

Mongolian Economy

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Development Bank

It was supposed to lead to development



A total of \$ 800 million will have to be repaid next year.

The fact that almost 60 percent or 1.8 trillion MNT of the Mongolian Development Bank's total loan portfolio has been classified as non-performing loans reveals the true nature of many politicians and shows once again the depth of governance shortcomings in Mongolia. For some, the bankruptcy of the Development Bank is very worrisome. Because, by liquidating the bank, the loans will transfer to the government and it will take 4-6 years or even longer to settle the non-performing loans through the court. During this time, it is unpredictable how things will develop.

In the case of commercial banks, when the amount of non-performing loans increases by only a few percent, immediate action is taken to rectify that situation. Also, when the loans are overdue for more than only three months, they will be classified as non-performing. The Mongolian Banking Association recently reported that non-performing loans in the sector reached 8.5 percent in 2021, down three percent from the previous year. However, as a

result of the Development Bank silently supporting some politicians to gain wealth, loans to the value of 1,8 trillion MNT have now finally been classified as nonperforming. Let me remind you that this is a loan portfolio overdue for more than a year.

As soon as the Development Bank's case came into the public domain, some of the bank's borrowers pretended that they had been crushed by exchange rate fluctuations and had faced difficult times due to the pandemic. But the pandemic affected everyone. If the borrowers experienced issues, then they could have amended the loan agreement. But none of them did.

What has happened around the bank is that it deviated from its mission and has supported a few individuals and legal entities to become wealthy rather than supporting the country's development?

Debt network

The Development Bank is an institution established to finance major projects and programs needed for ►

► Mongolia's development. In this sense, the Bank of Mongolia has been conducting regular inspections and the government has been monitoring. There are similar institutions in other countries as well.

Mr. B. Lkhagvasuren, Governor of the Bank of Mongolia, said, "Since the renewed adoption of the Law on the Development Bank in 2017, the central bank has been conducting certain limited inspections. There has been a lot of criticism from the public as to why it remained hidden so long. But we did not have the legal right to report the results of the inspections to third parties." Mr. G. Dulguun, First Deputy Governor of the Bank of Mongolia said, "The Development Bank has been hit hard by exchange rate differences. Especially the fact that it received JPY funding from "Samurai" bonds has had a big impact."

Samurai bonds were issued by our country on December 30, 2013 with a guarantee from the Japan Bank for International Cooperation. The 10-year bond, worth a total of 30 billion JPY, has a relatively low interest rate of 1.52 percent per annum. We have to pay off those Samurai bonds in December next year. That's about 280 million USD.

In addition to Samurai bonds, there are debts and loans that must be repaid. Let's look back in history. Since its establishment in 2011, the Development Bank has raised a total of MNT 6.2 trillion both with and without government guarantees. As of today, 31 percent of the total loan portfolio is guaranteed by the government. These will have to be repaid starting in late 2023. In particular, a repayment of 1.7 trillion MNT will have to be made in October next year. Then, payment of the government-guaranteed Samurai bond debt will need to be paid. Adding this all up, a total of \$ 800 million will need to be paid next year. It is sure that repayment should be made in accordance with international law and agreements. Unfortunately, the funding raised on behalf of Mongolia on the international market has been spent and has mainly fallen into the category of non-performing loans. It is very irresponsible that now we all are in debt and in a vicious cycle of "If you repay the loan, I will repay the loan. The other person will also repay the loan". It must be corrected. In this context, the Development Bank's non-performing loan portfolio was disclosed on January 20, and the loan portfolio details were released into the public domain on January 31. Thus, on the eve of Tsagaan

Sar, the scandal surrounding the Development Bank spread far and wide and is still burning like a spring wildfire. In the 48 days since the disclosure of the non-performing loans, 48.8 billion MNT was repaid by March 9. This shows that actually they did not want to repay what they had borrowed, not because they didn't have the money.

Another thing we now need to be worried about is whether the non-performing loans will be repaid in full by October 2023. As of February 27, a total of 195 real estate buildings and objects including 44 service facilities estimated worth MNT 52.4 billion, seven factories worth MNT 1.9 billion, 46 apartments worth MNT 32 billion, 82 plots of land worth MNT 26.6 billion, four cellars worth MNT 2.3 billion, three unfinished buildings worth MNT 656 million, seven farm buildings worth MNT 228 million, six garages worth MNT 564 million were sealed. Collateral valuations and other inspections are still ongoing.

The Minister of Finance, B. Javkhlan has stated, "There is a government guaranteed 30 trillion JPY cross-default bond of Samurai bond in the Development Bank. It must be paid in 2023. If the loans provided from this source are not repaid, there is a big risk that it will have to be repaid by the government. Therefore, we will fight against the non-performing loans. However, the Deputy Minister of Justice and Internal Affairs, B. Solongoo said that they would work closely with law enforcement agencies to hold accountable those borrowers who took advantage of their official position, misused the loans and did not repay their loans.

Future fate

The Development Bank was established 11 years ago at a time when Mongolia's economy was at a global high of growth of 17-18 percent. At that time, in order to maintain and strengthen this growth in the long run, the Law of the Development Bank was passed by a decision of Parliament and the Government, and the bank was established. In the first five years of its existence, the bank provided MNT 5.2 trillion in financing to businesses. In 2016-2017, as a result of major legal reforms, it was regularly inspected by the Bank of Mongolia. There is a report that estimated that about 2.4 trillion MNT was disbursed between 2017 and 2021.

Last year, the government decided to transform ►

The Bank of Mongolia did not have the right to report the results of inspections to third parties.

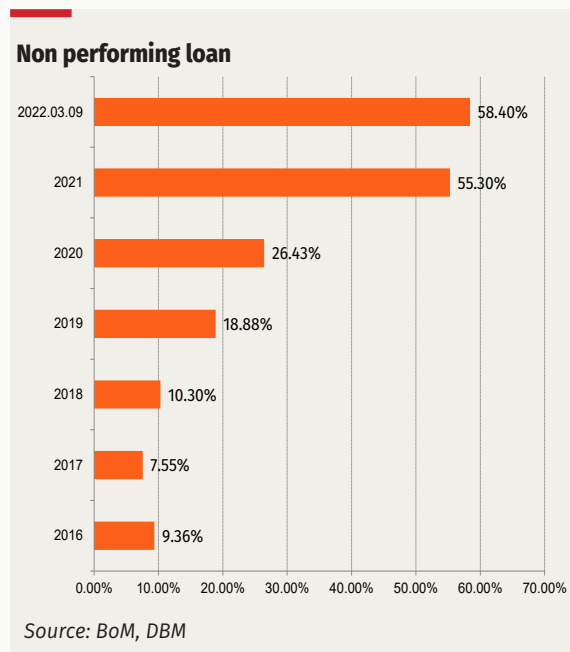
▶ the Development Bank into an Exim Bank that supports export-imports, and provides finance to support the export of non-mining products that are competitive in international markets. In November of last year, the Bank of Mongolia conducted its regular inspection to determine its financial readiness to fulfill its new functions and goals and as a result, the problem issues were discovered.

The Development Bank will not compete with commercial banks by operating on the principle of an Exim Bank. In order to increase exports, it will cooperate with other banks and will provide co-finance. It will also identify the bottlenecks on the supply chain for export products such as meat, wool and cashmere, and fund projects to address those. Besides, N. Manduul, Executive Director of the Development Bank, submitted that “We will support domestic production projects to replace imports”. However, no matter how much the Development Bank “changes its appearance”, if the influence of politicians remains, any project no matter how good the slogan will fail. Moreover, economists warned that this situation will continue if officials who have used their power to gain an advantage are not held accountable.

The bond issue that has a 5.5 percent coupon rate was mostly spent on things that do not return any income.

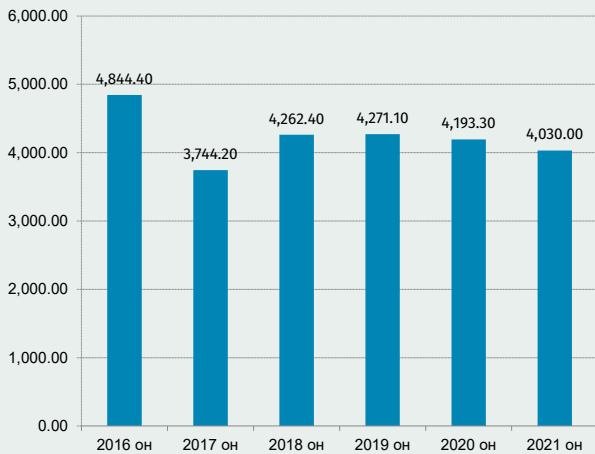
Economist Ts. Lut-Ochir once criticized “I worked there at the time when the Development Bank was first established. It's a place where political involvement and fights for money flourishes. Initially, in the name of implementing the party's platform, the 5.5 percent annual bond money was spent on things that did not create any return. Eventually, politicians started sharing money directly under the name of developing factories and mines. Loan collateral is usually some distant future income. Bankruptcy is the only logical thing to happen next.” Parliament member, T.Dorjkhand said, “Politicians who have received loans from the Development Bank have already been involved in usury and money laundering. “Therefore, in order to prevent this from happening again, their political career must be curtailed.” From all these things, we can clearly see that there is a huge gap between politicians, authorities and ordinary citizens. People get a mortgage loan with a 6 percent interest rate after a long wait. Prior to the pandemic, as of December 2019, over 96 percent of outstanding mortgage loans were classified as normal, 2.0 percent as overdue, and fewer than 2 percent as non-performing loans. Now it is still at this level.

But the Development Bank's borrowers tripped over even lower interest rates. It is too irresponsible and regrettable that almost 60 percent of all loans now fall into the non-performing category. It is so unfair that stealing someone's opportunity and giving yourself an advantage and then on top of that puts the burden on taxpayers. Even if the Exim Bank is established, nothing will really change unless it is free from the clutches of politicians. After a few years, Exim Bank is bound to repeat the sad history of the Development Bank. Just a few years ago, it was revealed that mainly politicians had borrowed money from the Small and Medium Enterprise Development Fund, which caused a big stir in society and rightly so. Today, the Development Bank of Mongolia is under discussion. But what are we going to talk about in the future?... Maybe we will be regretting that "Funding for the 10 trillion economic recovery program has disappeared into thin air, and politicians are still the ones to blame. ■



Infographic: The financial position of the Development Bank of Mongolia

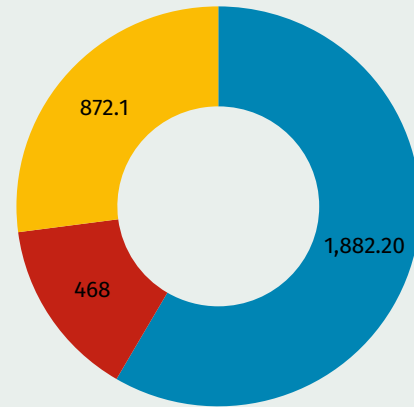
Total assets (billion MNT)



Source: Development bank of Mongolia

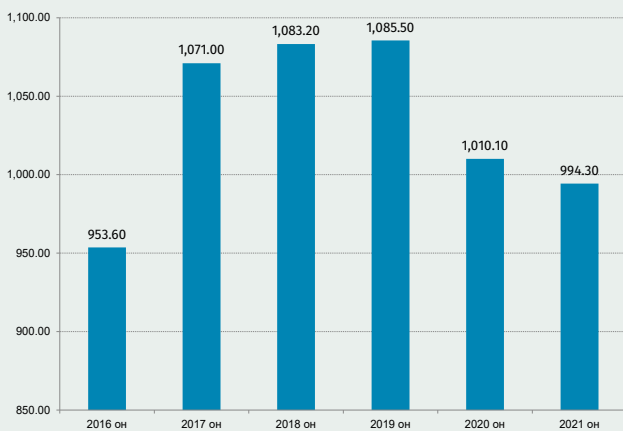
Loan Portfolio (billion MNT) As of March 9, 2022

■ Non performing loan ■ Normal ■ Paying attention



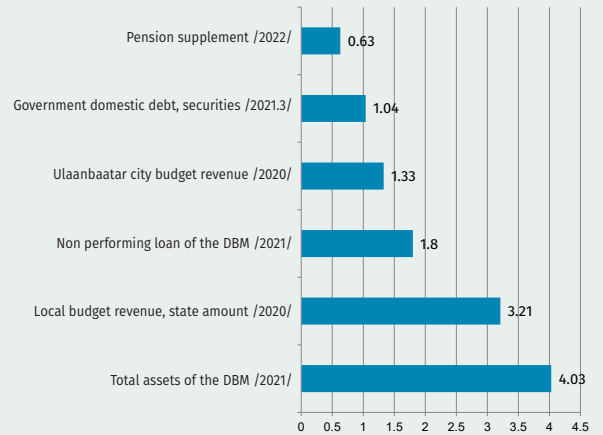
Source: Development bank of Mongolia

Equity (billion MNT)



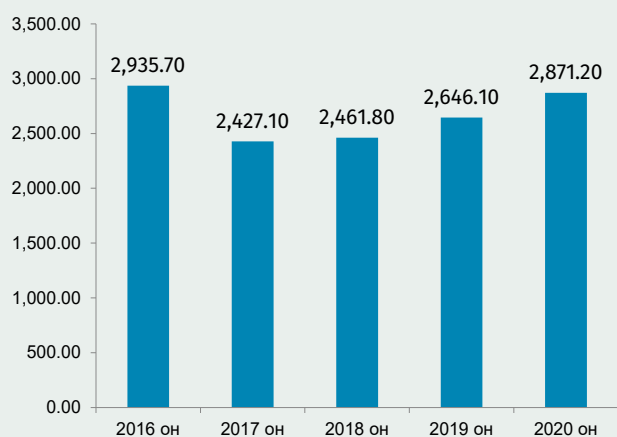
Source: Development bank of Mongolia

Comparison of non-performing loans



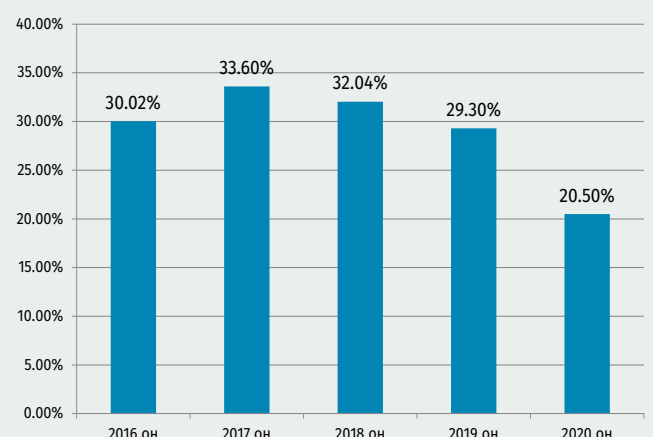
Source: Ministry of Finance, 1212.mn, Development bank of Mongolia

Loans and advances (billion MNT)



Source: Development bank of Mongolia

Capital Adequacy ratio



Source: Development bank of Mongolia

Financing

S.Mungunchimeg: Development of a financing strategy to achieve the sustainable development goals is underway



Mongolian Economy Magazine spoke with the Vice Minister of Finance, S. Mungunchimeg about financing for Sustainable Development Goals.

-In recent years, Mongolia has been discussing financing for the Sustainable Development Goals (SDGs) at great length. The attendants of the Mongolian Sustainable Finance Forum were addressing the topic from various perspectives. In fact, during the forum, you introduced a strategy for SDG financing. Could you tell our readers a bit more about the strategy paper on SDG financing?

-After the approval of the Law on Development Policy, Planning and Management in 2020, Mongolia experienced substantial progress in its development policy planning. The above law incorporates over 400 policy documents that were in place at that time. Mongolia approved its long-term policy document Vision-2050 reflecting the SDGs.

To implement the development policies initiated by the Government of Mongolia and achieve the SDGs, we need to secure funding and manage the financing optimally and properly. In other words, to secure the necessary financing to achieve Mongolia's sustainable development, we have developed our national financing strategy.

Under this strategy, we need to accelerate the budget and financing reforms, test and introduce various new financial mechanisms and tools to increase the external and internal funding and distribute existing resources more efficiently. For instance, the strategy contains a number of progressive methods and policy reforms aimed at mobilizing the financing to the public-private partnership

projects for development goals. By doing so, the funding sources can be effectively increased. It is important to note that the strategy which includes all the above-mentioned measures was developed in cooperation with all the ministries, the Bank of Mongolia, Financial Regulatory Commission, international financial institutions and the United Nations (UN).

In the past, budgeting, investment, strategy and other financial sector policies were developed and adopted independently but now all financial policies have become part of an integrated National Financing Strategy. Following the recommendation of the UN, Mongolia has become one of 70 countries that are laying out its Integrated National Financing Frameworks (INFF).

Between 2000 and 2015, to implement the Millennium Development Goals, most countries had to rely on their government budget, foreign loans and aid. However, that has all changed now. To elaborate further, as advised by the UN, Mongolia is adopting an integrated financing system and strategy to mobilize the public, private and financial resources for the implementation of SDGs that are intended to be achieved by 2030.

-To successfully build an integrated financing system which you mentioned above, what should be our main focus?

-The INFF for sustainable development is not a new concept. It is merely about improving and strengthening the coordination between budgeting, financing, policy planning, the financial sector, monitoring, review, evaluation and reporting processes. It is also about linking financing with SDGs and policies. There are a number of important factors crucial to the successful creation of a financing system that is aligned with sustainable development.

To begin with, the leadership, tenacity and participation of decision-makers and regulatory bodies are extremely important. Secondly, the financing strategy for improving the alignment of financial resources with the development goals and for creating tools for financing large-scale projects is vital. Thirdly, monitoring the implementation of this financing strategy and review mechanisms need to be carried out by government agencies multilaterally with the presence of external monitoring bodies.

Monitoring the implementation of INFF in a unified way will enable opportunities for evaluating investment ►

To secure the necessary financing, needed for Mongolia's sustainable development, we have developed our national financing strategy.

► flow and policy support as well as identifying which strategies are working and which are not based on evidence; and providing support in policymaking. Furthermore, the transparency of implementation outcomes is expected to play an important role in placing greater responsibility on all stakeholders and in promoting trust and cooperation with our partner organizations. In short, strengthening monitoring and review systems and clarifying the responsibilities of the key stakeholders are fundamental to the successful implementation of INFF.

-You mentioned that the role of the private sector is significant in terms of financing for sustainable development. Keeping that in mind, how much importance does the private sector give to the topic?

-I would like to emphasize the fact that the private sector is the leader in that front. Especially, banks and financial institutions are taking leadership roles in financing sustainable development. For example, in 2020, commercial banks introduced a Green Taxonomy, a classification system for environmentally friendly economic activities. As a result, banks began taking into account the environmental factors in their lending decisions by reviewing whether a given business entity carries out environmentally-friendly activities, creates new jobs and ensures workplace safety or not. In other words, banks and financial institutions are encouraging and helping their clients to understand that everyone's contribution is needed to achieve SDGs.

Around the world, the key sector that is driving green development is indeed the banks and financial institutions. I am confident that Mongolia can keep up with this trend. Unfortunately, at the moment, green loans constitute about 2-5 percent of the total loan portfolio which is a rather small percentage. But, it will keep on growing. Also, businesses are using Green Taxonomy as their fundamental document in issuing green bonds, identifying environmentally friendly projects for green loans and measuring the outcomes of their projects.

It's important to point out that commercial banks are actively working towards securing long-term soft financing sources for sustainable finance. To contribute to addressing climate change and environmental challenges, our leading commercial banks took initiatives and secured loan facilities from the International Bank for Economic Co-operation and Global Climate Partnership Fund.

In 2017, the Mongolian Stock Exchange joined the UN's Sustainable Stock Exchanges (SSE) initiative. Within that framework, they are working on introducing Environmental, Social and Corporate Governance (ESG) reporting standards to the stock market and public companies listed on the stock exchange.

In the future, we plan to enhance the participation of the private sector and carry out several reforms to align

their activities with SDGs. Hence, the Ministry of Finance is about to submit the draft of the Law on Public-Private Partnerships to Parliament.

-How much is the government's budget aligned with the SDGs?

-One of the main goals of budgeting reforms, which started in 2018, was to align budgeting with SDGs and introduce results-oriented budgeting. As part of that, reform of health care financing took place in 2021. From this year, we are working on aligning financing outcomes, quality and performance in education, culture, physical activity and child protection with SDGs.

In addition to that, we are experimenting with budget planning that is designed to ensure gender equality and gender responsiveness. The main goal is to ensure that everyone is benefiting equally from the government services regardless of their gender. Moreover, from last year, we began to reflect SDGs in receiving financing, loans and aid at a government level.

-What types of new opportunities are opening up for the Ministry of Finance by introducing the Integrated National Financing Framework in Mongolia?

-In short, it will reduce the pressure on the budget, especially the reliance on the government budget in achieving the SDGs, and enhance the role of other stakeholders and the private sector. I believe that it will also create a new market and new opportunities for our private sector. Mobilizing private sector resources towards the projects that have been financed by the government will significantly reduce the pressure on the government budget, contribute to paying off external debt, create budget stability and accelerate the achievement of development goals. In other words, it could create opportunities for faster development.

The roadmap to this is incorporated in the financing strategy. Certainly, it will require long-term reforms in various sectors of our economy. For instance, to align budgeting with SDGs and improve efficiency, we are testing the previously mentioned new approach in budget planning.

On top of that, the strategy includes reforms for state-owned enterprises this year. At the national level, there are over 400 local and state-owned enterprises which are valued at over 40 trillion MNT. The approved budget for this year is 18 trillion MNT which shows how much the state-owned enterprises contribute to advancing SDGs. Particularly, state-owned financial institutions could play an important part in providing financing for sustainable development. The strategy includes numerous reforms such as the integration of sustainable financing principles into the operations of the Development Bank and directing operations of the State Bank towards supporting SMEs. ■

The leadership, tenacity and participation of decision-makers and regulatory bodies are extremely important

Ambassador

Chai Wenrui: In a business environment, only the best can survive, not just the good ones



Despite the slowdown in the global economic recovery due to the Covid-19 pandemic, as the Chinese economy recovers, its foreign direct investments (FDI) have risen sharply. And also, The People's Republic of China is on the top of the list of the Asian largest investor countries. Therefore, we had a talk with the Ambassador of the People's Republic of China to Mongolia, Chai Wenrui, about the best practices of attracting foreign investments and also the investment environment in Mongolia.

-The PRC is a leading country in attracting foreign investments. For example, in 2020, it surpassed the United States as the largest recipient of foreign direct investments (source: UNCTAD). What is the "secret" that attracts so much foreign investments in China?

- In 2020, China's foreign investments reached 144.37 billion US dollars, an increase of 4.5 percent over the same period the previous year. From January to November 2021, China attracted foreign investments to the total of 157.2 billion US dollars, an increase of 21.4 percent over the same period of the previous year.

In China, there are six main advantages as to why China is attracting foreign investments. First, it is constantly improving its social and political stability and investment environment, and continuously expanding opportunities for open development abroad. Second,

China has become a global manufacturing hub and that is significantly related to the increasing demand for modern services.

Third, modern infrastructure such as transportation and communications is very well developed. The level of services in some sectors has reached the level of developed countries, which provides a good base for the development of service outsourcing. Fourth, China's macroeconomic growth is very rapid.

Fifth, foreign investors are increasingly interested in large markets. According to a study, more than 90 percent of foreign-invested enterprises are targeting the Chinese market, with the goal of "being in China is to tap into the Chinese market." More than 400 million of our 1.4 billion people now belong to the middle class, and the range of our consumer market, and growth potential is beyond comparison to any other market. In addition, the number of foreign investors interested in China is increasing day by day due to the advantages of our country's industrial facilities, complete infrastructure and plenty of human resources.

Sixth, foreign investors see China as a stable country. According to a survey conducted by the Ministry of Commerce of the PCR, 93.3 percent of the more than 3,000 foreign invested enterprises are optimistic about the future development prospects.

-A World Bank report states that the legal environment for investments and businesses in China is more favorable than ever over the next five to ten years. How has China created such a legal environment to attract foreign investments?

-In order to improve the investment environment, our country extends a legal guarantee to foreign investors on fairness and equality. Second, it has done a good job of protecting the legitimate interests of foreign investors. The service mechanisms are also being improved. During the "Thirteenth Five-Year Plan" period, we passed and implemented the "Foreign Investment Law" and its implementation regulations, procedures for improving the business environment and other related legislation. In addition to providing legal guarantees to improve the business environment, we are taking steps to reduce licence requirements, innovate ►

Our country extends a legal guarantee to foreign investors on fairness and equality.

- ▶ on control systems, and provide high-quality services, and continue to improve the business environment. In a business environment, only the best can survive, not the good ones.

The 14th Five-Year Development Plan to Improve Foreign Investments proposes broader reforms aimed at reducing licenses, innovating control systems and providing high-quality services. This will update foreign investment regulations, protect the legitimate rights and interests of investors, tighten the basic status of competition policy, and promote fair competition between domestic and foreign enterprises.

-Mongolia is also paying a lot of attention to reforming the investment environment and working to reform the law. What else do you think our country needs to focus on in order to become a more investor-friendly country?

-The last few years have caused many serious problems to the world economy mainly related to the Covid-19 pandemic and we are still facing many challenges. The Government of Mongolia has gradually resumed its programs and supported industry by fighting against the pandemic while applying support for economic and social development. As a result, in 2021, the process of attracting foreign investment will gradually recover, and both investor expectations and confidence have improved.

It is very commendable that in recent years, the Mongolian government has paid much attention to improving the business environment and implemented policies on attracting foreign investments. It is necessary to revise and implement the Investment Law, provide equal conditions for foreign investors, and implement a policy to liberalize and facilitate investments. I think that the competent authorities of Mongolian need to improve their services to foreign-invested companies, treat them fairly, protect their legitimate interests, and improve visa services. We also want them to take effective measures to increase the quota of foreign labor, to continue to improve the business environment, and to stabilize the expectations of foreign investors and confidence in Mongolia.

-China is one of the leading countries in terms of investment in Mongolia's mining and construction sectors. In which sectors are Chinese investors interested in investing in Mongolia in the future?

-I am glad that the strategic partnership between China and Mongolia is deepening. At this time, boosting and strengthening investment cooperation between the two countries is important to deepen

the China-Mongolia economic and trade cooperation and support regional economic integration. China and Mongolia are geographically adjacent, have easy access to transportation, and are economically complementary. China has always been an important source for Mongolian investment. Mongolia is an important backbone of the northern line of the development of the "Belt and Road Initiative".

According to the statistics from the Chinese Ministry of Commerce, by the end of 2020, Chinese direct investments in Mongolia had reached 3 billion 240 million USD. In terms of where investments are made, Chinese investment in Mongolia is mainly concentrated in the areas of mineral exploration, mining, construction materials and energy. Of this, the majority is invested in mineral exploration and mining. In particular, Chinese investment in Mongolia is mainly concentrated in resource-intensive and labor-intensive industries, while investment in technology-intensive industries such as finance and smart manufacturing is relatively low, and the investment structure is relatively one-sided. Beside the Mongolian mining sector, Chinese investors have always been interested in investing in catering, tourism, animal products, textiles, clothing, as well as information and communications. We hope that in the future, many Chinese-invested enterprises will enter into these sectors and create new important events in China-Mongolia investment cooperation.

-What are the difficulties for Chinese businesses to do business in Mongolia? How many complaints does the embassy receive from Chinese investors regarding Mongolia?

-The political situation in Mongolia has generally stabilized, the legal and business environment has improved, and Chinese-invested enterprises are increasingly interested in investing in Mongolia. Chinese-invested enterprises operating in Mongolia are generally in a healthy state, but some of them face certain challenges. Our embassy rarely receives complaints from Chinese-invested enterprises. However, there are some complaints from mining companies about environmental inspections, tax audits, and social insurance. There are also issues such as illegal interference by some NGOs in the normal operation of an enterprise. By liaising with competent authorities at the embassy and at company levels and protecting the legitimate interests of investors, it will increase the confidence and motivation of Chinese companies to invest in Mongolia. ■

By the end of 2020, Chinese direct investments in Mongolia had reached 3 billion 240 million US dollars.



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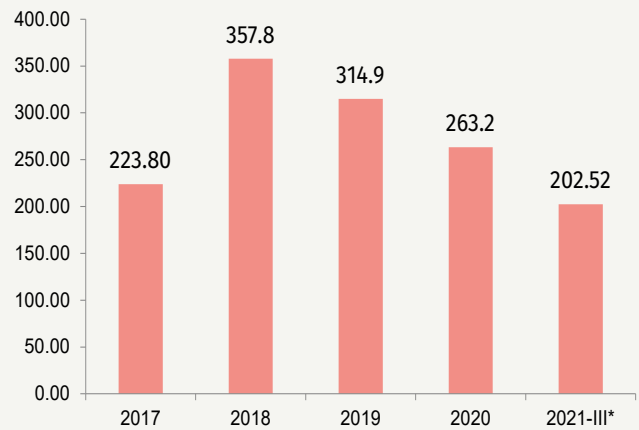
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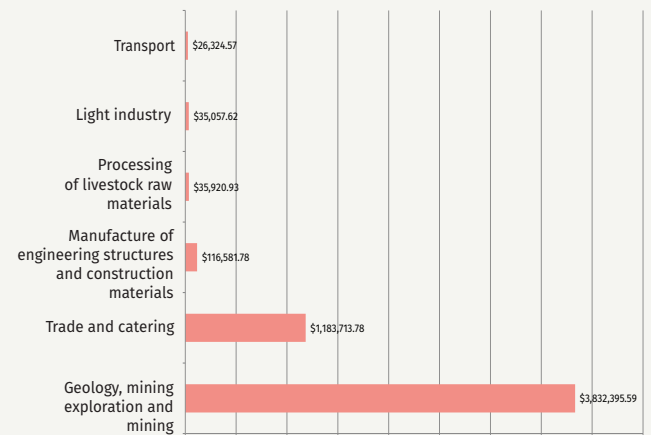


Inflow of direct investment from China to Mongolia (million USD)



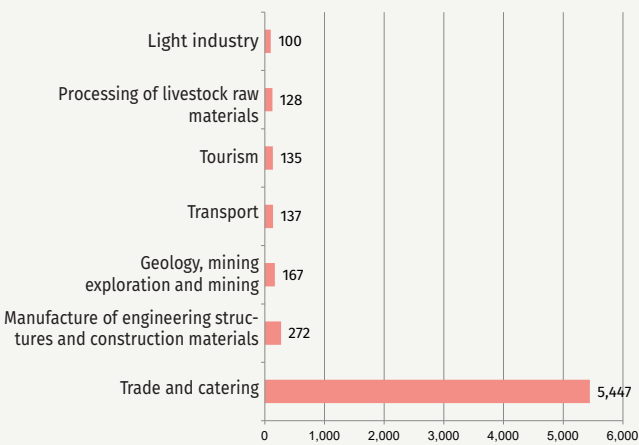
Source: Statistical Information Service

Chinese direct investment (by industry) 1990-first quarter of 2021



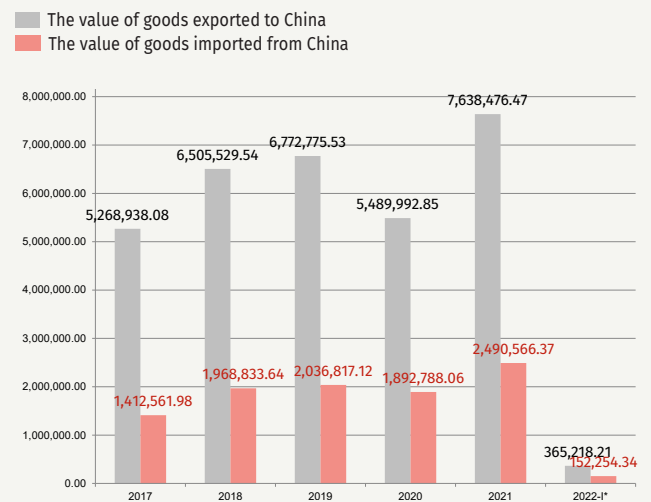
Source: Ministry of Economic and Development

Chinese companies registered in Mongolia (1990-first quarter of 2021)



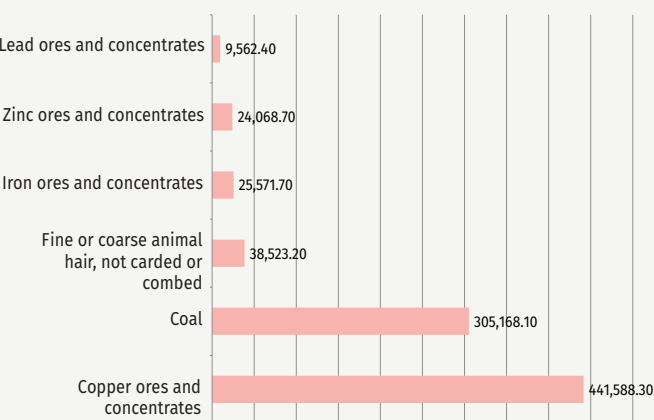
Source: Ministry of Economic and Development

Foreign trade turnover (thous.USD)



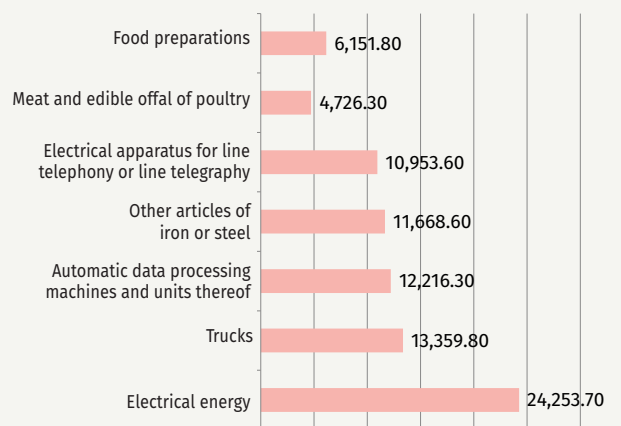
Source: General Department of Customs

The main product exported to China (first 2 months of 2022)



Source: General Department of Customs

The main product imported from China (first 2 months of 2022)



General Department of Customs

Infrastructure

Railways, pull out from its slumber



Major infrastructure projects will intensify the economy and trade.

The biggest lesson we have learned from the pandemic is now becoming abundantly clear. There is no doubt that economists, politicians, businessmen and investors will all say that transportation and infrastructure are in an urgent need to be upgraded. Our exports shrank at the same time that prices for mining products went through the roof and Chinese demand skyrocketed like never before. The main cause of shrinking exports is bad infrastructure. But the fact that Russia, the United States and Indonesia have become key players in the area of mining products has sent a huge signal to Mongolia.

It can be clearly stated that for more than 70 years, the backbone of Mongolia's economy has been the Ulaanbaatar Railway and a collection of dusty trucks. Then, in 2022, a long-awaited railway will be put into operation, bringing a new era to the road transport sector.

In particular, 416.2 km of the west to east railway between Tavan Tolgoi and Zuunbayan, and 233.6 km railway between Tavan Tolgoi and Gashuun Sukhait will be fully commissioned this year. It does not only have a significant impact on the export of mining products, but will also have many other positive benefits such as reducing environmental degradation, dust, desertification and air pollution.

With the launch of the Tavan Tolgoi-Zuunbayan railway, it is estimated that the nearby mineral deposits will be put into economic circulation and more than 1,500 new permanent jobs will be created. The Tavan Tolgoi-Gashuunsukhait railway will be the main export route for our country. Prime Minister L.Oyun-Erdene said, "Due to political infighting, we have not been able to build that railway for 12 years. To this extent, Mongolia has lost a huge amount of revenue as well as many opportunities. This situation ►

► should not be repeated in the future” and stated that the government is paying special attention to the timely commissioning of the railway.

With the commissioning of the Zuunbayan-Tavan Tolgoi-Gashuunsukhait railway, 30-50 million tons of coal will be exported annually, and mining near the Tavan Tolgoi group of deposits will increase 2-3 times. It is estimated that the cost of transporting coal will be reduced by four to eight USD per ton.

This year, in addition to the historic railway constructions, four more major projects will be implemented in the sector. Especially, the 281 km long Zuunbayan-Khangai railway, which construction will start this year, will be connected to the Chinese border port of Mandal. The construction of this railway will increase the export of iron ore and coal to Baotou, the industrial hub of Inner Mongolia. In particular, iron ore exports could increase 2-3 fold.

Another notable development is the 200 km Khuut-Bichigt railway. The project to build the Eastern north to south railway is a major project to open a new transportation gateway, and also make a real contribution to the regional development of Mongolia-Russia-China. Currently, the Khuut-Bichigt railway is planned to be commissioned in 2024.

At the same time, construction of the western north to south railway will begin this year. The 1255 km long Arts Suuri-Shiveekhuren-Nariinsukhait railway will be implemented by Mongolian Railway state owned company in cooperation with foreign and domestic investors and mining license holders along the railway.

This is not the end of this year's development in the railway sector. The Bogd Khan Railway project, which will have a significant impact on traffic congestion and traffic safety in the capital city, is another one of the highlights of the year. The Bogd Khan Railway line will branch from the main road of Ulaanbaatar Railway JSC from Rashaant station, bypass around Bogd Khan Mountain and connect with Maanit station. The commissioning of this 146-kilometer-long railway will allow for the gradual relocation of major transportation, logistics and shopping centers from the city center. It is also expected that Ulaanbaatar Railway JSC will be the operator, as the Bogd Khan Railway will be connected to the Ulaanbaatar railway.

Thus, 2022 will be a special year that is clearly marked on the historical pages for the railway sector. To this extent, our country pays great attention to training personnel in the railway sector. It is estimated that about 25,000 specialists will have to be trained in this field over the next five years. The industry also emphasizes that it is an opportune time for companies to supply equipment for railway construction.

In addition to the construction of all these railways, works on major roads will also continue this year. For example, a 250 km Tavan Tolgoi-Gashuunsukhait special purpose road, 478 km of Tavan Tolgoi-Manlai-Khangai special purpose road and the 202.4 km of Ulaanbaatar-Darkhan road expansion should be highlighted here. In addition to road construction, 20 electric charging stations and 10 gas charging stations will also have to be built.

Another important project to come out of the starting blocks in 2022 is the highway connection of border crossings. This work will begin with the construction of a 987 kilometer highway connecting the Altanbulag and Zamiin-Uud ports. In addition, road construction and renovation in rural areas will continue as in previous years, while in Ulaanbaatar, significant construction will also take place. For example, the construction of a 72-kilometer Ikh Toiruu highway connecting sub-centers such as Tolgoit, Bayankhoshuu, Selbe and Dari-Ekh is scheduled to begin this year.

This year, for the first time, 420 billion MNT has been allocated from the state budget to solve the serious traffic congestion in the capital city. That is equivalent to 10 years of funding that will be spent on traffic congestion. The funding will be spent to completely renovate Ulaanbaatar's public transportation system.

There is a saying that "Development comes along the road". As a result of all these railway and road projects, it will be possible that 285,000 jobs could be created by 2025, the number of migrants coming to Ulaanbaatar will be reduced, and high-paying jobs will be created in rural areas. In other words, 2022 will be the year to establish the foundation for the balanced development of both urban and rural areas. Economic flows are expected to pick up this year thanks to the railways that will be commissioned and major infrastructure projects that will be launched in 2022. ■

In particular, railway between Tavan Tolgoi and Zuunbayan, and railway between Tavan Tolgoi and Gashuun Sukhait will be fully commissioned this year.

World Ahead 2022 MONGOLIA

New type, new recovery, new country

Economic growth will be maintained at an average of about 6 percent and the national income per capita will double, according to G.Zandan-shatar, the Speaker of Parliament



It has been an historic event that the current parliament, which was elected with the trust of the Mongolian people, made a number of real constitutional amendments that had been actively discussed for more than 20 years without any concrete results. Parliament debated over a period of five months the amendments that took the country on a path of development and initiated a legal revolution, and in order to ensure that the more than 600 proposals from various governmental and non-governmental organizations, political parties, as well as academics were all seriously considered.

By these historic amendments, the country is stable and governed in an effective manner, the judiciary is independent, local government systems are in place, and the foundation of an orderly state has been created. Due to changes to the relevant laws, such as the Law on the Judiciary, the Law on the National Wealth Fund, and the Law on Administrative and Territorial Units and their management, obstacles that have held back Mongolia's development over the past 30 years have been removed and the foundations are in place for building a nation with parliamentary democracy governed by the rule of law. This is clear that reorganizing the country has been started from the ground up.

It may sound hard to fathom, but we need to seriously discuss what our future prosperity will look like in the near future. In other words, it has long been stated that there is always a risk of not reaching your destination like a ship drifting on the ocean. In this sense, the guideline of our development points towards Japan, the world's third-largest gross economy and a model of rapid development, with the slogan "Let's grow like Japan." This doesn't mean we will just blindly follow the path of development of Japan, being a good partner of Mongolia. Instead, it means creating our own development model by adapting the Japanese one to the unique conditions of Mongolia and learning from real experiences, and a good model.

As the saying goes, if a citizen is rich, then the country is rich, if we can follow a development model that suits Mongolia's specifics, and create a strong middle class that can help us to compete with other developed countries in terms of

salary, income, quality of life and education. In order to get there, of course, many other things still have to be done. One of them is a well formulated development policy.

In the past, development policy documents approved by Parliament have often not been workable due to a lack of analysis, a coherent policy, and planning. Therefore, in order to formalize any development document and ensure its continuity, parliament has paid careful attention to and discussed and approved the Law on Development Policy and Planning, which consists of seven chapters and 25 articles. It defines the principles to be followed in any development policy and planning at a national level, and defines the rights and responsibilities of parties in policy development. We need to consider planning, careful monitoring, and the establishment of an integrated and rational system. On the other hand, improving the continuity of a development policy will show foreign investors that Mongolia has a stable legal environment, a clear vision for the future, and a country full of confidence and economic and financial opportunities.

The constitutional amendment, which cleared the development barriers, introduced legal reforms to improve local governance, which opened the way for resolving the growing tensions of population concentration, congestion, unfriendly urban planning, and unequal development due to geographical location.

At a time when economic independence is a priority, Parliament's prompt adoption of the New Recovery Policy has eased the burden on the people caused by the coronavirus pandemic and made "Vision 2050" Mongolia's long-term development policy effective to create the basic conditions for its implementation. The implementation of 29 objectives in six areas namely: port recovery, energy recovery, industrial recovery, urban and rural recovery, green growth recovery, and state productivity recovery, will address issues facing key sectors of the economy and our society. In the future, however, there are positive expectations that economic growth will remain at an average of 6 percent and the per capita income will double, spreading the belief to the public that it will be a new, revived and powerful country. ■

Guest

D. Tserenbat: My desire is to work for Mongolia as long as I can



We had a talk with D. Tserenbat, Public Relations Manager of the Sustainable Fibre Alliance, an international organization, who has co-founded the Tsahim Urtuu NGO and has been working abroad for more than 20 years.

- You are known as D. Tserenbat of “Tsahim Urtuu” network and “Tsahim Urtuu” NGO to people. Can you introduce yourself to our readers?

-I was born in Batsumber soum of Tuv aimag and grew up in Altanbulag. After graduating from the National University of Mongolia as a mathematician and statistician, I was working as a teacher at the Academy of Management until 1997. In 2001, I received a master's degree in economics and business forecasting from Kingston University in the United Kingdom. Since 2003, I have been working as a financial manager at Custom Network LTD in

the United Kingdom and also since 2018 I have been working in another position at the same time in the public relations department of the “Sustainable Fibre Alliance” international organization. I have been living and working in the UK for the last 24 years.

-Why did you establish the “Tsahim urtuu” network? What significant projects and programs have been implemented recently?

-I have talked a lot about the Tsahim Urtuu, so I will give some brief information. Mongolians living abroad are always inspired by their homeland and Tsahim Urtuu was established to create an electronic platform that enables this aspiration. At that time, websites about Mongolia were rare. The rapid spread of the Tsahim Urtuu network among Mongolians wanting to know more about home was a feature of the times. At that time, it was initiating many things. Now it operates very much like a volunteer group. The Tsahim Urtuu NGO was established

► and a lot of work is being done by this NGO. One of the programs is to sponsor and train the young generation of Mongolia.

-You actively support the Sustainable Fibre Alliance and are responsible for its foreign relations. Therefore, I would like to continue talking about the activities of this alliance.

-Because I grew up close to nomadic animal husbandry, I have always been thinking about doing something to help improve the lives of herders. Since 2018, I have been supporting the Sustainable Fibre Alliance (SFA) as much as I can and working as their public relations manager. It is a unique alliance in that it was founded by Mongolians living abroad. However, it is also an international organization that has recruited many foreign brands and companies as members and it is registered in the UK and operating in the cashmere industry. We have set ourselves many multi stage goals and objectives to solve the issues faced in developing our trade capacity in the world market. It is vital to create the right conditions and opportunities for Mongolians to play a key role in a sustainable cashmere supply chain by developing the standards that Western consumers and manufactures would expect and introduce those to the herders and the industry.

As a result of the SFA team's diligent efforts, more than 100 international and domestic brands as well as cashmere production and trade companies have joined as members.

British, American and Scottish employees, with experience in the cashmere industry, work in the team in England. The Board also includes representatives of well-known brands such as Burberry and Johnston of Elgin to name just few. The Royal Society for the Prevention of Cruelty to Animals (RSPCA) is made up of well-known researchers in the field. Under British law, the alliance reports on its activities and results, so all reports are available online at Companies House - GOV.UK (www.gov.uk)

Our branch in Mongolia has more than 10 employees. Since herders produce the initial stage of the cashmere, we are implementing programs to improve and teach herders best practices of a standard of sustainability such as herding environmentally friendly, animal-friendly, and pastoral-friendly, and in a follow-up low-cost combing of cashmere. Currently, 57 soums cooperatives from 15 aimags

have been provided with training and information, and livestock and pasture conformity assessments have been conducted. Since 2020, we have been conducting training sessions to build good cashmere processing practices directed towards cashmere processing companies. Basically, for the past six years, we have focused on producing and processing cashmere that meets sustainable standards and brings it into the world market. Our activities in Mongolia can be viewed at www.sustainablefibre.mn

During 2020-2021, cashmere that meets SFA standards followed the system of tracking from herder cooperatives to exports. For example, in 2020, 100 tons and in 2021, more than 470 tons of cashmere that met the SFA standards was supplied to western producers.

As a result of six years of cooperation, the SFA became a member of ISEAL in 2021, an international organization that registers international sustainable supply systems. Becoming a member of this international organization can be understood as meeting the main criteria for Mongolian cashmere to enter the western market. As a result of becoming a member of ISEAL, SFA certified cashmere that meets the quality requirements will be accepted and purchased by western brands' members of ISEAL.

-What kinds of projects are planned for the future?

-The strategic plan has been developed until 2030. We will reach more herder cooperatives and processing plants and focus on adherence to our own standards. We also plan to work with professional organizations while taking the support of our member organizations to prepare future young herders and increase their ability in making the right choices and breeding their livestock more efficiently. Funded by Johnston of Elgin, a member of the SFA, the Herder of a New Generation project is implemented in schools in several aimags and soums. A capacity building program for 1000 women herders was successfully implemented on the initiative of the "JCrew" Corporation of the United States. Currently, training to improve the knowledge and skills of herders related to small cattle breeding is conducted online financed by the British Embassy in Mongolia.

A wide range of training and projects will be implemented, such as focusing on quality rather than ►



- ▶ quantity, growing good breeds of goats, improving their breeds, and focusing on modern herders' knowledge using electronic technology.

As the SFA standard is recognized by ISEAL and creates a market advantage, the cashmere industry in other countries is beginning to realize that there is a growing interest in adhering to this standard. Since last year, we have been cooperating with China and introducing our standards to their herders and factories. Furthermore, we will implement our standards in countries such as Iran and Afghanistan, which are mainly involved in the cashmere supply chain.

-In your opinion, what do you think we need

to pay attention to in order to bring Mongolian cashmere to the world market?

-The SFA is an organization that was recently established by the hearts of Mongolians living abroad, and is learning from its mistakes and moving forward to achieve its goals. There are many international organizations that want to build their influence in the cashmere industry and establish and possess standards that are recognized by foreign producers. We are in a very good position now that a group of Mongolians in England have recognised this early, and by bringing together knowledgeable and experienced foreigners from the cashmere industry it has opened up the opportunity to reach out to Mongolian herders. It is important for Mongolians to unite and work together in order to retain their place in the cashmere industry. If Mongolians have a united position, where will foreigners go if they don't just come and comb our goats?

Always remember that when a misunderstanding arises, outsiders will try to use them to their advantage. This kind of thing happens in many industries. That's what we need to pay attention to.

-You lead the Mongolian Association in the United Kingdom. Can you tell our readers more about this association?

-In 1999, this association was established on the initiative of Amarbayasgalan. Since then, it has organized cultural and other events for Mongolians in Britain. Groups organized by interests, and now more than 10 community organizations are active in the UK in the fields of sports, culture and education. There are many businesses that were started by Mongolians.

Mongolians in the UK are very active. We organize many donations and campaigns with the spirit of Mongolians and encourage others. One of them was that during the Covid-19 pandemic, a group of Mongolians took the initiative to distribute food and coupons to our people who had lost their jobs. This activity expanded and continued in Manchester, where Mongolians launched a relief campaign. More than 5000 pounds was raised in London and Manchester. Last summer, an oxygen machine donation campaign raised more than 2000 pounds and the funds were sent to Mongolia. Currently, a campaign is underway to distribute 1000 English books and teaching aids in every aimag. ■