

Mongolian Economy

2022 YEAR (183)

www.mongolianeconomy.mn

International relations

Exits to overcome
force majeure

Investment

From the vortex to
the great flow...

Prime Minister of Mongolia
L.Oyun-Erdene:

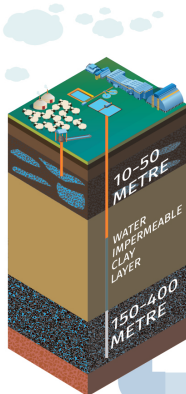
**THE “NEW RECOVERY
POLICY” WILL CREATE AN
ENABLING ENVIRONMENT
FOR BUSINESSES AND
INVESTORS**



WATER FACTS

AS OF Q4, 2021

WATER RESERVE

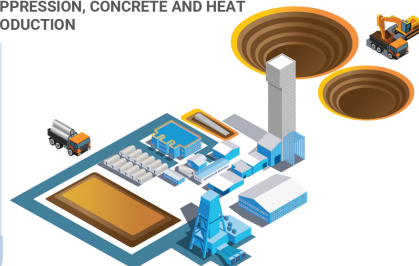


918 l/s
OF GUNII KHOOLOI
GROUNDWATER
RESERVE

WATER SUPPLY SYSTEM
CONSISTS OF 28 PRODUCTION
WELLS, 400,000 M³ OF LAGOONS
WITH CAPACITY OF 77,760 M³/DAY

WATER CONSUMPTION

WATER USED IN OPEN PIT AND
UNDERGROUND FOR MINE DUST
SUPPRESSION, CONCRETE AND HEAT
PRODUCTION



THE CONCENTRATOR PLANT
CONSUMES ABOUT 90% OF THE
TOTAL WATER USED

WATER CONSUMPTION



13,125 M³ OF WATER USED FOR
REHABILITATION AND NATIVE PLANT
PROPAGATION CENTER

WATER USAGE



A TOTAL OF 437,556 M³ OF WATER WAS
CONSUMED FOR ACCOMMODATION
WATER SUPPLY AND THE WORKERS
DOMESTIC WATER CONSUMPTION

WATER RECYCLING

227,695 M³ DEWATERING FROM OPEN PIT,
684,720 M³ TREATED WATER BY WWTP
ARE REUSED FOR DUST SUPPRESSION
AND CONCENTRATOR PLANT

88.29% OF ALL RECYCLED WATER
IS FROM CONCENTRATOR
THICKENERS AND TAILING DAM

WATER USAGE FEE

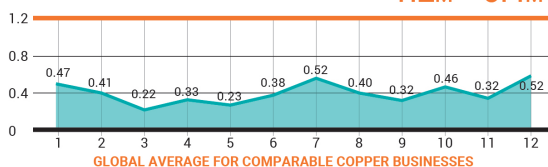
(2013-2021)

THE WORKING GROUP ESTABLISHED UNDER THE DECREE OF THE ENVIRONMENT AND
TOURISM MINISTER AND UMNUGOVI GOVERNOR REVIEWED OYU TOLGOI'S ENVIRONMENTAL
MANAGEMENT PLAN FOR 2019 AND EVALUATED THE IMPLEMENTATION AS SATISFACTORY.



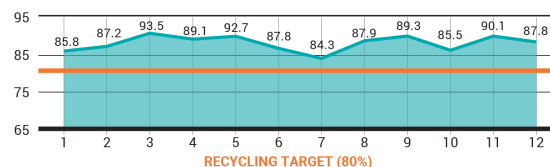
WATER USE EFFICIENCY

OYU TOLGOI USED AN AVERAGE OF 0.4 CUBIC METRES
OF WATER PER TONNE OF ORE PROCESSED THAN THE
GLOBAL AVERAGE OF 1.2 CUBIC METRES PER TONNE.



WATER RECYCLING RATE

IN 2022, WE EXCEEDED OUR WATER RECYCLING TARGET
OF 80 PERCENT, REACHING 88.29 PER CENT.



М-Си-Эс нь Монгол Улсын тэргүүлэх групп компаниудын нэг ба олон чухал салбарт үйл ажиллагаа эрхэлж байна.

MCS is one of the largest business conglomerates in Mongolia, operating leading companies in key industries.

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ENERGY



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УУЛ УУРХАЙ
MINING



БУСАД ТӨСЛҮҮД
OTHER INVESTMENTS



GroupMCS



MCSGroupOfficial



mcsgroupofficial



MCS Group Official



Financial



Corporate social responsibility



Platform



IT



Media





Shunkhlai
HOLDING



GS25 тaй өдөр

САНААЧИЛЫГ ГАРГАА АВАГЧ

Д.ОТОНБАТ /ЭЛЭГ СЭЛБЭР/



GS25 тaй өдөр

ИНЭЭД БЭЛХЭМЧ

Т.СҮХЖУУГ /ПАРК-ОД СЭЛБЭР/



GS25 тaй өдөр

ТУСЧ СЭТЭЭЛИЙН ТУЙЛ

А.БОЛОР-ЭРДЭНЭ /ЗОХ СЭЛБЭР/



GS25 тaй өдөр

ЭГЭЛДЭГ ҮСГИЙН ХҮНДАГА

М.ЗОЛЗАВА /САНСАГ СЭЛБЭР/



GS25 тaй өдөр

ХЭТЭРХИЙ ХӨДӨЛӨМӨРЧ

А.ОЮУНДАР /ХАГС-УУЛ СЭЛБЭР/



GS25 тaй өдөр

ХАМДЛАГА ГЭЖ ХАЙРСАН ШОКОЛАД

Х.ХУЛАН /АРД СЭЛБЭР/



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ХАМДЛАГА ГЭЖ ХАЙРСАН ШОКОЛАД

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GS25 Lifestyle Platform

**PUBLISHED MONTHLY IN ENGLISH
AND MONGOLIAN**

**Mongolian
Economy**

November, December 2021 (176, 178)

www.mongolianeconomy.mn

Investment and development

Foreign investments over the last 30 years

National Development Agency

Kh. Batjargal: We need a comprehensive reform in our investment environment



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OF THE INVESTMENT
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**Mongolian
Economy**

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ISSN 2664-195X

Magazine Subscription:
Mongol Post (Ph: 976-70078916)
Tugeemel Post (Ph: 976-70118916)

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Greetings

It is important that the Government, private sector and investors collaborate effectively



UKHNAA KHURELSUKH,
PRESIDENT of MONGOLIA

Dear business owners and wealth creators,
Dear politicians,
Dear guests and representatives!

I would like to express my deepest gratitude to everyone who is participating in the "Mongolian Economic Forum-2022" which is organized as part of the Government's New Recovery Policy amid the formidable challenges and obstacles faced by humankind to discuss the current economic situation and develop detailed policies and plans for the future.

The Economic Forum carries significance in the sense that it is finally taking place after a 3-year-long hiatus when countries around the world are putting immense weight on post-pandemic economic recovery.

From the upcoming forum, we expect to exchange opinions on our economic challenges, the New Recovery Policy and other urgent issues, and find concrete solutions for them.

Due to the pandemic, the world economy shrunk by 3.5 percent in 2020, the worst hit since World War II. On top of that, at a global level, the inflation rate reached record high since the financial crisis of 2008. Meanwhile, like most countries, Mongolia experienced unprecedented economic hardships in the last two years because of the global pandemic. Despite that, we have seen a modest recovery owing to the reallocation of government spending and cooperation with citizens, the private sector and wealth creators.

We need to give importance to identifying the effects of the ongoing global situation in the last few months on Mongolia's economy and adjust our economic policies accordingly.

Even though we are susceptible to great external risks, we could reduce internal risks by limiting price hikes, protecting the real income

of our citizens, improving border control and management capacity, restoring export levels within a short period of time, stabilizing our currency exchange rate volatility and paying special attention to accelerating our development so we can achieve actual results.

We can overcome the tough times faced by not only Mongolia but also the rest of the world with collective power and unity. Therefore, it is important that the Government, private sector and investors come to a consensus and collaborate effectively with one another to solve the current challenges in order to move forward.

Furthermore, as the Head of the State, I would like to remind everyone that it is the time to take ownership and responsibility at work, avoid political turmoil, eliminate bureaucracy and pressure at all levels of public agencies, maintain discipline, abide by the rule-of-law, and work in a coordinated and urgent manner.

In addition to these major challenges, to ensure our economic safety and independence we must carry out three core reforms "From welfare to labor", "From extraction to processing" and "From imports to exports".

Let's make all our efforts in overcoming enormous external and internal economic challenges collectively and unite to achieve sustainable development.

Moreover, I wish success to the upcoming forum that will discuss and determine the post-pandemic economic recovery policies, plans and solutions to ensure environmentally-friendly and inclusive economic recovery and sustainable development.

Last but not least, I would like to encourage you to work on our country's social and economic development policies with a new enthusiasm. ■

Greetings

The challenges must be overcome by the New Recovery Policy

I would like to extend my warm greetings to you, the participants of the Mongolia Economic Forum-2022, and my wishes for the best of success in the activities of the Forum which is being organised for the 12th year with new goals.

This Forum comes at a time when Mongolia is gaining momentum in its efforts to promote social and economic development through establishing justice and discipline at all levels and instituting the rule of law without any prejudice.

While the negative effects of the pandemic that overshadowed societies and economies globally and locally for the last two years, have stabilised and recovery trends have emerged, another challenge has been brought by new international tensions.

Factors of rising prices, imports/export delays and congestions due to these unpredictable situations are having a negative impact on the domestic economies.

In order to overcome the above and other risks, the realisation of our available resources

and capabilities within the framework of the policy to create a new revival, overcoming external and internal risk factors with sound policies and common aspiration, and ultimately rebuilding our economy are the most important tasks in the near future.

We are living in the time of Great Purpose and Massive Challenge to revive Mongolia while learning from the experience and lessons of the past 30 years to embark upon the right and new path. This Massive Challenge must be overcome by the New Recovery Policy. The Mongolia Economic Forum 2022 is of great significance, because it is being organised at this critical period.

This revival should be based on public-private partnerships, sound solutions and decisions by academics and policy makers, by public consensus and strong faith in our future.

I trust that you, the Forum participants, will discuss these issues in depth and find many important ideas, initiatives and solutions to determine the future of our country's development. ■



**THE SPEAKER OF
PARLIAMENT OF MONGOLIA
ZANDANSHATAR GOMBOJAV**

Greetings

The “New Recovery Policy” will create an enabling environment for businesses and investors



**PRIME MINISTER
OF MONGOLIA,
OYUN-ERDENE
LUVSANNAMSRAI**

Dear distinguished guests and participants,
I would like to express my sincere gratitude to all of you for participating in the Mongolian Economic Forum 2022 under the theme of “New Recovery.”

I am pleased to note that since its founding in 2010, the Mongolia Economic Forum has become a prominent platform for intellectual minds, public and private sectors, and academics to discuss challenges and opportunities in Mongolian economy.

After being on hiatus for two years due to the pandemic, the Mongolia Economic Forum is set to discuss the Mongolian Government’s New Recovery Policy as a comprehensive solution to the crisis at a critical time in the world.

Over the past two years, the government, citizens, and businesses have worked together to overcome the public health emergencies and economic challenges posed by the pandemic.

Exports disrupted, international freights delayed, classrooms closed, businesses shut, over 200,000 jobs lost, and the economy declined by 5.3 percent for the first time since 1992. And we are all working together to overcome these difficult times.

During these uncertain times, regional armed conflict further increased inflation, created a shortage of consumer goods, and deteriorated overall economic conditions.

COVID-19 pandemic and the current geopolitical situation created unprecedented challenges since World War II. These events create an enormous challenge for a landlocked country whose economy depends on mining with heavy reliance on foreign petroleum. Yet, challenges also create an opportunity.

These crises require extraordinary measures,

and we ought to approach these challenges with unity as a country.

We will not overcome these challenges by finger-pointing, criticizing, partisan thinking, and politicizing issues. On the contrary, we must unite and work together to overcome these crises. The Government of Mongolia is committed to ensuring economic independence and restoring economic activities by creating a favorable environment to realize the goals envisaged under the Vision 2050 long-term development policy. By implementing the New Recovery Policy, we will eliminate key binding constraints in the medium term.

As the Prime Minister of Mongolia, I call on every citizen, business entity, and investor to actively participate in the process of creating a more resilient and independent economy. The main premise of the New Recovery Policy is to create an enabling environment for citizens, businesses, and investors where the government will be championing everyone to compete on the world stage.

Preliminary sub-discussions were organized on six key binding constraints identified by the government prior to this main event. These include port recovery, energy recovery, industrial recovery, urban and rural recovery, green development recovery, and public sector efficiency. We, Mongolians, like to discuss issues amongst ourselves before making decisions. As such, I hope every person here today will take part in the discussions and share their perspectives on building a better future for Mongolia.

Good luck with the conference.
May Mongolia prosper. ■

Editor-in-Chief message

Mongolian Economic Forum after the pandemic

The 'Mongolian Economic Forum-2022' has several more features compared to previous years. First, it was the first edition since a 2-year hiatus due to the pandemic. Mongolia has been holding this forum every year since 2010. The event, which follows the standard of the World Economic Forum, is significant in that it discusses the country's development issues with the participation of the government, the private sector and non-governmental organizations.

In addition to discussing policies and plans, the government has sought to incorporate the advice of businessmen, experts and economists. In any case, the participants get a lot of information about the work being done by the government. It is also a platform for the government to talk about how it sees the country's development issues, formulates new policies and implements them.

Second, this year's forum is unique in that it was held after the epidemic. The most important piece of information for the participants was the government's presentation of its policies and programs on how to recover the economy after the covid pandemic.

Third, Mongolia has announced that it has begun to roll out the red carpet to foreign investors. The president, speaker of parliament and the Prime minister are all saying that Mongolia will improve its investment environment, create favorable conditions and opportunities of cooperation with foreign investors. For example, the Speaker of Parliament, G.Zandanshatar said, "State instability and legal uncertainty have greatly frightened investors. We will create stability and a favorable legal environment". Prime Minister L.Oyun-Erdene said, "Our country ranks 110th in the Corruption Perceptions Index. Over the next two years, we will aim to be below 100 in this index, so that the government can develop the country, attract and support investments without limiting development. As a result, foreign investments will flourish".

The Minister of Finance, B.Javkhlan said "Over the past 30 years, we have made our investors less happy and mostly offended them" and added that the Investment draft law will be very favorable to

investors.

How to revive the economy?

The Government developed the new recovery policy and planned to implement it in six sectors.

It was concluded that Mongolia can develop rapidly in the near future by focusing on reform and recovery policies in six main sectors. These include energy recovery, industrial recovery, port recovery, public sector efficiency, green development, as well as urban and rural recovery. On these sectors, "The disease was diagnosed and we will now focus on the treatment", said the Prime Minister L.Oyun-Erdene.

The article includes quotes from the Prime Minister's speech and summarizes his presentation on the country's economic development at the 'MEF-2022' forum. The Prime Minister noted that he is introducing the New Recovery policy at a difficult time. "We know that a geopolitical crisis has arisen at a time when the focus has shifted from overcoming the pandemic to recovering the economy. Exactly 10 days after our country shifted from red to a yellow level of the pandemic, the war between Russia and Ukraine started and put not only our country but the whole world in a difficult situation. To overcome this great challenge, there was a need to develop policies and plans tailored to the new circumstances" he said.

Today, inflation stands at 14.2 percent. Fifty percent of this is due to the rise in meat and flour prices. Therefore, the Prime Minister said that the government can take certain measures to reduce inflation.

The government has developed the 'Vision 2050', long term development plan, and in the first 10 years it was planned to implement a new recovery policy in six sectors. The total value of Mongolia and Mongolians is worth 40 trillion MNT. Eighty percent of this is spent on operating expenses. In the past, the focus has been on expenses rather than budget revenues, so a very small portion of the budget has been allocated to investments. Now the New Recovery policy will focus on how to increase this 40 trillion 2 to 3fold to 120-150 trillion, stressed the Prime minister.

Interestingly, Mongolia has a history of ►



**Editor-in-chief,
Bekhbayar
Damdindorj**

The Minister of Finance, B.Javkhlan said "Over the past 30 years, we have made our investors less happy and mostly offended them" and added that the Investment draft law will be very favorable to investors.

- implementing a 'New turn policy' back in 1932 with the motto of 'Let every citizen be rich'.

"The government cannot raise 120 trillion tugriks by itself. It should be co-created with the private sector, foreign investors and the public. The government will focus its policies on reducing corruption and bureaucracy, which are major constraints to development. As if in traditional wrestling, the government will be a referee. The state will not participate in profitable projects that can be implemented by the private sector, he concluded.

Currently, Mongolia's GDP per capita is about 4.5 thousand USD. By implementing this 'New Recovery policy', it is possible to increase this number to 5-12 thousand USD. "The long-term opportunities for 2040 to 2050, could be created in the coming 10 years" said Prime Minister L.Oyun-Erdene.

Mongolia has 42 land ports and 29 of those are with Russia and 13 with China, including seven roads and three railways. Today, there is only one air route. As part of the port recovery, the port's capacity is expected to triple to \$14 billion in exports and \$17 billion in 2025-2027.

The Prime Minister acknowledged that the energy sector is the first sector that needs recovery, saying that "We don't need to hide the fact that our infrastructure is in dire need". 30-40 percent of the equipment and grids in the sector are in need of urgent repair. He said that in line with the green development policy, the development of environmentally friendly energy or renewable

energy, including the development of hydropower plants, will be beneficial to our country.

The only sector that really drives the Mongolian economy is mining. Mining and mineral products account for 92 percent of total exports. The 'New recovery policy' will answer the questions of how to industrialize Mongolia, how to develop creative production and importantly a processing industry.

The policy will focus on changing the structure of Mongolia, which exports 90 percent of raw natural resources and imports 90 percent of processed products.

As part of the green development, the planting of '1 billion trees' is a big social responsibility. When every entity is in the business of planting and nurturing trees there will be a huge economic revolution, a new trend in technology innovation and scientific development.

As part of public sector efficiency, the structure of the public service will need to be redefined. The state has a surplus of civil servants. Many people work in ministries and administrations, but few of them have enough things to do. "Therefore, we will introduce a performance-based evaluation system and create a system that does not need to call members of parliament when you need hospital care" said the Prime minister.

The Prime Minister L.Oyun-Erdene expressed his confidence that the proposals made at this forum will be implemented as an action plan, and that most of them will be implemented and commissioned by the beginning of next year's forum. ■

The only sector that really drives the Mongolian economy is mining. Mining and mineral products account for 92 percent of total exports.



New Recovery Policy

Realizing the setback



We have moved backward...

The World Bank introduced a report “Navigating Stronger Headwinds” which is an overview of the economic condition of East Asia and the Pacific countries as of April this year. The report reveals the true direction of the Mongolian economy. Some conclusions may seem hard to cope with.

Mongolia's economic growth is expected to be the lowest compared to other countries in the region this year. Although the organization lowered its forecast for the economic growth outlook 2022 of other countries from the forecast made in October last year, it expects our country's growth to slow down the most. The World Bank had projected that Mongolia's economy will grow by 5.4 percent in 2022. However, the economic growth is expected to slow down sharply to a maximum of 2.5 percent as projected in this latest report. And our country is a leader in macro-financial vulnerabilities and has one of the highest base inflation rates and policy interest rates. The World Bank also warned that Government spending has reached up to 80 percent of GDP. However, the hard conclusions don't stop there. Mongolia is also the most vulnerable country in the external sector compared to other countries in the region. This was largely due to the current balance deficit, short-term debt, and debt-to-GDP ratio.

For the financial sector, indicators such as the amount of non-performing loans and return on assets received a poor rating. 58.4 percent or MNT 1.8

Our country is a leader in macro-financial vulnerabilities and has one of the highest base inflation rates and policy interest rates.

trillion of the Development Bank's total loan assets were classified as non-performing loans, which was the main reason for the poor ratings. It also leads the region in terms of overdue loans and expected overdue loans in the next six months.

During the Mongolia Economic Forum 2022, G. Zandanshatar, the speaker of the State Great Khural of Mongolia, informed, “In 12 of the last 14 years, we've had both budget and current account balance deficits, which resulted in creating macroeconomic instability. And the current balance deficit has averaged 19.5 percent of the GDP over the last 10 years, leading to an increase in external debt.” In addition, he made clear that “In the National Security Concept, it stated that foreign exchange reserves should be kept at a sufficient level to meet the needs of 12 months, however, it is at the level of meeting the needs of six months, and that is an indication of insufficient national savings.”

On the other hand, the World Bank report noted that the Mongolian government was overly generous during the height of the pandemic period. For example, in the years from 2020 to 2022, only pandemic-related expenditures accounted for 3.5-7 percent of the GDP is an indicator twice as high as in many other countries. He also stated that Mongolia continued to care for its citizens while most other countries stopped the support for them in 2022.

This is not the end of our regional leadership in bad news. Increased income inequality due to the pandemic is also included. We must fix these negative, social, and economic images. In order to do this, one must recognize its own mistakes and choose the right direction ahead. The government officials emphasized that the New Recovery Policy would be the main guide if the choice is wise.

... but we will move forward

Prime Minister L. Oyun-Erdene L informed that Mongolia's GDP can increase from MNT 43 trillion to MNT 150 trillion.” This announcement at the Economic Forum surprised some researchers and economists. Economist Ts. Lut-Ochir expressed his opinion on social media, “If we want to triple our ▶

► economy, we must grow it by at least 17 percent every year. Mongolia has once achieved such success in 2012 but only when it became “popular” among foreigners who brought their money with them and came one after another. Wages have hardly increased in the last 10 years. The GDP is stuck at about USD 12 billion.”

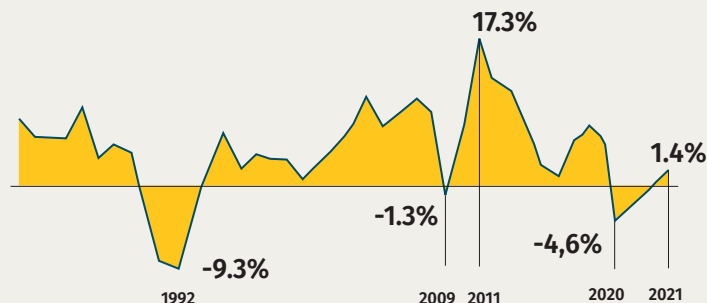
The “New Recovery Policy” is a policy that aims to create the basic conditions for the implementation of the “Vision-2050” long-term development policy of Mongolia and resolve the limiting factors of development promptly. In particular, our country's development strategy is defined by three decades, the first 10 years of which is the “New Recovery Policy”. It is not clear whether or when the per capita GDP will reach USD 12,000 during the implementation of this policy, but the authorities emphasized that Mongolia will reach a whole new level of development by resolving six key issues that are the main cause of the limit to wealth creation.

Policymakers have emphasized that improving port capacity and access to energy, and promoting green development and industrialization will open up economic bottlenecks. In order to do this successfully, we need to improve governance and increase government productivity. They believed that both urban and rural areas need to be developed.

Our country has the only major drawback that keeps us falling behind in world development. That is poor infrastructure development. Due to the energy shortages and poor roads, our goal of becoming a consumer-to-producer country has been an empty dream for many years. For this reason, foreign investors had to leave our country. According to the World Bank's report, “Doing Business 2020”, Mongolia was ranked 81 out of 190 countries in analyzing their business environment and in terms of ease of doing business. B. Byambasaikhan, the

Inconsistent economy

Mongolia's average economic growth is 4.4% and standard deviation is 5.6% between 1989-2019.



Source: MEF-2022, Remark by G.Zandanshatar, Chairman of the State Great Khural

Mongolia's GDP can increase from MNT 43 trillion to MNT 150 trillion.

Deputy Chairman of the Board of the Mongolian Business Council, said, “The business environment will prosper only if we increase GDP and expand the economy. To do this, we need to develop hard and soft infrastructure, and reject the short term policies and plans that we have only for today and tomorrow.” So in the “New Recovery Policy”, the opportunities for infrastructure development and the results that can be achieved are spelled out in detail.

During the Mongolia Economic Forum 2022, Prime Minister Oyun-Erdene L stated, “As a result of the New Recovery Policy, energy capacity will increase 2.5-fold, port capacity will triple, and the amount of exports will double.” Currently, 90 percent of our exports depend on three ports and 90 percent of imports depend on just two ports. And the workload of thermal power plants has reached 118 percent, and 20 percent of energy is imported. Therefore, by taking corrective actions for these weaknesses that currently hold back development, the foundation should be built for a creative country and the economy should expand accordingly. ■

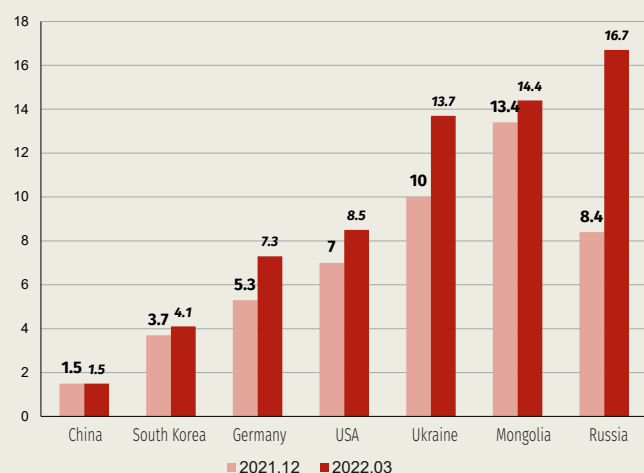
Supports to the households and enterprises (2021)

Total	Children money	Support during the lockdown	Electricity, water and waste bills	Pension, taxation and other
4.8 trillion tugrik	1.3 trillion tugrik	1.1 trillion tugrik	1.1 trillion tugrik	1.3 trillion tugrik

Source: MEF-2022, Remark by L.Oyun-Erdene, Prime Minister

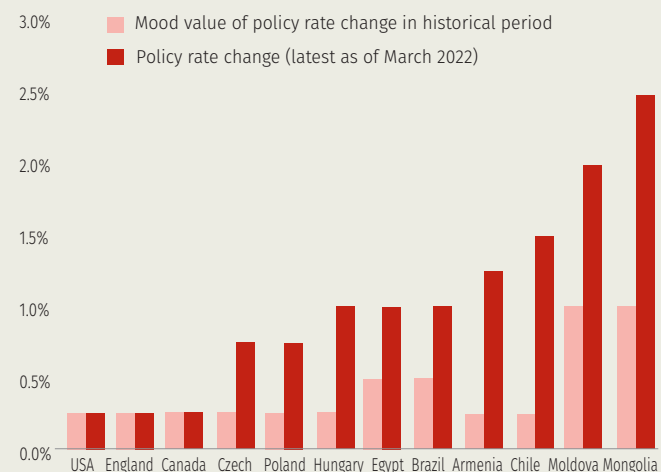
Infographic

Inflation rate, %



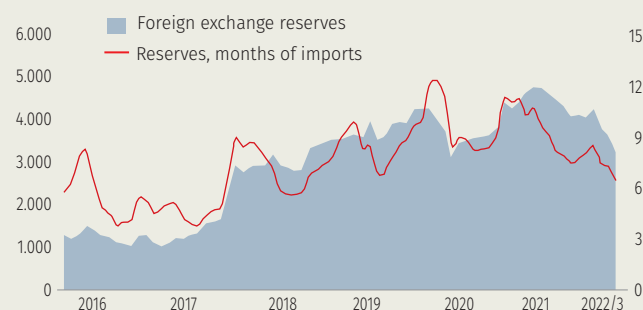
Source: NSO, tradingeconomics.com

Central Bank policy rate decision



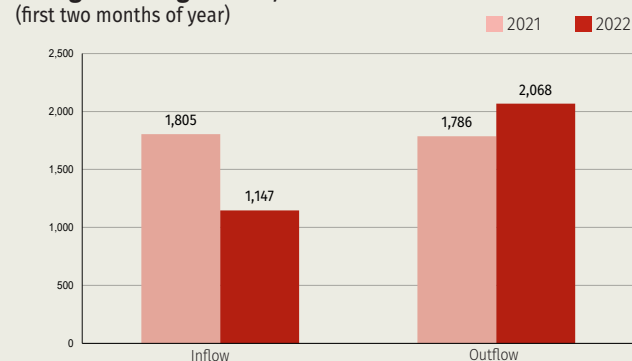
Source: Websites of the Central banks, Policy rate reports

Foreign exchange reserves, million USD (2016.01.31-2022.03.31)



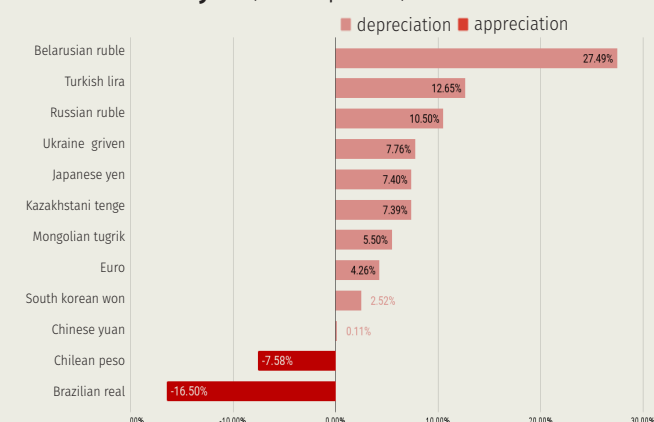
Source: BoM

Foreign exchange inflow, million USD (first two months of year)



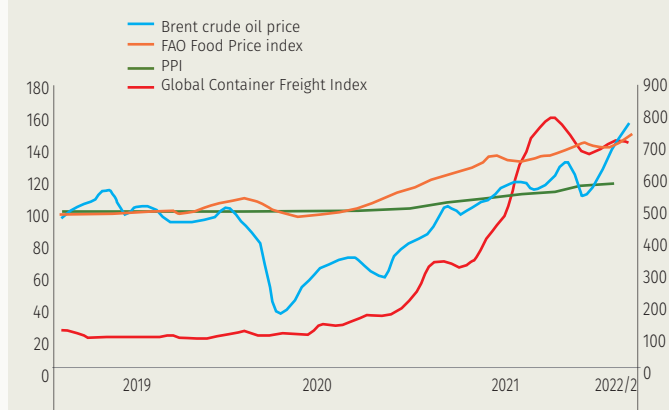
Source: BoM

USD against other currencies, change, since the start of year (as of 5 April 2022)



Source: Reuters terminal

Commodity, food and transport price



Source: Bloomberg, FAO, Freightos, Dallas Fed

MEF-2022

Ch.Ganhuyag: It was a significant forum to influence macroeconomic recovery

In particular, those who implement the plans and visions, and determine the path of foreign trade and the investment environment, must know this.



We talked with Ch. Gankhuyag, CEO of the Ard Financial Group LLC, about the Mongolia Economic Forum-2022.

- The “Economic Forum-2022” took place during the global focus on the economic recovery following the pandemic. How would you summarize the significance of this forum?

- The situation around the world has changed significantly since preparations started. Prime Minister L.Oyun-Erdene focused on what will happen after Covid-19 and proposed to implement the “New Recovery Policy”. Mongolia has created

a roadmap for development until 2050, including a detailed plan that it should reach a certain level by 2030. The issues that are holding back Mongolia's development have been discussed in detail. As part of the New Recovery Policy, our team hosted the Economic Forum.

It was a good step for the government to meet ahead with wealth creators, investors and foreign partners and present its development program. Each person's participation is important in a country's economic and social relations. In particular, those who implement the plans and visions, and determine

► the path of foreign trade and the investment environment, must know this. In terms of timing, it has been a significant forum to influence future macroeconomic recovery.

- The “Economic Forum” was held for nine years. Looking back to the first forum, how did it affect the country's development policy at that time? What do you think has been the benefit of the forums?

- I organized the economic forums of 2010, 2011, 2012, and 2018 participating directly. In 2017, the government decided not to hold an Economic Forum due to the economic crisis. This forum would be meaningless if the government was not involved. It was organized within the private sector in 2019 but canceled in 2020 and 2021 due to the pandemic.

I recall that although some progress has been made in certain issues that were discussed in previous forums, there are still many issues that have not been completely resolved. The public and private sectors both agreed that Mongolia would be better off if we had taken these issues more seriously at that time.

I wanted to say that the Economic Forum is useful and effective for the private sector. We discussed many issues such as stock market development, risk management, how to collaborate and move forward together, inflation, macroeconomics and interest rates, and reached clear solutions on those issues. As for this forum, we will also work on the results and conclusions for next year. Generally, the Mongolian economy is likely to move forward more efficiently.

- The government has promised to address and implement many issues discussed at the forum without delay. As the forum organizer, what specific issues do you think should be addressed and implemented first?

- The government agreed to prioritize the urgent issues and implement them. A working team has been set up to raise Mongolia's status abroad, promote it and create a Mongolian brand. There are many things such as state-owned companies being overseen by the public, putting an end to unprofitable operations, resolving border issues, moving stalled energy projects, increasing the capacity for accepting

tourists, and increasing the number of aviation flights to be addressed and implemented. It's started to show some results.

On top of that, the digital transformation will gain steam. This is a big solution against bureaucracy and corruption in government organizations. On the other hand, the private sector should reduce the cost of doing business and go digital. Also, it is possible to implement solutions to reduce urban congestion and centralization by focusing on urban and rural development.

- As the initiators of the Economic Forum, I would like you to clarify the funding for the forum. There are many stories doing the rounds among the public. Would you please provide us with accurate information?

The Economic Forum has been organized by donations from companies in the private sector and special event expenditures of the government within a budget since 2010. In short, the public and private sectors cooperate. The forum was financially supported by MCS Group, Shunkhlai Group, Ard Financial Group, and the World Bank this time. In terms of expenditures, about MNT 300 million was budgeted for publishing and broadcasting it live. It is so important for a democratic country to inform the public. As more than 2,000 people gathered, MNT 200 million was spent on food, about MNT 200 million on hall decoration, equipment, and certain costs on the translation and printing materials. The budget is audited.

- They addressed and focused on improving public-private partnerships and effective collaboration in the forum. How significant was the forum for entrepreneurs and business owners?

-The government should be more transparent. They need to work with the private sector and have their voices heard. We are a democratic country with a market economy based on the private sector. As the Secretary-General of the Forum, I am focusing on bringing the private sector together and creating a channel to improve permanent government participation, rather than organizing just a one-time forum. ■

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International relations

Exits to overcome force majeure

There is a concept known as Pax Mongolica or Mongolian peace. In the 13th and 14th centuries, the Mongols, who occupied about half of the then known world, created a very favorable social, economic, and cultural environment in the vast territory of Europe and Asia, and established trade, postal and diplomatic networks between Europe and Asia. In the history of mankind, peace that has long been established in such a vast area is uncommon.

Since Pax Mongolica, the world has endured hundreds of wars, armed conflicts, economic, political, and social crises, and the real progress that has been made in limiting and eliminating famines, pandemics, and wars was only apparent in the last few decades.", was written in a book named "A Brief History of Mankind" by the famous historian Yuval Noah Harari.

However, the spread of the coronavirus pandemic and the Ukrainian-Russian war brought new challenges and obstacles to humanity. These events showed that there is no such thing as human beings maturing or reaching manhood. The negative effects of the unfavorable pandemic, war, and geopolitical situation are felt in all countries of the world. The financial crisis is said to occur about every 10 years, the war every 50 years, the pandemic every 100 years, and the three will overlap once every 1,000 years.

It is these challenges that are causing heavy losses to Mongolia which is sandwiched between two large neighbors and whose economic development is fragile and weak. The current situation is risking compromising our country's ability to pursue an independent, open, and multi-pronged foreign policy. Foreign economic relations are becoming more of

a determinant of our foreign policy than political relations. Therefore, in order to develop into a market economy with respect for democracy, human rights, and freedoms, there is an urgent need to expand foreign relations and increase its efficiency. Such an unfavorable economic and geopolitical situation has not occurred in our country at the same time since the early 1990s.

During the Mongolian Economic Forum 2022, this topic was highlighted and a sub-meeting called "Current situation of international relations" was organized. The topic of far-reaching international relations can be seen in the social media scandals that are now affecting the lives of every ordinary citizen, the various provocations of brainwashing, international payments, and restrictions and complicated issues at border crossings.

At the beginning of the discussion, Foreign Minister B. Battsetseg said, "A very difficult period of international relations continues. It applies not only to Mongolia but to all countries. There are many challenges, such as the emergence of abnormal relations between countries that used to maintain normal relations.

Today, diplomats from all over the world are working under very heavy and unpredictable conditions."

Just as the advantages of Mongolia's foreign relations have helped it to overcome the pandemic, they will also help to overcome the unfavorable situation related to the Ukraine-Russia war. In particular, our country has established diplomatic relations with 193 member countries of the United Nations and has friendly relations with all of them. This is a huge advantage for a small country like ours ►



▶ with only two neighbors. Mongolia has a long history of pursuing a peaceful, multi-pronged foreign policy, and adhering to this principle is a great legacy we have.

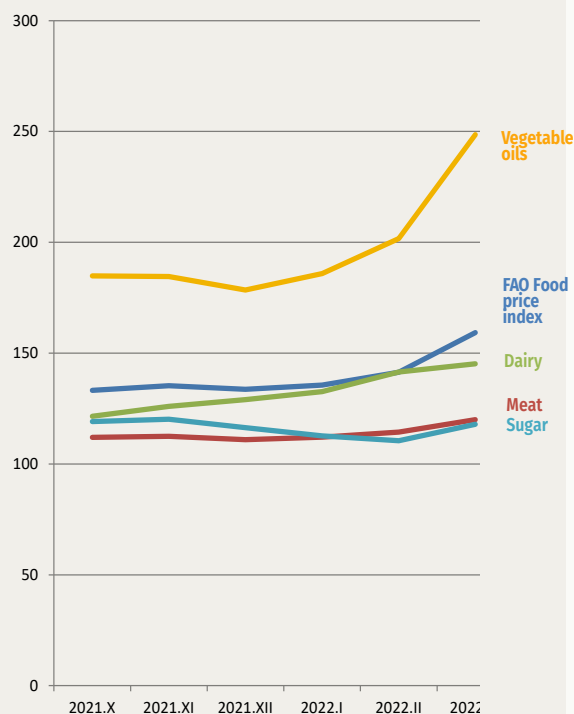
As mentioned earlier, economic relations are more important than political ones. As of April 1, Mongolia has opened all ports with Russia. But China shares land borders with 12 countries, 82 roads, and 22 railway ports are connected to these countries, half of which are operated due to the strict domestic quarantine regimes. For instance, it is connected to 16 border crossings, eight of which are open, two of the five are to operate, and only export ports are being opened in its built direction. Our country exports to China through four ports. The Ministry of Foreign Affairs has been working hard since the outbreak of the coronavirus pandemic to increase the number and stability of the ports. The good news was that the export barrier would be lifted, albeit slightly. Particularly, laboratories are being set up at five major coal ports, and the Burgastai and Shivee-Khuren ports will be opened before the end of this month.

Economist N. Enkhbayar commented on the economic changes caused by external factors: Mongolia's dependence on exporting raw materials is 97.9 percent and its dependence on importing raw materials is 34 percent. These two interdependencies are a major factor in shaking our economy. He also warned that "It is important to anticipate and define external changes that do not depend on our interests, and we need to focus and pay attention to completing our spring planting and supplying by re-exporting food products that are in short supply due to the restriction in Russia's bordered regions."

Rich and poor countries are battling unequally against the unfavorable conditions of the pandemic, the economy, and geopolitics with completely different "tools". It is at such a time that a least-developed country like ours can possibly survive without exacerbating its weaknesses through a united effort to ensure a sound foreign policy, independence, and sovereignty. Given the high probability of continuous war in Ukraine, we need to look at foreign trade and the transport and logistics sectors from a renewed perspective, revive the forgotten policy of the third neighbor, as well as reconsider

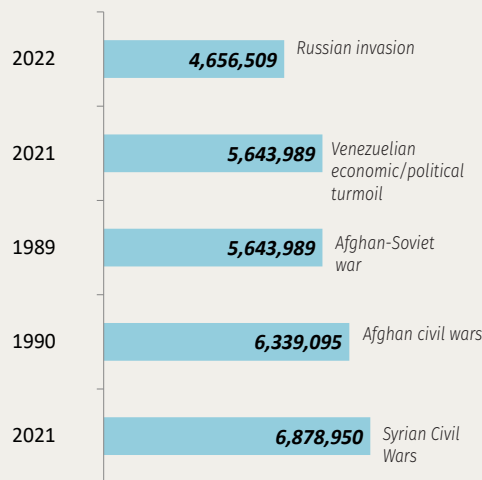
the location of diplomatic missions and find possible new partners. ■

Food Price Index



Source: Food and Agriculture Organization of the United Nations

The 10 largest refugee crises in recent times



Source: UNHCR, Pew Research Center (as of April 12, 2022)

Rich and poor countries are battling unequally against the unfavorable conditions of the pandemic, the economy, and geopolitics with completely different "tools".

Public sector efficiency

Update to a state with assets without a profit



The government has stated that it will take significant steps next year to combat corruption and strengthen governance.

According to the annual Corruption Perceptions Index (CPI), Mongolia has had a score of between 30 and 40 points over the last ten year. Countries with a score of 50 or more are regarded as less corrupt while those scoring less than 50 are regarded as more corrupt. 100 is the maximum score. In the latest Corruption Perceptions Index published by Transparency International in 2021, Mongolia ranks 110th out of the 180 countries on the list. The government is committed to ensuring that corruption will decline.

The government has stated that it will take significant steps next year towards combating corruption and strengthening governance. It is

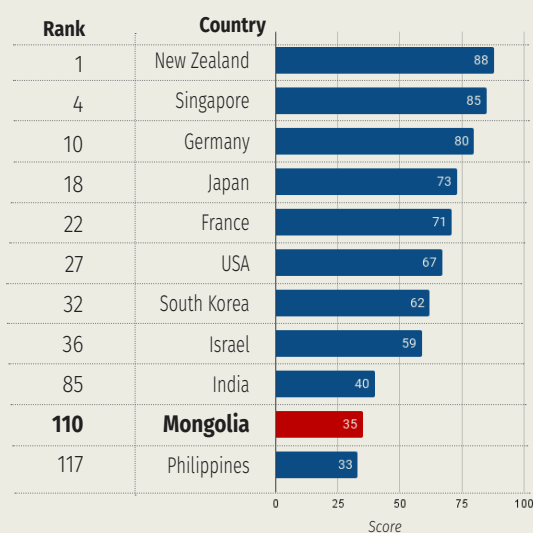
commendable that in order to eliminate corrupt state structures, corruption, bribery and bureaucracy, the government has agreed that it is necessary to reduce the number of state-owned companies, and bring them under direct public control and turn them into joint stock companies. During the socialist era, our country had about 430 state-owned enterprises, and cooperatives. They have been privatized since 1991. Today, there are 168 state-owned and 299 regional administration-owned companies, an almost indistinguishable number from the socialist era. According to a study by the Ministry of Finance, the total value of state-owned companies has reached more than 50 trillion MNT. ►

► However, a 2021 study by the World Bank shows that the economic benefits of these many state-owned companies are very small and almost negligible. The study clearly shows that the government has a lot of assets, but it is not a good manager. Therefore, in order to change this situation, it is important to privatize them in accordance with international standards. Work will soon begin to streamline the duplication of government inspections, improve the efficiency and governance of state-owned companies, and bring them under direct public control.

The 'New Turn Policy' implemented by the Prime Ministers of Mongolia, P.Genden and A.Amar, in 1932 was also historically significant in that it was critical for the government, correcting its shortcomings and changing its distorted attitudes.

Today, the 'New Recovery Policy' focuses on correcting the government's shortcomings, initiating the fight against corruption, bribery and bureaucracy, and strengthening good governance. The recovery policy states that the government will work on the principle of providing opportunities, and incentives to citizens and businesses, as well as drastically improving government productivity.

Corruption perceptions index



Source: Transparency International

Therefore, within the framework of the state productivity recovery policy, the participants of the 'Mongolian Economic Forum-2022' suggested that in order to make the state-owned company public, it is necessary to create a good legal environment and set the correct order of IPOs. The participants agreed that the best way to do this is to make Mongolian Stock Exchange a public company and then to make other state-owned companies public through the stock exchange in a transparent and fair manner.

Member of Parliament Kh. Bulgantuya stated that in order to improve the public sector efficiency, it is necessary to expand the goal of becoming an e-nation and reduce the number of licenses required to do business by government organizations by 2024.

B. Bolor-Erdene, State Secretary of the Ministry of Digital Development and Communications, said "Public sector efficiency is not just about improving the skills of civil servants. It covers a wide range of issues, affecting all levels of the state, and in turn affects citizens who receive public services. The key to improving state productivity is e-transition".

Our country considers Estonia as a good example of e-government and plans to follow its path. The successful introduction of e-government by Estonia has dramatically improved the efficiency of its public services and made them more accessible to all segments of society and the business community. Estonia has improved its score on the index from 64 to 74 over the last 10 years and is currently ranked 13th on the list. This has led to the elimination of government bureaucracy, the reduction of large government structures, and the reduction of the risk of corruption.

Our country is also aiming to increase the productivity of the state and create an e-government to solve problems in the most efficient and effective way with a small and skilled workforce. During the session, Speaker G. Zandanshatar introduced the E-Parliament app and website. Through this app, citizens will be able to vote on draft laws and discuss social issues.

At the end of the session, participants expressed their hope that next year's Mongolian Economic Forum would welcome the privatization of the stock exchange and other state-owned companies. ■

Port Recovery

To open the closed ports



Over the past 30 years, UB railroad (a state owned joint stock company) and coal trucks have made significant contributions to the Mongolian economy. In fact, we have been policy-making, law-making, talking for many years about developing the transport and logistics sector, connecting 21 provinces by paved roads, increasing the capacity of ports, and building a new railway. For example, in 2010 the government approved a policy document on expanding rail capacity. It was at this time that the controversy over narrow and wide gauges began, and the railway projects have been in limbo ever since.

The mainstay of Mongolia's economy is the mining sector. Infrastructure and port development are the driving forces behind that sector. In particular, the railway system has been talked about for many years. Prime Minister L.Oyun-Erdene made a working visit to China earlier this year and a final agreement on the railway border crossing point has been made between the Gashuunsukhait-Gantsmod port, Shiveekhuren-Sekhee, and Bichigt-Zuunkhataavch ports, which alone export 50% of the main mining products, such as copper and coal. The issue of a wide or narrow gauge railway at

Gashuunsukhait, which had been stuck for 14 years, has finally been resolved.

As the pandemic and border restrictions continue, our country is facing a third year of not being able to export its commodities as planned due to poor infrastructure. Fortunately, the rise in prices of mining products is making up the balance.

All of this has taught Mongolia a hard lesson and it accelerated the implementation of making urgent improvements to infrastructure and port capacity into reality. There is an urgent need to connect ports by road, rail and highway without any further delay, and to take the air transportation sector to a whole new level.

To this end, the port recovery plan as part of the New Recovery Policy, was discussed during the “Mongolian Economic Forum-2022” which included measures to be taken in the future, difficulties encountered and consolidate the understanding, reach a definite solution and “unlock” the port.

The discussions focused on comprehensive reforms to bring ports into line with international standards, transport and logistics issues at the border, and connecting ports by paved roads. Member of Parliament, and Member of the Standing Committee on Legal Affairs, ►

REVENUE GENERATED BY RAILWAY (MILLION MNT)

2020
770,067.54

2021
766,344.13

2022-1*
145,262.92

S.Byambatsogt said that both the private sector and the government lost time in building the railway. “If the Gashuunsukhait railway had been built 10 years ago in 2012, today we would export 30 million tons of coal annually. Assuming that we had managed to export 300 million tons of coal in the past and for a price of \$150 per ton, we lost \$ 4.5 billion annually and \$ 45 billion over the last 10 years. This is what is called "lost opportunity cost”.

A total of 44 projects and six batches of maintenance are planned to unlock the ports. These projects require a total investment of 26 trillion MNT. Only 10-12 trillion MNT can be allocated from the state budget and the remaining funding should be provided through public-private partnerships.

During the preliminary discussion, the Minister of Finance, B.Javkhlan addressed the representatives of the private sector and announced that he was proposing a high-value, cost-effective business worth MNT 26 trillion. He added, “We are fully aware that the private sector’s research, sustainability, vision and speed have the potential and capacity to implement these projects. The government will not compete with you and will give all opportunities to the private sector”.

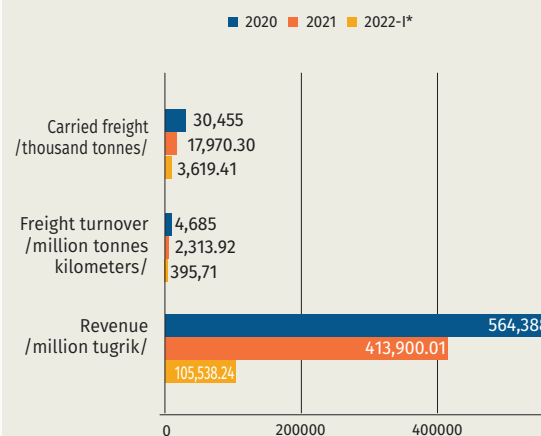
As part of the port recovery policy, 10 major projects to build new railways and upgrade existing ones will be implemented. There are also plans to build 2,966 km of paved roads connecting the ports and 987 km of highways connecting Altanbulag to Zamiin Uud. These projects, once finished, will allow us to increase the exports of the mining sector, which is the lifeblood of the Mongolian economy. During the opening ceremony of the Mongolian

Carried freight, railway (thousand tonnes)

	2020	2021	2022-I*
Freight turnover /million tonnes kilometers/	19,167.56	18,345.08	3,143.01
Coal	8,625.04	9,855.23	3,062.85
Copper and molybdenum concentrates	650.14	589.19	144.77
Oil and petroleum products	543.70	530.47	61.93
Fluors and spar concentrates	667.20	654.31	48.33
Iron ore	7,922.29	7,348.80	584.53

Source: NSO

Key indicators of auto transport



Source: NSO

Planned to do 44 projects and six sets of maintenance work in recovery of port policy.

Economic Forum-2022, Prime Minister L. Oyun-Erdene.L emphasized that "a feasibility study has been completed for the Khangai-Mandal railway to be commissioned in six months."

In the air transportation sector, operation of four major airports will be improved: Buyant-Ukhaa and Chinggis Khaan Airport in the Khushigt Valley, and airports in Khovd and Dornod provinces. As part of its efforts to develop tourism and meet its obligations to the International Air Transport Organization, four airports are planned to be upgraded into 4C international airports: Khuvsgul Murun, South Gobi Dalanzadgad, Uvs Deglii Tsagaan and Khentii Undurkhaan.

Transport and logistics congestion is a problem in other parts of the world as well. During the session on Mongolian ports the Deputy Minister of Road and Transportation, J. Bat-Erdene said that transportation and logistics are highly dependent on neighboring countries.

The export of mining products is expected to reach 70 million tons in 2022-2024, with revenue of \$14 billion, through the implementation of port rehabilitation projects under the New Recovery Policy. In 2025-2028, it is planned to export 80 million tons of mining products worth \$ 17 billion. During the discussion, it was emphasized that the government will lead the way in flexible infrastructure, such as eliminating bureaucracy at the border and customs, easing foreign and domestic trade and reducing costs, and providing services to private enterprises. ■

External settlements

Between a rock and a hard place

At 05:00 on February 24 this year, Russia attacked Ukraine. As a result, international sanctions against Russia increased by 7,000 as of April 21. There is such a neighbor who is under an intensive ban in the north. In the south of us is another neighbor who is loyal to a "strict regime" called "zero covid." In addition, China is a "major player" in trade wars.

These situations of our two neighbors are having a major impact on the global economy, transport and logistics, trade and the banking and financial system. In particular, it would not be wrong to say that our country is one of the countries most affected by the pandemic and geopolitical tensions. In this difficult situation, as if trapped between a rock and a hard place, Mongolia must think about every move.

The most obvious phenomenon in the shadow of war is that both prices and inflation are rising. In the United States, inflation has now risen to a level not seen in 40 years, while inflation in Europe has tripled to 6-7 percent. In Russia, inflation reached 16.7 percent in March. It more than doubled from a year earlier, while in Ukraine it rose from 3.7 percent to 13.7 percent.

Inflation in our country is at 14.4 percent, while in Ulaanbaatar it has reached 15.8 percent. As a result, the Central bank tightened its policy rate, which it had raised by 0.5 percent at the beginning of the year, by another 2.5 percent. Although there is a tendency to criticize this decision on social media as a harmful decision that has stifled the economy, economist D. Gan-Ochirsaid, "In reality, textbooks are not always relevant. Once inflation is high and expectations are rising, keeping interest rates low will result in lower savings and a shortage of credit. The first signs of such trends are beginning to appear in our economy.



Sanctions against Russia increased by 6,000 as of April 21.

Also, dollar demand increases and foreign exchange outflows accelerate. There are many such real lessons".

The heaviest "weight" that affects inflation is petroleum. Mongolia imports \$1.2 billion worth of petroleum and \$ 850 million worth of food annually. We spend half, or even more, of our foreign exchange, which has averaged about \$ 4 billion over the past ►

► year, on food and fuel alone. This is exacerbated by international tensions. Since we live on the same planet, it is certainly true that countries, especially neighbors, are eternally interdependent on each other. Food prices have risen by an average of 30 percent and oil prices by 70 percent globally. It will continue to grow. International banking and financial institutions mentioned that the cost of transportation and logistics will also increase.

In 2022, Mongolia's food and fuel imports are expected to reach \$3.1 billion. That's about \$1 billion more than usual. This will put pressure on foreign exchange reserves and the exchange rate. Therefore, economist D. Gan-Ochir stressed that at a time when exports are not recovering enough, there is a need to recoup at least \$1 billion through foreign investments, advance payments, budget adjustments, exchange rate adjustments, and reduction of import costs. Only then, will the foreign exchange rate stabilize and the difficulties of balance of payments will be reduced.

Another challenge is that the European Union has removed seven Russian banks from the international SWIFT network in connection with the Russia-Ukraine war. In particular, VTB, Bank of Russia, Otkritie, Novikombank, Promsvyazbank, Sovcombank and VEB bank all were disconnected from the network. As a result, our country, which is dependent on food and fuel from Russia, needs to think about the next step.

After major Russian banks were disconnected from the SWIFT network, on March 22, the Bank of Mongolia began to make payments through non-banned banks. But we can't relax right now, as sanctions may be tightened even more. Therefore, the Central Bank announced during the plenary session on "Uncertainties in external environment and Consequences -Price, exchange rate, trade, payment and settlement" held during the Mongolian Economic Forum 2022 that it is studying the next steps.

Both of our neighbors have independent interbank payment systems. For example, China's CIPS system processed \$12.6 billion (80 trillion yuan) last year. International banks, such as the Federal Reserve Bank of the United States and the Bank of England, use that system. Mongolian banks can also join the system. In addition, many countries have joined the

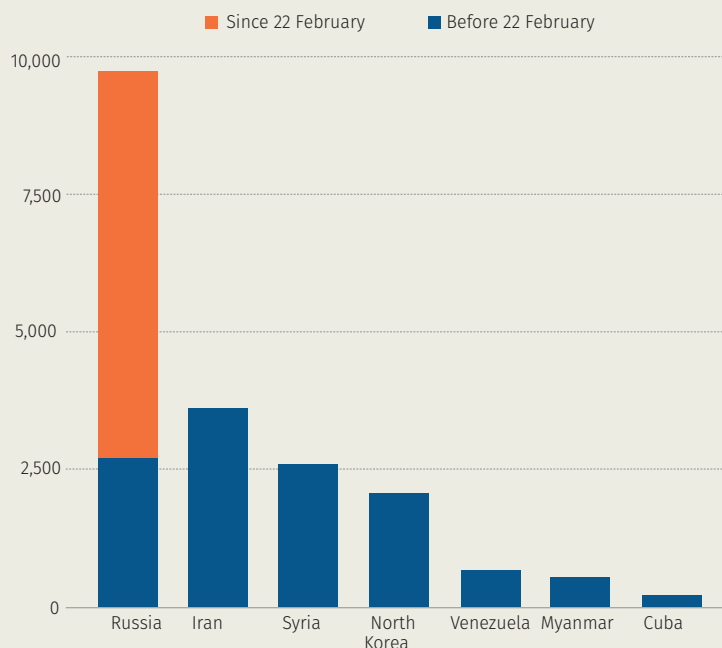
Last year, 12.6 billion US dollars or 80 trillion yuan was transferred through China's CIPS system.

Russian ruble system. Interbank ruble payments have been on the rise since Russian President Vladimir Putin announced that Russia would trade fuel and natural gas only in rubles. Therefore, if the country is unable to make foreign payments in US dollars or euros, the Bank of Mongolia said that it is possible to use the Russian ruble system.

It is true that geopolitical tensions in the international arena have sandwiched us between a rock and a hard place. However, the question arises as to whether our country was less likely to be affected. Although Mongolia has been transitioning to a market economy for almost 30 years, it is still very vulnerable to external shocks and influences due to its fragile economic structure. Even if the economy is growing and there are enough foreign exchange reserves, international organizations often warn that "your economy is vulnerable."

Therefore, if we can correctly diagnose the disadvantages that are weakening the economy and take appropriate measures, we will not be in a miserable condition again and again. ■

The World's Most Sanctioned Countries



Source: Castellum.AI

Banking

B.Lkhagvasuren: In the near future, 1-1.5 billion USD is expected in foreign exchange earnings



We talked with the Governor of the Bank of Mongolia, B. Lhagvasuren, about inflation, foreign exchange reserves and exchange rates.

-A year ago, we had an optimistic outlook to keep inflation at around 6 percent. Today, however, inflation in Ulaanbaatar has reached almost 16 percent, compared to 14.4 percent nationwide. What measures is the central bank taking to control inflation?

-The crisis situation in Russia and Ukraine is having a negative impact on the world at a time when the shadow of the pandemic has not disappeared yet and transportation and logistics bottlenecks continue. Inflation in our country has reached 14.4 percent, but on average it is 11 percent annually. In the first months of 2021, inflation was only 3-4 percent. But it has increased since July last year. Inflation is calculated using more than 370 types of products, 48% of which are imported products. Therefore, higher inflation in the United States, Europe and Russia are absorbed in our country. If such geopolitical tensions had not arisen, inflation would have been expected to fluctuate between 8 and 9 percent in February.

The product that has the biggest impact on inflation is fuel. Our country is 100 percent dependent on its northern neighbor for gasoline. When we calculate the inflation rate, we get the impression that it can only be 10 percent if we take out fuel. In other words, inflation is high at 5 percent depending on fuel alone. It is still unclear when the war will end and when these many obstacles will be lifted. So it all depends on what decisions the central bank will make in these situations.

-The policy interest rate has been increased by 2.5 percent. How drastic was this decision compared to the rest of the world?

-As inflation was higher than expected, the Monetary Policy Committee raised the rate from 6.5 percent to 9 percent in March. In fact, it is six percent lower than inflation. The Central bank tries to keep inflation as close as possible to the target. Therefore, the rate was slightly tightened. It is also being tightened internationally. For example, the Central Bank of Hungary raised its policy rate by one percentage point. It was a pretty drastic step. This is because Hungarian bank have previously raised interest rates by only 0.25 percent. Like Hungary, Poland, which raises its interest rate by 0.25 percent, also decided to raise it further by 0.75 percent.

-Decreasing foreign exchange reserves are putting a lot of pressure on the tugrik exchange rate. How much foreign exchange reserves does our country currently have?

-Before the pandemic, 36 million tons of coal was exported. However, only 16 million tons of coal was exported last year. As a result, foreign exchange inflows have slowed significantly. In the three months since the beginning of the year, Mongolia's trade balance has been under severe strain. The balance of payments showed a huge deficit. In March, exports were \$700 million less than in the same period last year. However, imports have risen to \$700 million more than in March last year. A total of \$1.5 billion in negative balance sheets puts pressure on foreign exchange reserves ►

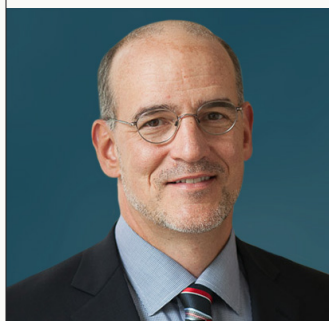
Foreign exchange reserves fell 24 percent from \$4.98 billion in April to \$3.3 billion.

Guest

Mongolians must look back at their history!

"Mongolian Economy" magazine spoke with Michael McAdoo, Director of Boston Consulting Group.

-What should be the first priority for Mongolia to expand its economy and implement the "Recovery Policy"?



-I listened to the Prime Minister's speech during the forum. I would like to say that it was a good policy and felt right at the time.

Looking back at Mongolia's history, it built an empire and led the world in technology. As you may recall, during the Mongol Empire, four very important strategic sectors were fully developed. First was the trade and economic system. It traded over a wide area and created trade representatives.

Second was the transport and logistics system from West to Southeast Asia. It created a very clear trade route and provided equal opportunities for local and foreign traders.

Third was the information and communication network. Today, Mongolia has the opportunity to connect to the Internet and receive and transmit the information it needs, but at that time it was a very responsible and orderly system. Fourth was the human resources were very well trained and specialized. In other words, the military, arts, culture, religion, and education all had very good workforce. So today we need to focus on improving these sectors and making them more competitive.

-What do you think are the main challenges facing our country in attracting foreign investors?

-Mongolia has a very large territory. Therefore, transportation and logistics are an important factor influencing the economy. If there is significant progress in the field of transportation and logistics, the economy will expand accordingly.

-What do you think about the policy pursued by our country to overcome the economic crisis with less risk?

-The entire world is facing rising prices. Mongolia, which is so dependent on imports from China, is hit even harder by rising prices. Mongolia needs to take some big steps to implement the Recovery policy in its fullest sense and turn from a consumer society to a producer society. You need an effective policy to support producers.

-How do you assess the significance of the MEF-2022?

-It is vital that the government listens to the private sector and citizens. The Prime Minister, the Minister of Finance and other ministers, members of Parliament and leaders from all sectors are meeting together to exchange their views. This is very useful. We hope that the forum will provide a great impetus for the implementation of the New Recovery policy and increase exports. ■

► and the exchange rate.

Foreign exchange reserves fell 24 percent from \$ 4.98 billion in April to \$ 3.3 billion. Despite the decline, there are enough foreign exchange reserves to cover six months of imports, which is sufficient by international standards. We plan to maintain our reserves for six months in the future.

The Bank of Mongolia holds auctions every Tuesday and Thursday of the week to supply foreign currency at the request of banks. In the first three months of the year, the Bank of Mongolia pumped \$ 1.2 billion into the foreign exchange market.

-What opportunities is the Central bank looking for to replenish its foreign exchange reserves at a time when transportation and logistics bottlenecks continue and export flows have slowed down?

-The banking sector plans to bring in 600-700 million USD this year through long-term swap agreements. We also asked companies such as Erdenet Mining Corporation, Oyu Tolgoi and Erdenes Tavan Tolgoi if they could sell their products in advance. We estimate that \$1-1.5 billion in foreign exchange earnings will be made in April and May. This will increase reserves and reduce exchange rate pressures.

-How healthy is the 5.5 percent depreciation of the tugrik? Citizens are quite critical of the exchange rate change.

-The US dollar, which has been relatively stable over the past two years, has recently risen considerably. The World Bank and other international financial institutions advise us that "the exchange rate should float to a certain level." In other words, the exchange rate needs to be relatively flexible in order to be sensitive to external shocks. The depreciation of the US dollar is not unique to Mongolia. If the geopolitical situation related to Covid returns to normal, Mongolia's economy will be able to recover quickly.

The tugrik depreciated by 5.5 percent compared to the same period last year. We are looking for more room for improvement in the future. We are working to adjust our balance of payments as much as possible in line with inflation in other countries. In general, it is healthy to adjust the price by 4-5 percent. ■

Stock market

Stock market that could leverage development



The stock market is a 'magic field' that could make someone a billionaire when they wake up, and allows companies to raise funds in a very short period of time. In developed countries with a classic free market economy, this 'magic' happens almost every day. Unfortunately, there are not many such examples in Mongolia, as the development of its stock market is decades behind those countries.

Mongolians first entered the stock market with so-called blue and pink vouchers. Historically, since 1992, one blue voucher and three pink ones for small-scale privatization have been distributed to every citizen. The pink one was used to participate in the privatization of the cooperative's livestock, trade and other small businesses, while the blue voucher was used to buy shares of larger enterprises.

However, many people had no idea what stock and privatization was all about and they exchanged these vouchers for rice, flour, and felt shoes. Although 475 enterprises were privatized with blue and pink tickets given to 1.5 million Mongolians equally, the true value is now concentrated in about one percent of the population.

Thus, the first wave of the stock market ended in a way that was more beneficial to just a few citizens and businesses, and detrimental to the vast majority of people. Since then, the stock market has been partially dormant due to a number of factors, including the country's weak economic development and the dominance of the banking sector.

However, in recent years, stock and bond trading has become more active. There have been many special events. For example, between 2017 and 2020, the

Mongolian Stock Exchange (MSE) traded the highest number of shares, government securities, saw the largest number of IPOs, and the first double listing of securities and insurance company securities were registered. On top of that, many new products that had never been traded before, a mutual investment fund and asset-backed securities were introduced. As of the third quarter of 2021, the total volume of securities traded increased more than 28-fold compared to the same period of the previous year, while the corporate bond trade increased by a whopping 155-fold. The 550.1 billion MNT bond issued by Erdenes Tavan Tolgoi JSC within the framework of the "10 trillion Comprehensive Plan to Protect Health and Recover the Economy" mainly contributed to this amount. Citizens' knowledge of products such as stocks, bonds, and government securities has also increased, and they have become active not only in domestic but also foreign stock exchanges, buying shares of the world's largest companies.

On the first day of the Mongolian Economic Forum 2022, a sub-session on the current state of the Mongolian Capital Markets and its Future Outlook was held to discuss policy decisions and solutions to maintain and increase this growth in the future. The privatization of five main influential banks this summer, following an amendment to the Banking Law last year, will certainly shake up the Mongolian stock market. These banks are expected to double the value of the stock market to MNT 10 trillion by June 2022 when they become public companies.

They also discussed the importance of publicizing state-owned and partly state-owned legal entities, supporting professional investors, solutions for stock market infrastructure organizations, and some regulatory environments that are conducive to development.

To mention, the Mongolian Stock Exchange is one of the state-owned companies to be privatized this year. However, the Chairman of the Financial Regulatory Commission, D. Bayarsaikhan said, "It is better to make the exchange public to institutional or professional investors, rather than making it open to all citizens". In addition, at a time when the issue of making 106 state-owned companies public is hotly debated, participants said that the benefits would be greater if they were entrusted to a special fund or professional teams. ►

As of the third quarter of 2021, the total volume of securities traded increased more than 28-fold compared to the same period of the previous year, while the corporate bond trade increased by a whopping 155-fold.

Partnership

J.Odjargal: Ensuring the stability of the legal environment is the most important thing

We spoke with J. Odjargal, Chairman of the Board of Directors of the MCS Group, about the public-private partnership and the current economic situation.

-As a major business representative, how do you see public-private partnerships?

-Of course, implementing a large project will take many years of work and time. It requires a lot of investment, technical and legal preparation. Stability and investment agreements are required to work with the government on large, long-term and costly projects. It is also important to stabilize the legal environment. It is not important for the government to offer tax breaks or incentives to partner with the private sector. The most important thing for us to work with the state is to ensure that the legal environment is stable and transparent.

We intend to implement more projects that help to increase export volume. Specifically, we plan to implement projects not only in mining, but also in energy and agriculture, as well as in the tourism sector.

The Prime Minister emphasized partnership of the public and private sectors at this forum. In this context, a draft law on public-private partnership has been submitted to Parliament. There is an expectation that the adoption of this law will create a complete legal environment to support the private sector.

- Due to the Russia-Ukraine war, the shock is felt in the economy of our country. How is it affecting the private sector?

-This geopolitical issue and situation are affecting not only Mongolia but the whole world. Inflation is also rising in developed countries. Most countries used to have a soft monetary policy, but now they are tightening and raising interest rates. If monetary policy is tightened too sharply,



the stock market will collapse. Then the economic growth is expected to be offset by the collapse of the stock market.

On the other hand, without tight monetary policy, inflation caused by rising prices and supply shortage will increase. Therefore, each country is taking appropriate measures in this regard. The private sector also needs to pay attention to this and make an effort. I think we will work hard on how to increase exports and how to bring in more dollars domestically.

-How do you think the private sector can increase its participation in these difficult economic times?

-Businesses should pay attention to importing dollars at a time when the exchange rate and inflation are fluctuating sharply. We need to do what we can to the best of our ability. Not only in the mining sector, but also in other sectors, it is necessary to work hard to increase and diversify exports, how to bring in US dollars, and how to attract foreign investment, not only during the crisis, but also in the medium and long term.

I also think that the private sector needs to be actively involved in supporting the government's planned activities, such as the development of intensive livestock breeding, tourism, and the revitalization of mining exports. ■

► The stock market is one of the most important structures for financing projects and programs under the new recovery policy, for distributing natural resources to citizens, and for helping ordinary citizens to become owners of Mongolia's wealth. The Mongolian Stock Exchange, which once had no products to offer to investors and citizens, is now mature. Long-term, professional investors are the next factor that is essential for further strengthening the MSE. Pension and insurance funds fall into that category. Unfortunately, our

country's pension fund has been operating at a constant deficit, and there is an urgent need to reform, change and develop its system. To do this, it is necessary to approve the Law on Private Pension Funds, according to MP Uchral.N.

The sub-session concluded with the confidence that the banks will be successfully privatized, the pension fund system will be reformed, and the Mongolian Stock Exchange will be privatized when the Mongolian Economic forum 2023 commences next year. ■

Investment

From the vortex to the great flow...



Since 1990, total foreign investment in Mongolia has reached 35.6 billion USD which is 6.5 times smaller than that in Vietnam

The World Investment Report of the United Nations Conference on Trade and Development (UNCTAD) mentioned that the Global Foreign Direct investment flow revived in 2021 and reached 1.65 trillion USD. This is an increase of 77 percent compared to 2020. In the period prior to the pandemic, in 2019, foreign direct investment globally reached 1.39 trillion USD. This shows that the global economy is intensifying and heading towards recovery. However, it seems that it is not yet the right time to get away from the "eternal vortex" and join the great flow of economic development. In Mongolia, foreign direct investment inflows reached 1.3 billion USD last year. This is a 2-fold decrease compared to 2020.

In 2011 and 2012, when Oyu Tolgoi was in

progress and investors inflow was like a storm, our country was attracting more than five billion USD in investments annually. However, it has been declining year after year, falling to 1.4 billion USD in 2015. Today, foreign investment is at its lowest level in a decade.

Then, here are a few facts about how other "families" treat their "guests". Our neighbor country Kazakhstan attracted 17.1 billion USD in foreign investments prior to the pandemic in 2019, while our country received 3.1 billion USD in foreign direct investments in the same year. Vietnam, which is similar to Mongolia in some economic indicators, attracted 231 billion USD in foreign direct investments between 1988 and 2020. That's an average of about seven billion USD a year. And in 2019, foreign direct investment inflows increased sharply to 20.3 billion USD. However, Mongolia has attracted a total of 35.6 billion USD in investment since 1990, which is 6.5 times fewer than Vietnam.

Considering the structure of foreign direct investments in Mongolia, 70 percent of it is into geology, mining, 17 percent is in the trade and services sector and 3 percent in the banking and financial sector.

However, important sectors that support development, such as construction, infrastructure, transportation, logistics, and light industry, account for only one percent which is like a drop in the ocean of the total inflow of foreign direct investments. Policymakers have talked about diversifying the economy over the past 20 years, but it is still too dependent on mining. As a result, investment flows have mainly been directed into this one sector, leaving entrepreneurs squeezed for much needed investments. This is not the fault of foreign investors. It is just a picture of the shortcomings of government policy and implementation.

The World Bank's "Doing Business-2020" survey clearly outlines the challenges facing Mongolia's ►

► business environment. Cross-border trade and energy access have the lowest scores resulting in Mongolia ranking 81st in terms of business environment out of 190 countries in the world. From this, it can be understood that poor infrastructure development is a major obstacle for foreign investors and businesses. The World Bank's survey shows that no matter how hard Mongolia tries to implement its policies and reform its laws in order to welcome investors, it will not succeed unless it improves its rigid infrastructure.

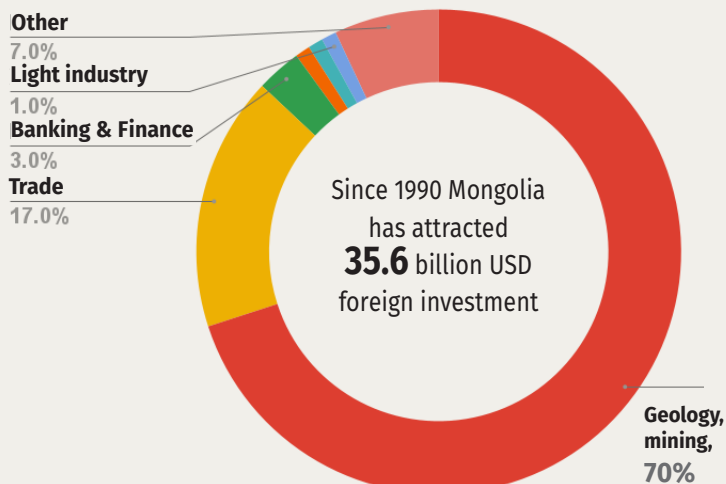
Therefore, revival of ports, energy, and industrialization are reflected as an important sector in the New Recovery Policy. If this policy is implemented successfully, power generation will increase by 1,896 MW, the national railway network will reach 5,600 km, and port capacity will triple. It is estimated that exports will double as a result of getting rid of the dependence on just one port. But do not forget that this calculation is currently just on paper. Foreign investments are also important to make this a reality.

As part of the New Recovery Policy, 20 sets of projects with 94 sub-projects will be implemented. In order to implement these projects, foreign investors are offered an investment market of 100-120 trillion MNT as emphasized by B. Javkhlan the Minister of Finance during the Mongolian Economic Forum. So far, preparations for 60 projects have been completed.

Therefore, in order to successfully implement all these projects and create a favorable environment for investors, the revised Investment Law includes a number of specific provisions. For example, 50 percent reduction in the investor's dividend tax on non-mining companies whose shares are publicly traded on the Stock Exchange, a 50 percent tax rebate on the sale of publicly traded securities, and a tax exemption for investment funds. It also provides for a four-year delay in the payment of import, customs and VAT taxes on fixed assets of major investment projects.

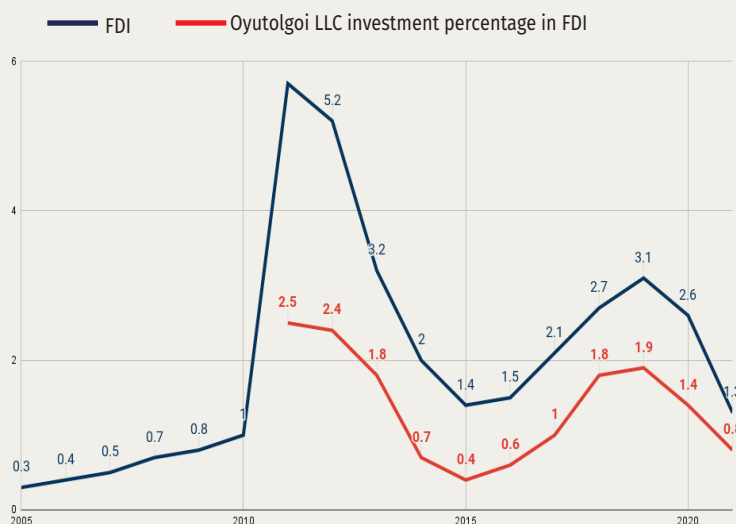
Although political instability and poor development of infrastructure continue to hamper the investment climate, nevertheless progress is being made. Our country's credit rating is "B", while the return on investment is three points higher or "BB". In other words, the Minister of Finance stated that countries with low investment risk fall into this category.

FDI in Mongolia



Source: MOF

FDI in Mongolia (billion USD)



Source: MOF

Today, all countries of the world are competing to attract foreign investments. It depends on the country's agility whether to take money from the cash flow with the size of their bucket or to make the bucket bigger. Therefore, our country can earn the trust of its foreign "guests" only by improving its bad grades and maintaining good ones. ■

Policy

B.Javkhlan: The investment environment will be reformed as part of the New Recovery Policy

The economic vulnerability of our country, which depends on only one main sector, became more apparent during the global economic crisis caused by the pandemic.



We talked with the Minister of Finance, B.Javkhlan about the results of Mongolian Economic Forum.

-After three years, the 2022 Economic Forum was held at an important time when the world is focusing on economic recovery after the pandemic. How do you assess the specifics and significance of this conference?

- The conference, this time was organized under the slogan of "New Recovery", and how to

implement this policy. The economic vulnerability of our country, which depends on only one main sector, became more apparent during the global economic crisis caused by the pandemic. In addition to the dependence on commodity exports, there are a number of underlying factors that limit our development. Therefore, in order to recover the economy without delay and thereby support the livelihoods of its citizens, the government has passed a new revival policy to expand the economic base and support growth. It aims to introduce the reasons that ►

► constrain the development, and educate the public on how to address them, strengthen public-private partnerships for successful implementation, and work with international organizations. It also aims to reduce internal uncertainty at this time when there are so many external uncertainties and to provide citizens, the public and businesses with accurate information about new global developments, economic impacts and challenges, and to strengthen solidarity, and direct everyone to the same goal.

- How many of these initiatives put forward during the Mongolian Economic Forum -2022 can you confidently say that will be in progress before next year's Economic Forum?

-Many creative ideas and initiatives were presented during the forum and we aim to implement at least 10 projects and activities before next year's Economic Forum.

First, the legal environment for state-owned and locally-owned companies will be improved and gradually brought under public scrutiny. In this context, the Mongolian Stock Exchange is going to be transformed into a public or open joint stock company. It also aims to increase the capacity of border crossings to meet international standards and complete border crossings. Increase foreign exchange reserves by supporting the gold sector and increasing gold purchases. In order to develop domestic tourism, a financial program will be implemented to support domestic producers and businesses. Furthermore, an optimal energy tariff system based on household income and consumption will be established. A revised version of the Investment Law will be drafted and submitted to Parliament in consultation with the private sector to increase investment and clarify government mechanisms. It is planned to develop and implement a national branding strategic plan, to finance 50% of local mortgage interest rates from the state budget, and to implement smart city projects. Implementing those plans will be an important step in addressing the infrastructure and governance issues needed to expand Mongolia's economic base.

-During the forum, you said that we have offended foreign investors. What was our mistake in attracting foreign investment? What will the government do now to correct that mistake as part of its New Revival Policy?

-I believe that the biggest mistake was a weak system of protecting the interests of investors and the uncertainty of the government mechanism to support investment. Investors say that uncertainty within the legal environment, government bureaucracy, weak judicial systems, and a political and business unstable environment are the biggest obstacles to foreign investment.

Therefore, the investment environment needs to be reformed as part of the New Revival Policy. Investment will be supported by tax policy and strengthen the investor protection system. In addition, the revised draft of the Investment Law, the revised Insolvency Law, the first draft of the Non-Judicial Debt Settlement Law, and the first draft of the Public-Private Partnership Law are there to provide equal opportunities to domestic and foreign investors and simplify services, while creating a new legal environment.

-Another highlighted topic of the Mongolian Economic Forum-2022 was the transfer of state-owned companies to public control and restructuring. Are preparations being made in this regard? Is there a list of state-owned companies that will be public?

-On April 29, parliament approved a resolution to approve the sale of shares of state-owned legal entities to the public on the stock exchange in 2022-2023. According to this, restructuring work is in progress. There is a list of 25 companies that has been approved including the "Mongolian Stock Exchange" SOE, "Mongolian Telecommunication" JSC, "Information and Communication Network" LLC, "Information and Technology National Park" SOE, "National Reinsurance" JSC and Road companies. First of all, the government needs to determine the value of these companies and how shares in these companies will be made available to sell on the stock exchange. ■

Many creative ideas and initiatives were presented during the forum and we aim to implement at least 10 projects and activities before next year's Economic Forum.

Mining

In search of geological exploration and a finished product

Therefore, the transition from mining to processing is essentially a major step forward in Mongolia's development.



First of all, I would like to provide some positive information related to the mining sector. As of 2021, the mineral resources sector alone accounts for almost a quarter of GDP, 67 percent of the industrial sector, 77 percent of foreign direct investments, 92 percent of exports, and about 30 percent of state budget revenues. 31% of mining exports are copper ore concentrate, 30% coal, 11% non-monetary gold and 10% iron ore concentrate. Revenues from this sector have been steadily increasing over recent years, reaching 21-22 percent of budget revenue in 2013-2015, and increasing further to 29.6 percent or 4.1 trillion MNT of the total state budget revenue in 2021.

The price of gold has risen sharply in recent months to \$ 1,988 an ounce due to the Russia-Ukraine war, inflationary pressures and logistical constraints, while copper prices are expected to reach new highs of \$ 13,000 a tonnes by the middle of this year. It is also expected that the price of coal, one of Mongolia's main export commodities, will remain high. In addition to rising commodity prices, demand is likely to remain high as well in the short to medium term for the reasons

outlined above.

Now the negative news. Compared to the same period of the previous year, output of mining and extractive sectors decreased by MNT 1.2 trillion (34.7 percent). This was mainly due to a decrease of MNT 1.0 trillion (72.6 percent) in lignite production and a decrease of MNT 214 billion in oil production. In addition, the sector's sales decreased by MNT 1.7 trillion compared to the same period of the previous year. Between January and March of this year, Mongolia's coal output reached 5.17 million tons, a decrease of more than 58 percent compared to last year. The number of vehicles crossing at major ports has declined significantly from previous years and is not expected to increase in the near future.

There is such a big difference between what is happening and what is possible. Our country, which sells only mining products, especially coal and copper, has a chance to earn much bigger revenue from the rise in world commodity prices. This is not due to the sector's underdevelopment, but to the fact that we have not yet been able to solve our transportation and logistics issues. ►

► However, transportation is an issue we can overcome. The next step in bringing the mining sector to a new level of development without such issues is to move from mining to processing and that was the topic of the sub-session “From mining to processing” held during the “Mongolian Economic Forum”. The session tried to identify ways to intensify geological and exploration work to increase natural resources, develop transparent and responsible mining and increase the production of import-substituting export products by raising the level of mineral processing, and address government support, investment and financing for heavy industry projects as well as and public-private partnerships to address issues such as transportation and infrastructure.

In order to move the mining projects towards this direction, the Ministry of Mining and Heavy Industry has developed a sector policy: “from exploration-mining-processing-sales-distribution”. Minister G. Yondon emphasized that within the framework of this policy, conditions must be created to reform the legal environment, increase investments, intensify domestic mining and processing, produce value-added finished products, be open and transparent and sell to foreign markets, and operate in a long-term efficient, sustainable and mutually beneficial manner. In order to deliver the benefits of the mining sector and to distribute the wealth to the people, and to make mongolians the owner of its wealth, the sales and distribution stages have been added. The subsoil resources, that will be unearthed and mined on the basis of geological exploration, will be sold on a stock exchange type market after value-added processing in Mongolia. By distributing the proceeds to every citizen, the benefits of the mining sector will be shared in the true sense of the word.

The legal environment that should help accelerate this process is expected to be formed in 2022. This year, the 100th anniversary of the establishment of the mining sector in Mongolia, Parliament is expected to revise the Minerals Law, and adopt the Law on Heavy Industry, the Law on the Mining Exchange and the Law on the National Wealth Fund.

There are many advantages to mining processing. Here is a simple example. Currently, about 60,000 tons of products are stored unsold at the Erdenet plant and about 200,000 tons in the yard of Mongolrostsvetmet SOE due to port congestion. If we had processing plants this amount would be significantly reduced, thus the need for large-scale transportation and the accompanying

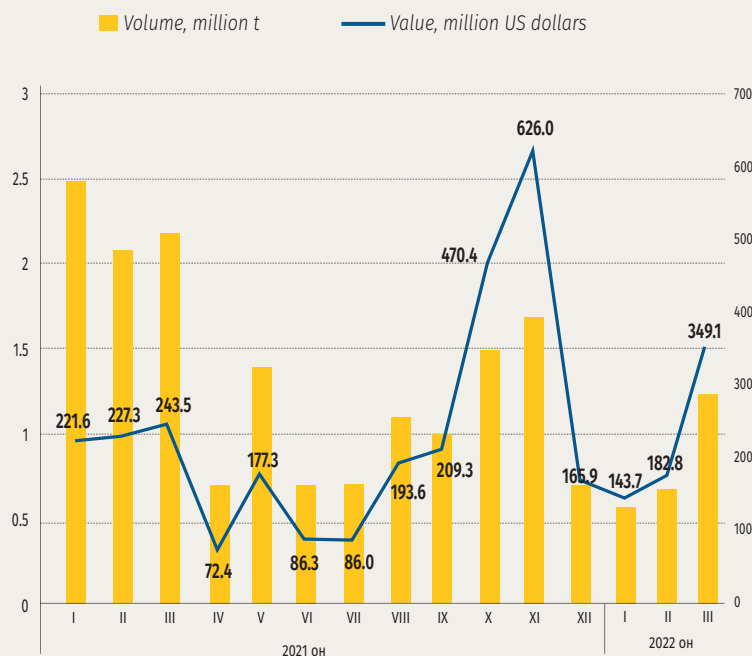
logistical problems would be eliminated, and our revenue would have increased accordingly.

The participants of the MEF meeting acknowledged that underlying economic and social reasons are preventing our country from making the big step from mining to processing. For example, exploration licenses have been suspended for a long time, politicization and corruption have increased, while a much needed source of finance, foreign investments, has declined. T.Ganbold, Chairman of the Board of the Mongolian Gold Producers Association, emphasized that it is possible to develop the processing industry only on barrier-free soils. In other words, we will remain a miner forever if we do not change the systems even if we invite foreign investors, create new technologies and pass new laws.

However, in order to become a developed country, the mining sector must go through stages from processing and to producing value-added products. Therefore, the transition from mining to processing is essentially a major step forward in Mongolia's development. ■

Ministry of Mining and Heavy Industry has developed a sector policy: “from exploration-mining-processing-sales-distribution”

Bituminous coal export's volume and value (by month)



Source: NSO

State owned enterprise

O.Khulan: We are working to make Erdenes Mongol LLC a public company



We conducted an interview with O.Khulan, acting CEO of Erdenes Mongol LLC.

-Which projects does Erdenes Mongol LLC pay more attention to in this difficult situation? Can you tell us about the main projects to be implemented this year?

- We are focusing on all our projects. Of course, it's important to prioritize early returns. In particular, we're focusing more on our metal projects and trying to develop them in a business sense. For example, more priority and focus will be on gold projects. Gold is the commodity that has a direct impact on the economy. It should be noted that our company has 2-3 gold projects, but to mine them it takes time. The mining business requires long-term, large investments. Today's decision will pay off in a few years.

In terms of uranium exploration, mining at the Zuuvch Ovoo deposit has started successfully. It is expected that the cost of the project will be clear when the technology tests are completed by the end of this year. We will also focus on the long-discussed Asgat silver deposit. Many things are being done to exploit the deposit, such as solving complex technological issues, investing in the deposit, and financing the project.

Our company's main source of income and profit was coal transportation. However, the cessation of coal exports has had a negative impact on our financial situation. Revenue from transportation decreased by

66 percent from MNT 67.3 billion in 2020 to MNT 23.9 billion last year.

I am confident that several of our projects will be very successful this coming fall.

-There is a big difference between working in the private sector and working in a state-owned company. What have you focused on the most since you joined the company, and what changes are you planning to make?

-Launching a company on the stock market is our first and most important goal. Erdenes Mongol LLC must become a public company. This company should be an organization whose daily transactions and profits are transparent and whose shares are distributed to the people. The most important thing is to implement it. A public company is the solution to many problems, such as poor governance and unprofessional staff etc.

As a state-owned company that owns strategic deposits, it is important to find out where it is failing and where the system is flawed.

My first priority is to reduce costs, improve profitability and productivity, and fix non-business issues. As a result of this, corporate governance will increase. Last Wednesday (III.6) we renewed the charter of "Erdenes Mongol" LLC. Subsidiaries of Erdenes Mongol LLC must work for profit in the same way as other 20,000 Mongolian companies. To this end, the company's charter increases the responsibilities of the Board of Directors and provides a clear framework for future operations.

We are also trying to introduce regulations that incorporate the principles of private company operation, procurement and financial discipline in relation to the corruption and procurement issues that everyone is talking about. As a result, I have no choice but to participate in and monitor the day-to-day operations of our subsidiaries. Financially, we

want to speak one language and use a single HR program at the cooperative level.

Most of our subsidiaries have large structures. For example, in a company with less than ten employees, there are positions such as lawyer and accountant. The salaries of these ten people will be paid twice a month, and the cost of renting an office for each of the subsidiaries will increase. It is not understandable that some companies are not for profit. But for me, it's more important to understand than to criticize.

There was a lot of criticism during the Economic Forum about whether it was right for state-owned companies to run at a loss. It also is said that it would not be appropriate for a state-owned company to work on projects which the private sector can do.

Having worked in the private sector and working on costs and product development, I agree that it is right for me to stop such problems.

Mining is a long-term business. It takes a lot of time and investment, the results are long-awaited, and the risk is high. Therefore, we are focusing on corporate governance and reform.

-During the "Mining: From Mining to Processing" sub-session of the Economic Forum, we talked about intensifying geological exploration. What kind of exploration work will Erdenes Mongol LLC do in the near future?

- In the field of exploration, our company is sorting its projects and deciding on which projects to work on. However, it is important to consider whether it is right for a state-owned company that owns strategic deposits to be involved in what the private sector can do. It is pointless for the government to try to do everything.

We need to act as a bridge between the government and the private sector on projects that the private sector cannot do. ■



Mongolian Economy in its 11th year



Green development



GREEN DEVELOPMENT MAGAZINE

GREENDEVELOPMENT.MN

PODCAST

VIDEO

AUDIO

Creative industry

Ch.Nomin: We managed to make our post-Covid economic policy and cooperation crystal clear, and announce it internationally

In my conclusion, the whole country has been able to look in the same direction and the private sector, non-governmental organizations, researchers, and even the world could re-discover state policy as a result of this forum.



We talked with Ch. Nomin, the Minister of Culture, regarding the results of the Economic Forum, as well as the cultural and creative industries.

-The “Economic Forum-2022” was held at a crucial time when the global focus is on the post-pandemic economic recovery. How would you conclude the features and significance of this forum?

-The Mongolia Economic Forum was adjourned for three years due to the pandemic and was organized on a large scale this year.

As a result of the government's gradual and careful measures against the pandemic and the vaccination of

its citizens in 2021 and 2022, Mongolia has begun to lift its restrictive regime and return to life as normal.

Furthermore, the government has begun implementing a New Recovery Policy to reduce the negative economic impact in the post-pandemic era. Not only will the government set its own policy, but it will also prioritize the trust and understanding of the private sector and investors by introducing its “New Recovery Policy” and focusing on reviving the economy together.

Preliminary discussions were held before the Economic Forum for the purpose of discussing the New Recovery Policy and introducing it to the private

► sector, the public, academics, and foreign partners in an orderly and transparent manner. It played an important role in unifying the understanding between the parties.

In my conclusion, the whole country has been able to look in the same direction and the private sector, non-governmental organizations, scientists, researchers, and even the world could re-discover state policy as a result of this forum.

It is worth mentioning that representatives and investors from major international organizations came to participate, specifically during the difficult period of the pandemic. I also think that the concept of public-private partnerships have been highlighted clearly in this forum.

-What were the tangible results of the Mongolia Economic Forum-2022? As the Prime Minister has promised, have you set clear goals as to what needs to be implemented at the start of the next year's forum?

- First of all, the government introduced its New Recovery Policy and managed to build trust both locally and internationally.

For the tourism sector, the Ministry of Culture has begun planning many cultural events along tourists' itineraries this summer, bringing them together under one umbrella.

We are expecting to implement six policies such as port recovery, energy recovery, industrial recovery, urban and rural development, green growth, and recovery of government productivity, and we will see actual results by this time next year.

-Could you provide us with information on the role of the Ministry of Culture in this forum?

-Many countries support economic growth through cultural policies. That is commonly called the cultural and creative industries all over the world. To discuss the economic terms only, we completed a baseline study of Mongolia's cultural and creative industries last year.

According to a report from 2018 by UNESCO, there is a market of USD 2.2 trillion and the possibility of creating 30 million jobs in the cultural and creative industries. The coal sector generated USD 78.4 billion in revenue, while the cultural sector generated USD 253 billion in revenue, which means it is 3.2 times bigger on the global market.

As for Mongolia, this sector accounts for just 1.3 percent of GDP. This means there is about MNT 500 billion in revenue and more than 30 thousand jobs can be created. Therefore, the cultural sector is an integral part of the economy and creates thousands of jobs.

We are conducting some research on improving the legal environment for each individual sector. For example, a joint film project worth about USD 8 million was started with the passage of the Law on the Promotion of Cinematography in the film industry and the opportunity to participate and collaborate in the international film market.

We can generate revenue of about USD 2 million in the Mongolian economy just from this film project. Certainly, we will open a new page in this sector as part of working together, and our film industry will gain valuable experience, and it will be the beginning of the next project. In this way, the policy of the cultural sector provides double benefits within the economy.

We have developed a policy of cooperation with the tourism sector for the Economic Forum. Our country has a big goal ahead to completely open its borders to tourists and investors and revive the Mongolian tourism sector.

The government has exempted Korean tourists from visa requirements. There are many stakeholders in this work, such as the Ministry of Nature, Environment and Tourism and the Ministry of Foreign Affairs. There are also many private stakeholders, such as hotels and catering services for tourists. Therefore, in order to promote our country by looking through one window, we all seriously discuss what it is worth seeing in Mongolia, how to promote our country, and how to introduce ourselves to the outside world. Also, a survey is underway.

We discussed this in a National Shared Value and Identity session. More than 200 countries around the world are also trying to develop their tourism sector at the same time. The first thing we have to do is to create a detailed plan as to how to promote our nation to tourists who want to have a unique experience. It is vital that all stakeholders work on this together to the benefit of the tourism sector. Therefore, a survey on how to create a unified national value and the national image is being conducted at the moment. It will be presented to the general public soon. ■

In my conclusion, the whole country has been able to look in the same direction and the private sector, non-governmental organizations, researchers, and even the world could re-discover state policy as a result of this forum.

Green development

Awakening up the dormant green development

Natural disasters caused by ecological instability and global warming are increasing rapidly, and countries around the world are facing alarming and critical moments. Forty-nine percent of natural disasters are caused by human actions, and the United Nations has declared that green development is the way out. However, our country has pursued an economic policy based on using natural resources and has neglected nature, ecology, rehabilitation, and green development for the last 32 years. As a result, land degradation and desertification have reached almost 77 percent of the total area, and the number of dried-up springs and rivers is twice as much as the rivers that have recovered. The World Health Organization (WHO) has warned that global warming above 1.5 degrees could be catastrophic. But the temperature in Mongolia has already risen by

2.2 degrees, which is higher than in most other countries, and the situation is becoming more critical.

Since the United Nations General Assembly Conference 2000, which approved the Millennium declaration as a policy document, the term Sustainable development has come to the forefront of the world's attention, and our Prime Ministers have received a thick booklet called the 'World Sustainable Development Report' from the United Nations Resident Representative every year, which has been reported on every television channel. At the United Nations Sustainable Development Summit 2012, each country made recommendations on how to develop a green economy tailored to its specific needs. In 2012, Mongolia established a new Ministry of Green Development in its government structure, and the State Great Khural (Parliament) approved a document entitled 'Green Development Policy' in 2014. Furthermore, Green Development is included in the nine goals of the 'New Recovery Policy' approved by Parliament last year.

However, large-scale green development policies or programs only seem to exist on paper and very little has been implemented so far. Therefore, in our country, the concept of green in many areas such as policy, business, finance, technology, education, and others is not fully understood by ordinary citizens but also not by the upper and middle levels of policymakers. They will all accept that 'green' seems a good idea but all they imagined green development to be is planting trees, flowers, and fruits. Therefore, it is necessary to create a more heightened awareness and knowledge in this area. Green development should be part of a kindergarten and secondary school curriculum to provide children with a systematic understanding of what green development is truly all about.

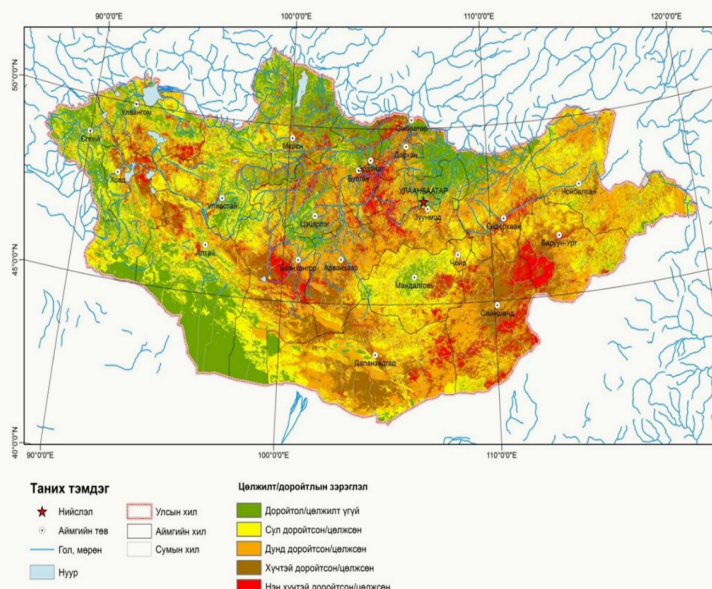
With the emphasis on green development in the 'New Recovery Policy' approved by Parliament, a meeting on 'Green Development, Recovery and the Tourism Sector' was held within the framework of the 'Mongolia Economic Forum 2022'.

It is fortunate that our country is proclaiming a 'Green Development Recovery' even though it has delayed its dormant green development. At the United ▶

Desertification and land degradation

76,8%

of Mongolia's territory is under moderate and high desertification





'ONE BILLION TREE' NATIONAL MOVEMENT

PLEDGES BY THE PROVINCES



Ulaanbaatar



Govi-Altai



Dundgobi
Khentii



Umnugovi
Zavkhan



Arkhangai	Dornogovi	Selenge
Bayan-Ulgii	Dornod	Tuv
Bayan-Khongor	Orkhon	Uvs
Bulgan	Uvurkhangai	Khovd
Darkhan-Uul	Sukhbaatar	Khuvsugul



Govi-Sumber

► Nations General Assembly 76th Conference, President U. Khurelsukh promised that Mongolia would plant one billion trees by 2030, and according to the Paris Agreement, Mongolia has pledged to reduce greenhouse gas emissions by 22.7 percent and reforest 9 percent of its territory. It is estimated that USD about 11.5 billion will be needed to make this a reality.

Most countries in the world, large banks and investment funds began to urge financial institutions not to lend to unsustainable projects. Last year, China announced that it would not build, cooperate or invest in any new coal-fired power plants. And our government's recent call for a 'Regional Cooperation Mega Project' has been welcomed by many countries, including China, the Republic of Korea, and Japan, which are seasonally affected by Mongolia's desert dust storms due to desertification and high soil erosion in the Gobi region. At the same time, equipment that supports green development, such as LED lighting, sewage disposal, irrigation, waste sorting, incineration, and disposal, will

be exempted from customs duties and taxation.

As of today, local banks have agreed to issue 10 percent of green loans, and non-banking financial institutions and the private sector to issue 5 percent of green loans, and 15 percent of the total investment is expected to be financed by green loans. In the future, the government and the private sector entities believe that cooperating on the issuance of green bonds is an opportunity to raise significant funds. Because international green bond purchases and investment have been growing steadily, up 30 percent last year, with USD 270 billion in funds. A comprehensive policy is needed to achieve many goals, including renewable energy, green industry, planting billions of trees, watering the planted trees, and recycling waste.

President U. Khurelsukh stated at the Green Finance Regional Conference, "We must not rest on fighting against climate change for a moment." The year 2030 is the time for us Mongolians to fulfill our promises to humanity. We only have eight more years left. ■