nyamtaishir.M: Investors perceiving false standard is being established in Mongolia

*We got some clarifications from Mr. Nyamtaishir.B, founder of MAK LLC, while he was working abroad.*

**During the State Great Khural session, your son Parliament Member Mr. Nomtoibayar.N questioned Prime Minister Mr. Khurelsukh.U and in response to his question, PM compelled to nationalize Tsagaan Suvarga deposit, which is at your company's possession, and implied that he will withdraw it. What are your thoughts on your son's action?**

-I consider that my son's speech was not false. He is right to talk about principles no matter what the situation is and to express his independent views. Nomtoibayar is putting state interest before the company's interest and is being courageous enough to question the authenticity of the authority straightforward. As a father, I am grateful for that. So, my answer to your question is I am approving my son's word and action.

**Is your company being affected by Prime Minister's response to your son's expression of his viewpoint?**

-Regarding Tsagaan Suvarga matter, we have been inspected many times before.

Nothing is left elucidated as of today. Whereas potential foreign investors have sent some additional questionnaire.

**-Do you expect any potential complications if the minefield goes to state ownership?**

-We have started this project without any state guarantee, collateral and participation. But we did lend from the European Bank of Reconstruction and Development, which has shareholders from 61 countries all over the world. Currently the project completion is at 50% and investment has been made to this minefield. The nationalization matter is not something that can be determined by neither Nomtoibayar nor Nyamtaishir. It is not in our possession at all. Under the scope of all Mongolian legislations and if the law is being efficient, Tsagaan Suvarga is owned by MAK LLC just like every other private entities with minefields in our country.

I want to emphasize that this project will be carried out by Mongolian people, specifically; this is the creation of thousands of employees and their families of MAK Company and other executive companies who have dedicated their labor and intelligence into it throughout the 18 years of implementation. ►





► I believe that mutual trust is a core principle in every business. I have never betrayed financial institutions and the people who have supported us.

Mongolians do not need to give all their resource to foreigners. Our intention in Tsagaan Suvarga is to show that we can create wealth by ourselves, operate ourselves and gain from it. Furthermore, we are striving to establish national pride and to be a role model for our future generation. And we shall not drop this. We shall not incline in front of any hardships. People of Mongolia will receive this project's 57-60 percent benefits via the Government.

**-Prime Minister said that he will be organizing a public hearing on nationalizing Tsagaan Suvarga deposit at the Parliament's plenary session**

-We will not allow those politicians, who have been misusing public opinions, ruling and spending state property as their own, to get involved in Tsagaan Suvarga. 49 percent of Erdenet mine was in Russia's possession, 66 percent of Oyu Tolgoi mine is in foreigners' possession. We have all watched how state manages things. Whether they made improvements or not, it is definite to everyone. Numerous factories are in state ownership. How many percent of GDP is constituted from them? In my perspective, we should consider improving profitable operation of state-owned factories and their foundations and management.

From time to time, every state authority have been trying to attract foreign investors to Mongolia. If the words and actions would contradict, Mongolian Government would take such measure in Tsagaan Suvarga. Not only foreign investors, but our domestic investors will lose interest in making investments. How can they trust this kind of government? Do we need to abandon free market, fair competition, democracy and many forms of ownership? I hope that they will consider how the world will perceive our country and what kind of society we will enter. ■

2018 review

# Crisis-struck year for State



The impact of the trade war passed its strongest shock in copper prices. Rebellious Trump's sudden announcement has dropped giant Rio Tinto's value. Since the announcement of a trade war, copper price has gone down by 20 percent and cut off all plans of copper miners, who have expected positive earnings. During this collapse, fire had break out in Oyu Tolgoi Underground mine and the operation has been temporarily ceased. As a result, the Oyu Tolgoi underground development plan has to be delayed by some time. The product price has risen slightly, but has not reached a favorable condition yet. Especially, it is not beneficial to Mongolia.

Oyu Tolgoi is finishing 2018 with full of burden. Or maybe, this year was the beginning of all this fuss. Again, tax issues. The government has informed that it is not afraid to arbitrate this time. The announcement was made by Mr. Zandanshatar, Chairman of Cabinet Secretariat of Government of Mongolia, who had unsuccessfully initiated the Law on Foreign Investment before.

Some of the men who were among the people that concluded the Oyu Tolgoi investment agreement had been imprisoned. There ►

► is a doubt that the matter will not be raised again. Men who had concluded Dubai Treaty and Underground development plan are now being addressed as national enemies by the present members of the Parliament. Aforementioned parliament's fate depended on which side would tear down the others more and listed as the second most watched content of all time after "The God Father". The economy has suffered a huge loss since the involvement of Parliament and Cabinet members in SMEDF was exposed. After their indifferent explanation in front of an undeniable evidence, investors' hopes were dashed to the ground. Because it is too risky for the investors to invest in a country which has unfaithful authorities who misappropriate state assets. On the other hand, the situation got worse and the Cabinet almost got dissolved. Meanwhile, the bond prices fell and MNT rate diminished significantly. Thirdly, due to this issue, the forthcoming budget of SMEDF is being cut twice to 48 billion MNT. Correspondingly, actual small and medium-sized enterprises are lacking access to the fund.

By the end of the fiscal year, positive imagination about the bright future has been melted away. In the beginning of the year, the profit-generating revenue surpassed expenditures, however, we may see deficit once again at the end of the year. High price of coal has been the advantage of the budget, but the fact that our only single purchaser stopped its import may become a reason for a disruption to revenue plans. Perhaps, it will decrease the dividends promised by Erdenes Tavan Tolgoi. The plan to sell their share at international stock market could collapse. Since our Southern neighbor had ceased its import, price of coking coal had fallen by more than 20 percent. Sumiyabazar.D, Minister of Mining and Heavy Industry, has not raised this issue for a long time.

In fact, the Parliament could not approve the budget for the next year. Owing to the {resident's whole and partial sanctions, the Parliament is divided into two groups and could not integrate their mind. "False" budget was approved with the solution to "Modify once again" when it came to due date. The economy was active this year, but the parliament is still in its worst stage. The dismissal of the Prime Minister has caused interruption to both the MPP and DP, resulting in the absence of parliamentary constituencies, and the supreme state authorities have become incapable to make resolutions. Whilst the time to resolve country's fate-determining issues is being lost. Utterance

about Parliament's dissemination has spread and researchers are expressing their views on presidential governance.

There are predictions that the economic growth will reach 6.4 percent. But the growth will be driven by household consumptions, which are mainly funded by loans. It can become the key issue in upcoming years. In the next few years, consumer loan rates will fall; thus, commercial banks will have to focus on high-risk business loans. The Bank of Mongolia is insisting to do so as the criteria for the consumer loan will be seriously raised by the new regulation in 2019. If it will be a success, it can lower unemployment rate. However, it can lead the banking sector to an imbalance. Despite the fact that the economy has been improved, no major changes were seen in the volume of non-performing loans in banking sector. Hence, it is getting closer to a dangerous level.

Mongolia's monetary policy has been under the pressure of USD for a whole year. Central bank has been working in two directions: to not lose MNT rate and to not deplete the foreign exchange reserves. In the end, there was no choice but to tighten the interest rate. While the policy was relatively loose during this period, import growth has been a significant contributor for trade sector.

During this period of dwindling business loans, a progress in capital market was been observed. Companies were able to offer their shares to the public and successfully raised a capital. Domestic investors are highly interested in companies' bonds rather than savings deposit. It is a good opportunity for companies to raise a capital at lower cost. The trend has started from information and technology sector gaining power in financial sector and moved to construction field, attracting national major companies. "Monos Food" is also planning to launch an initial public offer.

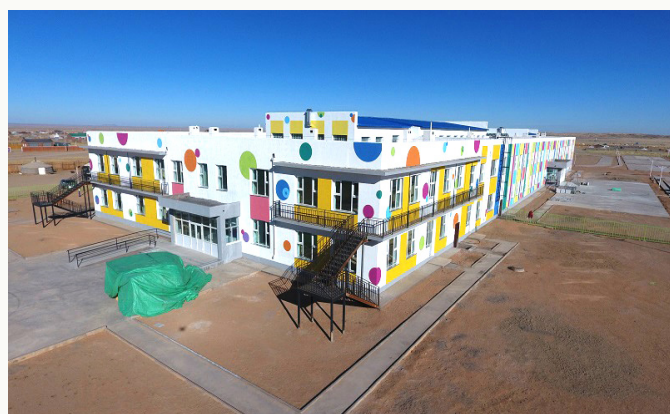
Crypto currency admirers and investors were unlucky this year. Bitcoin miners all over the world have been shutting down because of the day-to-day rise of mining expenditure and falling prices as the cost of mining is no longer profitable. Hence, it was a period when countries made use of blockchain technology advantages and as a result, business applications ramped up significantly. Developed countries began to release government-backed crypto coins. Foreign Minister remains silent even though he has promised to open an online embassy at the time when private entities were racing to claim blockchain technology. ■



## Oyu Tolgoi

# Khanbogd steps further into becoming city

Both upper and lower Government bodies agreed that it is better for Mongolia to develop in separate regions in order to solve problems caused by overpopulation, such as traffic congestion, water pollution, air pollution and ground contamination; and it has been 17 years since the approval of "Regional Development Concept of Mongolia". But we could



not take actions on how exactly we should make regional development. On the contrary, during the 17 year-period reverse things were happening rather than what was stated in the policy objectives. For instance, in 2000-2017, the population in 217 soums out of 330 has dropped drastically according to the Geological and Geo-ecological Institute of Mongolian Foundation for Science and Technology.

Among these, there are only a few soums whose population increased, including the three soums of Tsogtsetsii, Khanbogd and Gurvantes in Southgobi. This is thanks to the large mining projects, such as Oyu Tolgoi and Tavan Tolgoi, that are being implemented in the province. In particular, Khanbogd population has increased by 2.8 times since 2000, according to a data from the National Statistics Office of Mongolia. But this population growth is a mechanical growth. If the population decentralization will not be organized, the bitter experience of Ulaanbaatar can be repeated. Unfortunately, despite the signing of the Oyu Tolgoi agreement in 2009 and Oyu Tolgoi's export of its first concentrate in 2013, the Government did not take any measures to solve centralization that is happening in Southgobi.

In April 2015, "Oyu Tolgoi" LLC concluded cooperation

agreement with the authorities of Khanbogd, Manlai, Bayan-Ovoo and Dalanzadgad soums. It was the major step that steering steered towards centralization. In September of that year, "Gobi Oyu Development Support Fund" (GODSF) was formed and it now has become the most efficient development fund operating in Mongolia. Researchers have started noticing that the fund can be a role model for the Government. It can be used as a sample on how to cooperate with foreign investors.

The fund dedicates 5 million USD or 12.2 billion MNT annually to local development. The mentioned investment is used in seven major areas of social infrastructure, environmental protection management, basic social services, traditional livestock husbandry, local tourism, water management, and local business development. Briefly, the fund's intention is to create favorable condition for people who have been mechanically gathered, creating centralization around the mining area of Southgobi. In particular, spending the most on social infrastructure is in line with the Government's goals, which the Government has been failing to implement for the development of South Gobi as a demographic-capable region.

For example, a school and kindergarten complex was built from the investment made by Oyu Tolgoi to local social infrastructure. The school and kindergarten complex, established in Khanbogd soum, which has been set up at 7.1 billion MNT, is fully operational with more than 800 children's education solved. Up until now, Khanbogd's secondary school No.1 has been educating 1,100 students instead of 640, which is the limit of its capacity. In addition, 200 children who did not have kindergartens in the soum now have a schooling place and many families got lifted off of their burden. Establishing the above-mentioned complex does not mean they just constructed the building. The new Khanbogd school became the first soum school to conduct international courses. The school community has set a big goal to introduce Cambridge standards within just 3 years. They are succeeding in introducing international program and by 2021, it is possible for them to become a Cambridge school. Can you imagine? It is just an ordinary soum school.

Investment made for education is never a waste. The World Equity Fund for Education estimates that GDP per capita growth can increase by 23 percent over 40 years if a country's education sector rises by 0.1 percent. One of the cornerstones of the regional development that is making the soum become more like a city, is a community that people can get educated, find proper jobs after graduation and live happily. Therefore, such a system of training is far more advantageous for Khanbogd residents than just simply building a school building. As a result, Khanbogd's young people do not need to travel far to get a decent education like the children of Ulaanbaatar who study in prestigious and expensive schools. ■



## “Sustainable policy”

On November 19, the 6th "Invest Mongolia Tokyo" was held. Twenty-one guest speakers such as politicians, businessmen, lawyers and 250 visitors gathered in JICA Global Plaza in Tokyo. "The young audience was coming more than past years," said Igata Masa, CEO of Frontier Securities and organizer of this conference.

On the same day, shocking news was running through Japan. Nissan Motor Co. Chairman Carlos Ghosn was arrested for alleged financial improprieties. And in Mongolia there was a storm in the parliament, and that was the reason why D. Sumiyabazar, Mining and Heavy Industry Minister, and MP L. Bold whose names were on the guest speaker list could not come to Japan this time.

This open conference is a valuable opportunity for both Japan and Mongolia, because in Japanese media, Mongolian economic information rarely comes out. At this year's conference, fresh topics such as agriculture, IT and renewable energy attracted a strong interest in the audience.

one Wagyu beef cattle costs 8,800USD, but if raised in Australia, it costs 5,300USD. "If Wagyu beef cattle is raised in Mongolia in the future, I think that you will get a profit even if you sell it 2,000USD. In Japan an individual Wagyu beef cattle is raised very carefully and finely. By using IoT technology, you can reproduce the same way in Mongolia. The Chinese government says that the consumption of beef in China will increase to 3 million tons per year, and I think that Mongolia can be a supplier", said K. Tsukasa.

I. Masa said, "If Japan could provide technology to Mongolia and Mongolia could export value-added productions to China with 1.3 billion people, there is the possibility of enormous profit. That is one reason why the securities market is paying attention to Mongolia".

### Asia Super Grid (ASG)

After the Tohoku earthquake of 2011, the idea of ASG came up from Son Masayoshi, CEO of SoftBank (SB). Will this huge vision realize someday? Miwa Shogo, Representative Director and CEO, SB energy Group, said, "By 2020 of the Tokyo Olympic Games year, we want to do something. Although it is difficult to complete the construction of the project, we want to be in a position to be able to say that five countries (Japan, Mongolia, China, Russia and Korea) have an agreement to this concept of the project."

Each country shows a supportive approach to this project. Even Japanese government showing a cautious stance is also changing the way of thinking positively due to recent power damages by typhoons and earthquakes. "SB has invested 130 million USD in the Gobi desert to develop Chichi wind power project (50 MW), but we do believe still additional projects (200-500MW) could be possible in the Gobi", M. Shogo added.

P. Gankhuu, CEO of Erdenes Mongol Group, said that battery storage up to 200MW is needed to be built around the cities. B. Byambasaikhan, Chairman of the board of BCM, and as Special Envoy of ▶



### Agriculture

J. Guntuya from Sumitomo Corporation in UB office gave us a presentation about "IoT farming in Mongolia".

Kaieda Tsukasa, CEO of Office KNS, talked about the plan to raise Wagyu beef cattle in Mongolia and export it to China. Recently Wagyu beefs raised and exported from Australia are sweeping across the world, because of the cheapness. If raised in Japan,

► the President of Mongolia on Regional Energy Cooperation, also said, "If we want to expand our renewable's base beyond what it is now, the solution is storage. I feel the battery storage technology will be in a transformer in the future."

### New airport

Yako Yoshito, Director, East Asia Division, JICA, said, "The construction of new airport has been completed, and now we are making adjustments on the management side." But he did not tell us why the adjustment has been taken so long. A house would be easily worse if people do not use it for long time. Is the airport facility still maintained in a safe condition? Most of Japanese people involved in Mongolian business are feeling frustration of this situation, but many Japanese who are not involved in Mongolian business do not even know that a new airport has been built in Mongolia.

### Request to Mongolian government

"Sustainable policy", "transparency", and "country vision". These words were often used by the speakers. Chris Melville, a lawyer, told that investors are puzzled by sudden changes of the law such as 30% tax. Tomas Kaberger, Chair, Executive Board, Japan Renewable Energy Institute, said, "Electricity price should not be low, but should be correct so that the electricity infrastructure could be invested to improve in good quality."

This annual conference first started in 2013. At that time, I could find some Mongolian economical seminars for Investors in Japan. However after economical situation went down, other seminars about Mongolia moved away and started to talk about Myanmar, Vietnam, Republic of Azerbaijan, and so on.

D. Jargalsaikhan said, "Mongolians are free people. Today we are trying to change our government fantastic, because they are not good now." He also said that he is expecting young generations educated in Western countries. The previous night of the conference, Jargal's lecture was held in Tokyo, and more than 100 young Mongolians studying or working in Japan attended.

Now big companies like SB and Sharp have started to invest to Mongolia. The opportunity may be coming again now. So foreign investors are looking carefully how Mongolia treats them well. ■

## Root for development

"In order to increase its condition small and medium business owners can seek for the assistance from donor countries and other organizations or banks" emphasized "The role of business associations in Mongolian economy diversification", forum held recently.

Apart from having a small market, depending on unstable state of our country's economy, it is problematic for the small and medium businesses to develop. Therefore, the European Resilience Development Bank initiated the "Small and Medium Enterprises Consulting Service" project in 2017-2019, considering that it is proper to develop and strengthen small and medium enterprises through its professional associations.

There are 155 thousand small and medium sized producers in Mongolia, of which 60% are operating actively, while there are 2000 associations for business promotion. From these, the project selects 12 associations which have the highest number of member organizations and successful operation and assists them in developing their training, consult, standard, procedure and business plan. These associations included representatives from each sector with 5-50 years of experience in food and agriculture, construction, health, urban and local MNCCI, hospitality and transportation.

While Kentaro Hotta, JICA's consultant in Mongolia, announced that 3rd phase of JICA loan is to be extended soon, Thomas Jenisch, Applicatio Consortium consultant, introduced an innovative form of fund raising at the forum. In addition, the sustainability of Mongolian business membership associations was discussed. The biggest future goals of these associations are to create a condition in which businesses will look for them and their help.

The key presentation was made by "Development solution" NGO which provided an advice on how to attract investors. Specifically, for the donor countries and international organizations it is important to determine whom to provide funds. Therefore, organizations need to prepare themselves for funding. It involves establishing transparent and accurate financial report, internal control or creating board that checks whether the financial arrangements are correct, establishing an experienced team, and stuffing functions. The accounting policy must be prepared in accordance with the Order No. 386 of the Minister of Finance in 2017. Depending on the funding, different accounts should be opened separately as cash, income and expenses. The most important of all above is to operate honestly and transparently. ■