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Hydropower Plant that will bring prosperity

Opinion

Mongolian Inflation and Tugrik Devaluation

10 TRILLION RECOVERY, OR...





CARRERA

"I've learned not to take time for granted. What drives me is knowing that the clock is ticking."

Ryan Reynolds

“Doing something new.
That’s the adventure.”

— Adventurer, Naomi Uemura

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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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The 10 trillion MNT plan with a “lousy” progress report

At the end of 2021, the implementation rate of the 10 trillion plan reached 89 percent.



The Government of Mongolia is extremely skillful in developing various programs and coming up with fancy titles for their policies and activities. One such example is “The 10 trillion MNT Comprehensive Plan for health protection and economic recovery” which has been implemented for a year and a half so far. Unfortunately, the program which sounds like music to our ears has not been implemented effectively and has not been reported transparently to the public.

Initially, the Ministry of Finance announced that they were planning to establish a “Public review board” to monitor the loan activities stipulated in the 10 trillion plan. Furthermore, they promised to introduce the progress and results of the plan to the public each week, improve coordination

between participants and stimulate implementation activities. The above was clearly stipulated in the resolution that approved the 10 trillion plan of the Government of Mongolia.

Before the Naadam Festival, during the semi-annual reporting period, the Bank of Mongolia made a statement to journalists on the plan progress and results from the fiscal year of 2021 which sparked public outrage. In fact, on the website of the Ministry of Finance, the report of the plan which was released on April 5, 2021, had not been updated since then. The so-called Public review board still remains silent. Thus, we sought to get an update on the 10 trillion plan from the competent authorities and specialists at the Ministry of Finance, but we didn’t get any answers. ►

► Oddly, the statistics from the Bank of Mongolia’s report showed that, as of 2021, the “fancy” titled plan worth 10 trillion MNT has played an important role in supporting the economy during the pandemic and its implementation rate reached 89 percent.

Within the framework of the comprehensive economic revival plan, the Government of Mongolia planned to issue soft loans worth 5.5 trillion MNT by the end of 2021, but in total, they have granted loans worth 4.24 trillion MNT so far. Moreover, the Bank of Mongolia report highlights that loans worth 1.9 trillion MNT went to the creation and protection of jobs, which led to the protection of 109,000 jobs nationwide.

In terms of long-term repo financing, in total over 3,000 borrowers were issued 834.9 billion MNT, a total of 955.7 billion MNT mortgage loans were distributed to 12,000 households and for agriculture support, 20,000 borrowers were issued 494.3 billion MNT. However, at the moment, loans for job protection and agriculture support have ceased and mortgage loans are being issued through certain commercial banks.

As it was projected that demand-pull inflation is likely to increase, the amount of repo financing rapidly decreased from March 2021 and the bank only issued loans worth 20-30 billion MNT as a down payment for AI-92 gasoline and cashmere exports. Subsequently, they decided to end the repo financing entirely in July 2022.

Under the 10 trillion plan, the Government of Mongolia had estimated that it would provide interest support worth 70-80 billion MNT on average every year between 2021 to 2024. This measure was believed to provide critical financial support to individuals, businesses, and herders who had loans with high-interest rates and helped in resuming normal business operations.

In addition to these “dry” numbers, there is some pleasant information about businesses.

According to the Bank of Mongolia’s sample survey about the loan program for protecting jobs, (i) social insurance contributions and corporate income tax reliefs, (ii) loans at three percent interest rates to protect jobs, and (iii) discounts on the electricity, water, and heating bills had the largest positive impact on businesses among policy measures implemented by the Government of Mongolia.

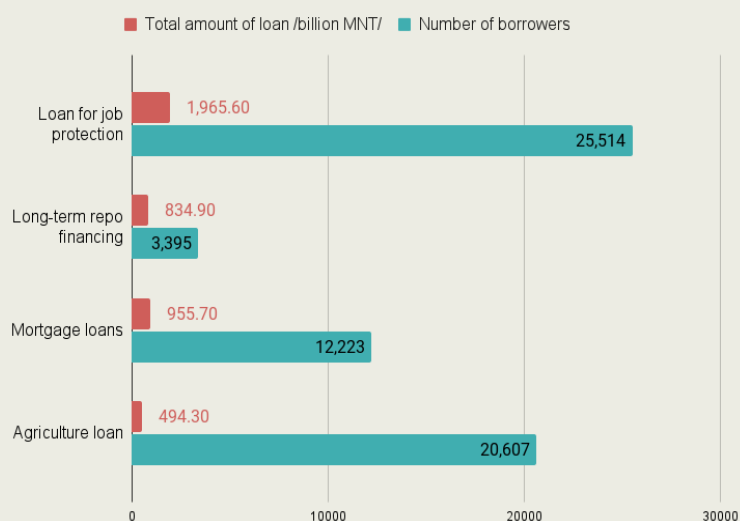
In addition to that, one-fourth of the business entities which participated in the survey received a loan for job protection and 17 percent stated that the loan was a critical means of support for them. The survey emphasized the fact that 49 percent of loans for protecting jobs were granted to wholesale and retail industries, 10 percent to the processing industry, and eight percent to the construction sector. As the loan was designed to finance the working capital of those businesses, they concluded that wholesale and retail industries have largely benefited from the loan.

Regarding the impacts of financing under the 10 trillion comprehensive plan on imports, it increased the import turnover by 570 million USD. As the growth of exports was relatively lower, it resulted in a reduction in the balance of trade. Consequently, the fiscal deficit which was equivalent to 5.1 percent of the GDP expanded to 14 percent of the GDP in 2021.

In the report released by the Bank of Mongolia, it was mentioned that the total loan to non-mining sectors had declined by eight percent prior to the implementation of the MNT 10 trillion plan, went up by 54 percent in 2021. If the plan had not been implemented, the total loan balance would have

If the comprehensive plan wasn't implemented, the total number of the employed population would have gone down to 900,000 which is 20 percent lower than the current numbers.

The implementation of measures under the plan (as of 2021)



Source: Bank of Mongolia, Ministry of Finance

Some experts are warning about cash benefits or similar stimulus projects, which are intended to revive the economy, have a high risk of negative effects on the economy in the mid or long-run.

decreased by 2.7 percent and it would have been equivalent to 80 percent of the current loan balance. The Bank of Mongolia concluded that without the 10 trillion plan, the risk of economic slowdown, price hikes, and lower employment would have been much higher than it currently is today.

Since the plan started, the money supply increased by MNT 2.8 trillion. Without the plan, by the end of 2021, the total money supply could have decreased by 15 percent, MNT 4.1 trillion. Furthermore, it increased the possibility of reducing interest rates even further. In fact, owing to the 10 trillion plan, the average annual interest rate reached a record low of 11.5 percent in May 2021.

The assessment of impacts on employment, which was conducted by the World Bank and Ministry of Finance, shows that between 168,000 and 276,000 jobs have been protected due to the plan. In other words, if the comprehensive plan wasn't implemented, the total number of employed population would have gone down to 900,000 which is 20 percent lower than the current numbers.

After taking into consideration the current state of the economy, banking and financial sector,

inflation rates, and external and internal factors, the Monetary Policy Committee of the Bank of Mongolia increased their policy rates by one percent to 10 percent. However, many economists are pointing out that it's indeed wrong to continue the 10 trillion plan when policy rates are going up. Especially, amid economic fluctuations, some experts are warning about cash benefits or similar stimulus projects, which are intended to revive the economy, have a high risk of negative effects on the economy in the mid or long-run.

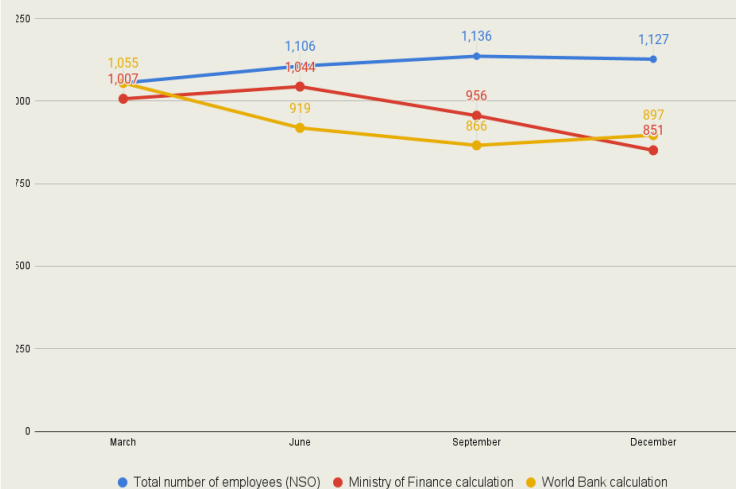
Economist D.Jargalsaikhan said, "The more money the Government will pour into the economy, the greater the chances of an increase in the price of essential goods. Hence, we need to discuss the pros and cons of the 10 trillion plan for economic recovery and urgently decide whether we should continue the plan or not."

When the 10 trillion plan was brought to the table, the opposition party stated, "We need to talk about the 10 trillion plan only after disclosing the report on 5.1 trillion MNT spent during the pandemic." It makes absolute sense. The Parliament approved the law on prevention and response to the Covid-19 pandemic and several comprehensive measures were carried out. Sadly, detailed information on how the budget was allocated and spent during the pandemic has never been reported to the public.

Furthermore, in January 2021, during the meeting of the Parliament's Standing Committee on Economics, the Member of the Parliament Ch.Khurelbaatar said "The 10 trillion MNT held by the commercial banks is not flowing into the economy. I'm telling you to put that money in circulation to enhance our economy. However, the 10 trillion plan was merely an act of changing our high-interest loans to three percent interest loans."

Economist D. Angar wrote on his social media page, "The 10 trillion plan certainly didn't benefit individuals and businesses, but it allowed commercial banks to clean up their balance sheets and improve their credit ratings with taxpayers' money." Unfortunately, the results of the implementation of the most expensive plan in the history of Mongolia's economy were left in the dark and we only ended up with one hollow report. ■

The number of jobs protected as a result of the 10 trillion plan



Source: NSO, Ministry of Finance, World Bank

Ambassador

Catherine Ivkoff: More proactive efforts will be required to promote Mongolia and its investment potential to international investors

"Mongolian Economy" magazine spoke with Ambassador of Canada to Mongolia Catherine Ivkoff on foreign direct investment environment of Mongolia.

-First of all, I would like to emphasize that Canada is the largest investor in Mongolia. Please share with our readers about influential projects implemented in Mongolia that are invested by Canadian entrepreneurs and companies?

-Canada is indeed the largest foreign investor in Mongolia. According to the Bank of Mongolia, Canadian investments in Mongolia are valued at USD \$8.1 billion. Canadian investments are primarily concentrated in the mining sector.

Canada's most notable, and most well-known, investment in Mongolia is in the Oyu Tolgoi copper-gold mine in the South Gobi desert. Oyu Tolgoi was developed by Montreal-based Turquoise Hill Resources (previously known as Ivanhoe Mines) in partnership with the Mongolian government. Export Development Canada (EDC) has provided CAD \$1 billion (USD \$750 million) in financing toward the Oyu Tolgoi project in support of Turquoise Hill Resources' investment and Canadian supply to Oyu Tolgoi.

Canada has been part of Oyu Tolgoi's story from the beginning. The Canadian company Ivanhoe Mines (now called Turquoise Hill Resources) initially discovered the copper ore deposits in 2001. The Oyu Tolgoi mining project has now become the largest internationally managed project in Mongolia's history. The project is worth approximately USD \$13 billion in total. Oyu Tolgoi is expected to produce approximately 500,000 tonnes of copper annually once the mine is at full production. This project provides significant export revenue, high-paying jobs, as well as tax revenue for Mongolia.

-The Government of Mongolia and Rio Tinto have reached an agreement on the Oyu Tolgoi

Canada's most notable, and most well-known, investment in Mongolia is in the Oyu Tolgoi copper-gold mine in the South Gobi desert.



underground mine project and are moving forward together with a lot of optimism. But we must learn from the past. What do you think Mongolia needs to pay attention to in the future when implementing such large projects?

-We were pleased to hear that the Government of Mongolia and Rio Tinto reached an agreement earlier this year on many longstanding issues. We hope that the Oyu Tolgoi project will move ahead in a constructive manner for the mutual benefit of all parties and for the Mongolian people.

Moving forward, it would be important to note that foreign investors value predictability in Mongolia's policy frameworks and laws. Investors also value ►

► protection against discriminatory and arbitrary practices. Predictability, transparency, and reliability are core elements of a solid investment environment, which must be supported by adherence to the rule of law and the independence of the judiciary. Respecting these principles will position Mongolia as a more preferred destination for foreign direct investment in the eyes of foreign investors.

-Scaring a big investor is the main reason to drive away other potential investors. In the past, have Canadian investors been skeptical of Mongolia and changed their minds over the Oyu Tolgoi dispute? What are the challenges in inviting Canadian investors to Mongolia?

-The uncertainty surrounding the outcome of the Oyu Tolgoi dispute, coupled with geopolitical risks, has caused Canadian investors to be more cautious with respect to their exposure to Mongolia. As noted above, Canadian investors want to ensure that their investments are safe and free from political interference. With major issues related to Oyu Tolgoi now resolved, Canadian investors can look at Mongolia with more certainty. That said, it has been many years since Mongolia issued new mining exploration licenses, so it may take time to build back the confidence of foreign investors in Mongolia.

One of the key challenges will be addressing the lack of awareness among potential investors of Mongolia and the sectors of opportunity that Mongolia offers. Mongolia is a relatively small market and more proactive efforts will be required to promote Mongolia and its investment potential to international investors. A second key challenge is diversifying foreign investment and expanding it into sectors outside the mining sector, such as agriculture, infrastructure, and renewable energy.

-Are Canadian investors interested in investing in the non-mining sector of Mongolia? If so, in what sectors do they want to invest?

-As we discussed earlier, Canadian investment in Mongolia has primarily been concentrated in the mining sector. Mongolia offers potential in many other sectors, and we would like to see more Canadian companies consider becoming engaged in areas such as renewable energy, agriculture, and infrastructure. As you know, Canada and Mongolia have a lot in common in terms of geography and climate. We are both northern countries with four seasons and harsh winters. Canadian companies have

a wealth of expertise in agriculture, construction, and infrastructure development that is particularly suited to Canada's geography and climate, and this Canadian expertise would be very complementary to conditions in Mongolia as well. I believe that we need to do more to build on these commonalities between Canada and Mongolia.

In 2017 Canada and Mongolia signed a comprehensive bilateral investment agreement, also known as the Canada-Mongolia Foreign Investment Promotion and Protection Agreement (FIPA). The FIPA supports the efforts of Canadian and Mongolian businesses to explore and expand investment in both our countries. This agreement is not specific to the mining sector, and the hope is that it will help facilitate investments in other sectors as well.

-Mongolia is making a huge effort to reform its investment environment and began updating its related laws. What should Mongolia pay attention to in order to become an investor-friendly country?

-As previously mentioned, predictability, transparency, and reliability are core principles that must be supported by adherence to the rule of law and the independence of the judiciary. Factors to consider are the business environment, costs and taxes, the competitiveness of the workforce, and stability.

Evidence from around the world suggests that having appropriate policies, infrastructure, and skill base to take advantage of foreign investment will also contribute to becoming an investor-friendly country. Mongolia should also increase efforts to improve its "Ease of doing business" ranking (Mongolia is currently ranked 81), as well as its corruption perception index (Mongolia is ranked 110 on Transparency International's index). These are all factors that investors consider.

-Foreign investment is an important development factor for any country. How much has foreign investment contributed to Canada's development? Could you please share some of the experiences of how Canada successfully attracted foreign investment?

-Yes, certainly. Foreign direct investment is important for Canada and contributes to Canada's economic growth and long-term prosperity. That's why attracting foreign direct investment into Canada is one of the mandates of the Embassy of Canada to Mongolia—and is a mandate of all of Canada's embassies around the world. ►

Moving forward, it would be important to note that foreign investors value predictability in Mongolia's policy frameworks and laws. Investors also value protection against discriminatory and arbitrary practices.

► I can give some figures that may help paint the picture of how foreign direct investment contributes to Canada's economy. Foreign controlled companies in Canada account for:

- 18% of total corporate assets
- 30% of operating revenues
- 41% of research and development (R & D) business expenditures
- 13% of jobs in Canada

Canada's competitiveness in attracting foreign direct investment comes from Canada's fiscal soundness, resilient economy, low cost and low tax environment, and Canada's highly educated and competitive workforce.

Here are some of the ways Canada attracts foreign investment. Canada fosters innovation by supporting private-public collaboration through our Supercluster program in five industry-led sectors for a total of \$950 million in support by 2028. Further, Canada has a strong and stable banking sector. Canada's banks continue to be among the world's safest and most dependable ones. In addition, Canada is a G20 leader in social progress and has been rated as offering the best environment in which to do business in the G20 for the next five years.

-Let's change the topic to foreign trade. Since 2014, trade between the two countries has declined sharply. What could be the opportunities to increase trade turnover in the future?

-Two-way trade between Canada and Mongolia is modest at around \$20 million per year. Canada exports around \$18.5 million to Mongolia and imports \$1.4 million from Mongolia. The decline in trade is partly due to the COVID-19 pandemic. Border closures, travel restrictions, and global supply chain disruptions have had a negative impact on Canada-Mongolia bilateral trade.

A lot of our bilateral trade is also concentrated in the mining sector. The mining sector will continue to be a strategic and very important sector for both Canada and Mongolia, but in order to grow our bilateral commercial relationship, we must also diversify and build linkages in other economic sectors.

A key focus area for Canada is in supporting the development of Mongolia's "green economy". In particular, this means supporting initiatives in areas such as green mining, green building, climate-smart agriculture, and traffic smart solutions. As we emerge from the pandemic, we expect bilateral trade to return

to historical levels, but we also expect growth as we diversify into new areas.

-Mongolians know that the Government of Canada's International Development program has been an incredible contributor to the social development projects in Mongolia. In 2022, what are the main areas that the program will focus on?

-We are proud that Canada is able to contribute to the social and economic well-being of Mongolia through our international assistance program. Canada has provided development assistance to Mongolia since 2012. In total, the Government of Canada has contributed approximately \$85 million in Official Development Assistance to Mongolia. Canada's development program is articulated around three themes: inclusive governance, gender equality and the empowerment of women and girls, and supporting growth that works for everyone. Our current international assistance to Mongolia is guided by Mongolia's Sustainable Development Vision 2050 and Canada's Feminist International Assistance Policy. Canada is currently funding four operational projects in Mongolia worth approximately \$25 million over five years.

Canada continues to support improved public sector management of the extractive sector in Mongolia through Mongolia: Enhancing Resource Management through Institutional Transformation (MERIT) project. MERIT is an eight-year project funded by Global Affairs Canada (2016-2024) that brings skilled Canadian technical expertise and fosters knowledge-sharing with Mongolian partners to increase the effectiveness and accountability of the extractive sector in Mongolia. The project works in four target aimags: Sukhbaatar, Dornod, Dundgobi, and Tuv, and focuses its capacity-building efforts on supporting better environmental protection, stakeholder engagement, and consultation, the development of small and medium-sized (SME) enterprises, as well as supporting gender-responsive budgeting practices. At the national level, the Project partners with the Ministry of Mines and Heavy Industry, the Mineral and Petroleum Authority, the Ministry of the Environment and Tourism, and other government institutions to strengthen the overall management of the natural resources sector in areas such as result-based management, gender equality, and gender mainstreaming, environment and policy planning and improving administration. ►

Mongolia should also increase efforts to improve its "Ease of doing business" ranking, as well as its corruption perception index. These are all factors that investors consider.

► Going forward, MERIT will continue its work in human resource management, leadership change, results-based management, and promoting gender equality in public agencies, as well as supporting environment and provincial development and promoting community engagement and knowledge management. In March 2022, I was pleased to be able to participate in the Regional Mining Sector Development Conference in Sukhbaatar aimag, supported by MERIT, that aimed to promote dialogue on important issues between stakeholders at both the national and local levels. That month, I also participated in the Women in Mining networking event co-sponsored by MERIT and hosted by the Minerals and Women Association and Ministry of Mines, which focused on promoting women in decision-making roles in the mining sector.

Canada is also supporting the government of Mongolia in its implementation of the 2017 Civil Service Law. The Towards a Citizen-Centered Civil Service in Mongolia (2018-2022) project, implemented by UNDP, promotes effective human resource management using a gender lens and works to help develop and improve human resource processes and procedures to make a more effective and efficient public service that is supportive of its employees. Recently the project successfully implemented a Women’s Leadership Program, advancing the professional and leadership skills of 150 women civil servants and facilitated the adoption of an “Action plan for gender equality in the civil service”.

Over the course of the next year, the project will support the Civil Service Council in implementing a new gender equity strategy for the civil service; it will continue to work on aligning public servant job descriptions with a competency-based framework and train over a thousand human resource practitioners on how to avoid bias and stereotypes in hiring processes as well as other human resource functions and mechanisms. The project plans to carry out a national study on workplace sexual harassment in the summer as well as support a relevant study by the Human Rights Commission that aims to promote more women for managerial positions.

Canada supports two projects that focus on the important area of gender equality. The first is the Strengthening the Response to Gender-Based Violence in Mongolia project, implemented by the International Development Law Organization (IDLO) (2018-2022), which works to empower survivors of



At the launch event of the Women’s economic empowerment project

The strongest and most positive impressions have been made by all the wonderful people I have met. The Mongolian people are this country’s greatest strength and that holds great promise for the future.

domestic and gender-based violence by helping them to access justice, claim their rights, and advocate against violence. This Project has prepared a Domestic Violence Trial Monitoring Toolkit and a Justice Sector Scorecard to help monitor domestic violence and related offense cases. It has trained lawyers and civil society actors on the application of the toolkit and monitored court hearings in 5 aimags and 4 districts of Ulaanbaatar. The Project also works to build the capacity of civil society organizations, or CSOs, working in this sector, through the establishment of a CSO Forum, designed to strengthen the coordination and collaboration of those working in this space for improved access to justice for victims. The project has helped to establish a domestic violence legal clinic at the Internal Affairs University and supports the Authority for Family, Child, and Youth in its public awareness efforts on promoting healthy family relationships, for instance through the www.familycenter.mn website.

For the coming year, the project will continue to support Government and civil society in building their capacity to address domestic violence and gender-based violence issues as well as support efforts to ensure proper implementation of the law on domestic violence. IDLO will continue to train officials from law enforcement and the judiciary on the application of a victim-centered approach.

The Women's Economic Empowerment (WEE) project (2020-2024) implemented by The Asia Foundation, will continue to enhance the capacity of civil society organizations working on women’s economic empowerment issues in Mongolia to ►



With Oyu Tolgoi female employees

► improve their strategies, capacities, and coalitions. The project provides professional and quality skills development to aspiring women entrepreneurs in Ulaanbaatar and various aimags and will continue to promote policy reforms to improve the business environment and access to funding for women. In 2020, the project provided 50 emergency cash grants for selected women entrepreneurs to help them overcome pandemic hardships and supported 10 civil society organizations to implement projects that assisted women and girls who have been negatively impacted by the pandemic. The WEE project also completed an assessment of Covid-19 and its impact on Micro, Small, and Medium-sized women-owned enterprises in Mongolia. The project also carried out a capacity needs assessment of CSOs working on women's economic empowerment, and works to build their capacity in partnership with MONFEMNET. The project expanded its activities to Uvurkhangai aimag and is planning to open a Women's Business Center in Tsetserleg in the coming months.

-As an ambassador, how do you envision bilateral relations will continue in the near future?

-I envision that in the near future bilateral relations between Canada and Mongolia will continue to become even stronger and more mutually beneficial to both our countries. Next year, in 2023, we will celebrate the 50th anniversary of our bilateral relations. This anniversary will provide an excellent opportunity to reflect on what Canada and Mongolia have built together in the past, and on where we can work together more going forward. As democratic countries, our bilateral relations

This anniversary will provide an excellent opportunity to reflect on what Canada and Mongolia have built together in the past, and on where we can work together more going forward.

are built on the solid foundation of our shared values, including respect for the rule of law, and respect for human rights and fundamental freedoms.

Last year, in 2021, we held the 9th Canada-Mongolia Roundtable and we adopted the Roadmap for Comprehensive Partnership, which maps our way forward in all key areas of our bilateral relationship, including bilateral dialogue mechanisms, cooperation in multilateral forums, enhancing defense cooperation, building people-to-people relations, enhancing our commercial relationship, and continuing our support for Mongolia through our international assistance program, to support Mongolia's progress in meeting its Sustainable Development Goals. We are continuing to work together intensively in all these areas. This year, in March 2022, we held the first bilateral consultations between our Ministries of Foreign Affairs. This allowed a very comprehensive and deep discussion about many bilateral, regional, and international issues of mutual interest, and on which we will continue to cooperate. In short, I believe that the future of Canada-Mongolia bilateral relations looks very bright and positive.

-At the end of the interview, could you please share your impressions of Mongolia with our readers?

-Yes, I am pleased to do so. I have many wonderful impressions of Mongolia. The strongest and most positive impressions have been made by all the wonderful people I have met. The Mongolian people are this country's greatest strength and that holds great promise for the future. I live in Ulaanbaatar and I love exploring this city and its vibrant culture. But I have had the opportunity to travel around Mongolia too. I made business trips to Oyu Tolgoi, Erdenet, Bulgan province, Bayan-Ulgii, and Khovd. I also had a wonderful vacation at Khuvsgul Lake, which reminded me of Canada in many ways. On these travels, I met many wonderful people and I learned a lot about Mongolia's diversity, geographically, socially, and culturally. But Mongolia is a huge country, and I am eager to travel much more. As I mentioned earlier, I recently visited Sukhbaatar aimag to attend the Eastern Mining Conference co-organized by our MERIT project. I hope to travel more in the coming months.

This year I experienced a real Tsagaan Sar celebration for the first time. Learning about this important tradition, in which family is so important, was very special for me. Tsagaan Sar left me with many deep impressions. ■

Renewable energy

Erdeneburen Hydropower Plant will bring prosperity to the region

Mongolian Economy interviewed J. Luvsandandar, general engineer of the Erdeneburen hydropower plant implementation unit.



-Could you tell us about the latest developments in the construction of the Erdeneburen Hydropower Plant?

-Construction of the Erdeneburen Hydropower Plant is included in the approved projects to be financed by the soft loan granted by the Government of the People's Republic of China to the Government of Mongolia. The total budget of the projects is estimated to be around 270 million USD. Ninety-five percent of the total amount is to be financed by the soft loan from the Government of PRC and the remaining 5 percent shall be financed by the Government of Mongolia. It should be noted that the budget of the project exceeds 250 million USD which means a special loan agreement shall be signed and approved by the State Council of the PRC. Now, both sides are working on the special loan agreement.

All the necessary details of the project shall be agreed upon completely by both sides and therefore,

The total budget of the projects is estimated to be 270 million USD of which 95 percent is to be financed by a soft loan from the Government of PRC and the remaining 5 percent shall be financed by the Government of Mongolia.

the agreement will be approved. Meetings have been held online throughout the pandemic. Covid-19 related border restrictions are hindering the project development.

As scheduled in the general plan of the project, construction works should have started in April 2022, though border restrictions have prevented the engineers of the general contractor to enter Mongolia which resulted in the delay of the construction works. Chinese engineers shall launch detailed design work at the project site after which the works should be accredited by related authorities. Only after that, will the construction work of the plant begin.

-When is the accreditation expected to be completed?

-Preparation of the design work started last June and is scheduled to be complete by the end of the year. Design work shall be made for each object of the plant and when completed, they will be submitted for accreditation.

-What about the relocation and compensation to the 270 families living in the project area?

- The area which includes the hydropower plant construction site and the artificial lake covers parts of four soums located in oKhovd, Bayan-Ulgii, and Uvs provinces. The project area which covers 28,000 hectares of land was taken for special state use by Resolution No. 357 of the meeting of the Government of Mongolia on September 18, 2019, and the size of the area was approved.

In accordance with the Environmental impact assessment, all the families will be relocated and compensated between 2022-2025. Within this year, 91 families from Umnugovi Soum of Uvs Province and Bayannuur Soum of Bayan-Ulgii Province shall be relocated and compensated. To do so, the names and locations of each family member shall be verified. Illegal claims of compensation could



► be made; therefore, the families must prove that they have been living in the special area. Currently, the team of eight engineers is carrying out the verification and review process in two stages.

Relocation and compensation issues should not be carried out by the project unit. This is aided by the working group established by the decree of the Prime Minister and sub-working group at three provinces.

Secondly, historical and archeological findings in the project area are being examined by the team from the Paleontological Institute of the Academy of Sciences. Initial surveys have confirmed that there are ancient stone statues and tombs at the site. This means those findings at the reservoir area shall be unearthed and the relocation of the families shall be carried out this year.

-What are the expected positive environmental impact and advantages of the hydropower plant?

-I worked as an engineer at the Taishir Hydropower Plant from its establishment until its completion. The plant was built on the land where Gobi-Khangai meets. Apart from the electricity, which it provided to the citizens and herders of the Govi-Altai Province, its water reservoir or lake has benefited the vegetables in that area and become a habitat for animals while contributing to the overall environment of the soum.

Had Taishir Hydropower Plant not been built, I believe that the province would have experienced an electricity shortage and encountered a serious freshwater source deficiency. They would have needed to construct a canal from the Zavkhan River in order to solve its fresh water source.

The Hydropower plant contributes significantly to the reduction of greenhouse gas as well as increasing the humidity in the area where it was built. It also produces a positive impact on the climate and pasture of the surrounding areas.

-Could you inform us of the advantage and significance of the hydropower plant in terms of the Erdeneburen Plant?

-The Erdeneburen Hydropower Plant has a significant strategical role within the energy system of Mongolia. Why I am saying this, is because there

are three provinces in the western region that are experiencing a huge shortage of electricity. This means that there is no way to build large factories. At the moment, the Western energy system has the limited capacity as it only provides electricity to households.

Also, the region imports high-cost electricity from Russia which accounts for 74 percent, and China which accounts for 2 percent of its total energy demand. The remaining 24 percent is provided by the Durgun Hydropower Plant.

As of 2021, the energy demand of the Western Energy System reached 220 million kW/Hour. The hydropower plant to be built at Khovd River will have an installed capacity of 90 MW and provide 366 million kW/hour per year to the consumers. In other words, the plant will be able to fully meet the energy demand of the western region.

Within the framework of the project, Myangad-Uliastai 220 kWt overhead power line will be built. This means five provinces in the western region will be freed from energy dependence on Russia. The power plant's indirect impact will be the construction of new factories and manufacturers which create hundreds of new jobs in the western provinces. In short, Erdeneburen Hydropower Plant will bring prosperity to the region. ■

The hydropower plant to be built at Khovd River will have an installed capacity of 90 MW and provide 366 million kW/hour per year to the consumers. In other words, the plant will be able to fully meet the energy demand of the western region.



Hydropower plant location map

Investment

Pavit Ramachandran: Building capacity for sustainable growth and green growth is supercritical for Mongolia



“Mongolian Economy” magazine spoke with Mr. Pavit Ramachandran, Asian Development Bank Country Director for Mongolia.

Strengthening transparency around capital investments and ensuring non-discriminatory practices against foreign investors are factors that need to be addressed.

-This year marks the 31st anniversary of Mongolia and Asian Development Bank (ADB) partnership. As the largest multilateral development partner that has supported and cooperated with Mongolia’s social and economic development, what is your opinion on the current state of the investment climate in Mongolia?

-Mongolia is a peaceful and vibrant democracy. As a frontier market, Mongolia has resource abundance in the mining sector, and also has a lot of very important cultural and historical niches which are advantageous, and a lot of opportunities for investors. At present, the investment climate

is quite challenging, exacerbated by the current economic situation because of the war in Ukraine and the COVID-related border restrictions in the south with the People’s Republic of China. However, I think these fundamental advantages still persist, and Mongolia is well positioned to capitalize on these advantages looking ahead, but there are a few important considerations to keep in mind.

First, Mongolia’s economic model is premised on exporting minerals, and importing almost all other goods; this means the government, in practice, imposes very few market access barriers. But it’s important to step back and look at the investment outlook from the standpoint of the overall macroeconomic picture. Mongolia has historically been susceptible to frequent booms and bust cycles triggered by FDI inflows being closely ▶

▶ associated with commodity price fluctuations. The FDI inflows, as a result, have also been very volatile. Ensuring a stable macroeconomic environment with built on sound fiscal and debt parameters is essential to send the right signals to investors. Political stability, predictability, and strengthening the legal environment and regulations, as well as implementation and enforcement of laws are also crucial for Mongolia to really attract FDI in sectors, beyond mining. If you look globally and regionally, how countries attract FDI has almost become akin to an art form. Strengthening transparency around capital investments and ensuring nondiscriminatory practices against foreign investors are factors that need to be addressed.

Mongolia imposes very few restrictions on capital inflows and does not restrict international payments and transfers. However, the capital market itself is quite underdeveloped here in Mongolia, with very little ability to trade in futures or derivatives. ADB helped the state-owned Mongolian Stock Exchange in the early days since the 1990s, through advisory support. This is the main venue for domestic capital and portfolio investments, but the banking system remains still quite concentrated, and most of the financing comes only through the banks, and very little goes through the capital markets outside. So, this presents another challenge, i.e., in terms of strengthening the financial sector.

Last point is corporate governance. If you see companies that have attracted investments, these are companies with strong track record of corporate governance, including companies where ADB has invested - both banks as well as private companies. Strengthening corporate governance is important and companies that are well managed, that are publicly listed on the Stock Exchange are likely to get more investments going forward.

- In the years since Mongolia became internationally open and transitioned to a market economy, it has attracted a significant amount of investment from more than 120 countries. However, no major development projects other than Oyu Tolgoi have been implemented during this period. What do you think are the main reasons why investors are so reluctant to invest in large projects?

- Economic diversification is important. But in Mongolia's context, it does not mean totally neglecting the extractive sector or the mining sector, because the mining sector will continue to remain very important. Since 2011, when the large strategic mining deposits were really exploited, we have seen a lot of FDI flowing to the mining sector and this will likely increase now, once the Oyu Tolgoi's underground mining starts its operations sometime next year – in the near term, the dependence on mining will not reduce, it's actually going to increase. In this regard, I want to highlight two points.

First, is to focus on adding more value in the extractive sector. As we know, mining is a capital-intensive sector, it is not a job inclusive sector. It creates less jobs than other sectors such as services and agriculture. We need to strengthen the value linkages within the mining sector, which means focusing more on domestic processing. This will also need forging of stronger linkages between the foreign and domestic companies involved in the mining sector. In the non-mining sector, the real constraint is the ability to attract more FDI, particularly efficiency seeking FDI, this will need diversification and expansion of the export basket. Focusing on the mid-stream and down-stream segments of the agriculture sector (meat, dairy and cashmere), in particular, will allow for more forward and backward linkages to be developed within the sector, and job creation.

Second, is the issue of macroeconomic stability. The growth forecast and prospects will depend on the government's continued focus on fiscal consolidation to rein in public debt (particularly as the current crisis begins to abate) by strengthening domestic resource mobilization and through prudent public expenditure reforms. Mongolia's medium-term growth prospects are positive, supported by growth in private consumption and continued steady investment in mining and manufacturing.

-Could you say more on the impact of policy stability, in terms of attract investment?

-Historically, one of the big things that investors look at is political stability and policy continuity. In the case of Mongolia, there has been a lot of volatility in terms of changes in government and associated political and bureaucratic transition. That has also unfortunately meant that there's been a lot of changes

Focus on adding more value in the extractive sector. As we know, mining is a capital-intensive sector, it is not a job inclusive sector.

▶ and lack of predictability in policies, and ad hoc policy implementation and enforcement. So, I think what investors really want to see is keeping your promises. Saying that you will enforce your policies, you will implement your policies as designed and you will deliver the reforms that you set out to do right.

I believe, Mongolia now has a very good foundation, because this current government has been in power for four years. They have shown leadership by engaging with the private sector, and the business community; they have really also articulated the desire and the commitment to attract private investments. For example, on the New Economic Revival Policy, it is amply clear that many of these projects will need significant private investment to materialize; they cannot only be delivered through public sector, some of these planned infrastructure and ‘greenfield’ investments will also need to be delivered public private partnership arrangements.

There are a lot of things that Mongolia can already build on to attract FDI. There is renewed momentum with the creation of the new Ministry of Economic Development, including establishment of an agency within the Ministry focusing on FDI mobilization and retention. There is also a new ministry for Digital Development and Communications, which is timely, given its mandate to leverage potential in Mongolia for digital technology investments and digital transformation across sectors, including in e-commerce, fintech, and banking sectors. Mongolia can also leverage or access other tools like business registration system, and aftercare services for investors to make it more appealing. These are things that have already been trialed at various levels and can be rolled out at a larger scale.

- The international economic crisis continues. Developing countries are implementing a number of policies to make their economies more resilient, with a focus on attracting foreign direct investment. Mongolia lags behind other countries in the region in this regard. How should we work in this time of pandemic to attract foreign investment? What are our strengths and weaknesses?

-Unfortunately, Mongolia has been buffeted by

twin external shocks - the war in Ukraine has affected trade and supply chains, and the persistent border restrictions since October last year with the People’s Republic of China has also directly impacted trade and revenues. Being a landlocked trade dependent economy, Mongolia has been particularly affected, and is trying to navigate as best as possible, through this crisis. Looking ahead, I think the first thing to say is Mongolia needs to optimize its macroeconomic and fiscal management. There is recent precedent for this; the period from 2017 to 2020 was a strong period in terms of how Mongolia managed its macroeconomic situation. They reduced their debt. They built up a small number of external buffers. They even ran a small fiscal surplus. So, I think the first thing is, as soon as this crisis starts to abate is that, Mongolia needs to embark on fiscal consolidation, they need to focus on more targeted social expenditures, gradually loosen the monetary policy, and that will automatically, I think, address some of the inflationary pressures, and inspire confidence and send the right signals to the market.

The second issue is around economic competitiveness. The cost of reliable infrastructure provision, both ‘hard’ and ‘soft’ infrastructure, including trade facilitation systems and customs procedures, processes to reduce permissions, clearances required for business registration and trade, electric power supply and utility costs for companies is also a factor that businesses consider in weighing up their operating costs, and overall investment potential. ADB conducted a study which shows that 10% reduction of time involved in freight transport/clearances at the border would expand trade and raise the share of trade in Mongolia’s GDP by 0.65 percentage points. This shows that there are significant linkages between actually improving efficiency of border crossing points and their contribution to trade. ADB has been involved in supporting the establishment of Customs Automated Information System (CAIS) to reduce the dependence of paperwork and improve efficiency of customs approvals. All of this has also an impact in improving overall foreign exchange inflows.

One area where ADB has been involved for a very long time is on regional cooperation on trade ▶

The growth forecast and prospects will depend on the government’s continued focus on fiscal consolidation to rein in public debt by strengthening domestic resource mobilization and through prudent public expenditure reforms.

► facilitation. We have a program called the Central Asia Regional Economic Cooperation Program (CAREC), and we found that by harmonizing customs procedures across both countries and on the border, and by aligning your health quarantine surveillance testing measures, there could be tangible improvements in trade flows. For example, in the Zamiin-Uud economic zone, we're trying to do is set up a single window trading system that should reduce the need for paperwork, additional permissions, and clearances. We are also looking at a number of priority border crossing points for investment in the future, to upgrade their operations, which in turn, should invigorate trade and investment.

- In which areas does the Asian Development Bank conclude that Mongolia should attract foreign investment as a priority? Are there any studies and recommendations in this regard?

- Let me highlight four areas. First on, agriculture and food production. Although, Mongolia is ranked among top 15 in Asia in terms of food self-sufficiency index, this mask a number of untapped opportunities. Meat self-sufficiency is very high, but Mongolia imports more than 45% of its vegetables. There is also significant potential around meat processing given its linkages to upstream and downstream segments of the value chain – of the roughly 550,000 tons of meat produced in Mongolia, only about 5% are produced at processing factories. So, meat, cashmere, dairy are important sectors.

The second area relates to green investment. The President of Mongolia has announced, and Mongolia has committed to the one billion tree initiative, Mongolia represented by President Khurelsukh, demonstrated leadership in the last Climate Summit. This provides an opportunity to invest not just in tree planting, but also in sustainable forestry and land (and water resource management), involving the private sector and local communities. There is already a lot of momentum around green financing, with the development of a taxonomy for green finance already approved by the Financial Stability Commission, and the Mongolia Green Finance Corporation already operational, within climate fund secured from the Green Climate Fund. ADB is very active in the area of mobilizing and developing green investments –

we are, for example, working on a number of projects to accelerate the transition and facilitate the uptake of renewable energy. The current focus is on adding storage to enable greater renewable contributions. A battery energy storage project is currently under implementation, and we have a pumped storage hydropower project in our pipeline for 2025. The battery project will maximize contributions of existing renewable generators, currently curtailed. The storage hydro could enable the addition of 1.3 GW of new renewable generation as lower-cost solution than coal. Currently, we are also in the final stages of development of a large program on aimag and soums development focused on rangeland and pastureland management countrywide involving the Green Climate Fund and the European Union. In short, there's a lot of potential to attracts green finance, through concessional funding, but also commercial investors and institutional investors (for example, pension funds, insurance companies) for projects that are commercially viable and have social and environmental returns.

The third area I will touch on is tourism, particularly in eco-tourism, and adventure tourism, in other words, niche tourism. The focus has not been high-volume tourism because Mongolia will never be able to compete on numbers, but within specific market segments, Mongolia can really attract premium tourists, and this presents a real opportunity. As part of our focus on supporting the tourism sector ADB has adopted a medium-term programmatic approach around supporting community-based and nature-based tourism development in Western and Eastern Mongolia.

The last one is ecommerce, and I think there's a lot of potential to do more on ecommerce because Mongolia has the basic ingredients – a high smartphone penetration rate, and an advanced fintech and mobile payment system. More than 60% of the population regularly use the internet and the use of mobile phones is at even higher level. But, less than 25% of the population actually use ecommerce for purchases, significantly less than other countries in the region. This is another area that represents growth potential, and the potential to attract foreign investment. ■

ADB has been involved in supporting the establishment of Customs Automated Information System (CAIS) to reduce the dependence of paperwork and improve efficiency of customs approvals.

Green World

The greener the richer or the richer the greener



The creators of a green future

Mankind is rushing forward to a green future. Therefore, a nation that first understands the value of being "green" is living more peacefully and is building a stronger economy. The Scandinavian countries, which lead the world in GDP per capita, are a clear example of this.

Yale University and Columbia University, in collaboration with the World Economic Forum, have developed the Environmental Performance Index (EPI), and assesses how countries' environmental policies and solutions are reflected in real life. Denmark is one of those countries that show the strongest and most stable growth according to this index. This country is leading the world in reducing greenhouse gas emissions, while neighboring Sweden has a perfect experience in waste recycling. Denmark, Finland, the Netherlands and Sweden are also well-known for their excellent wastewater treatment technologies.

In Asia, Singapore leads in this indicator. The

country is also a leader in other indicators of a sustainable development. Malaysia is also a good example for other countries with its green and sustainable development policies and plans. The United Nations Development Program's 'Integrating Sustainable Development Goals into Development Planning: Malaysia's Case and Experience' reveals one of the 'secrets' regarding the effectiveness of the country's development program and funding. Malaysia uses a simulation method to estimate the funding needed to achieve the Sustainable Development Goals. For example, they pre-estimate the impact of policies and actions that support green growth, will have on GDP growth.

The fact that countries that lead the world in development are more green raises the interesting question of whether the richer they are, the greener they are, or the greener they are, the richer they are. A country's environmental performance index can show how per capita GDP affects green, but it also shows how much a country benefits from being green. It is not easy for developing countries to reach a leading level in green development and green economies, but it is important to try and make progress from the current situation.

Sustainable Development-World Aspiration

The 2030 Agenda for Sustainable Development was first launched in 2012 at the United Nations Conference in Rio de Janeiro, Brazil. The Sustainable Development Goals are a continuation of the Millennium Development Goals, which were completed in 2015, and were officially launched worldwide on January 1, 2016, when the 70th session of the UN General Assembly approved 17 goals for sustainable development.

The 2030 Agenda for Sustainable Development is a global long-term policy document based upon three pillars of society, economy and the environment. It is not wrong to say that it is the biggest guide to prioritizing green development with sustainable development goals, as it unites countries under the goal of preserving the original image of the world and striving for social and economic development. ►

Most of the world's "greenest" countries are in Scandinavia.











► The Sustainable Development 2021 report, processed by the United Nations, the World Bank and international NGOs, outlines how the world is once again striving towards sustainable development. According to this report, Finland, Sweden, Denmark and Germany are at the top of the Sustainable Development Goals Index. Finland, the country topped the list with 85.9 points, while Mongolia was ranked 106th with 63.8 points. In terms of achieving the Sustainable Development Goals, countries that are close to Mongolia are Iraq, South Africa, Bangladesh and Laos.

The United States, the world's most powerful economy, is ranked 32nd with 76 points, while China is ranked 57th with 72.1 points. Kazakhstan ranks 59th and Belarus 24th out of 165 countries with 78.8 points after the collapse of the socialist system. Countries that are leading in achieving the Sustainable Development Goals are all but one member countries of the Organization for Economic Co-operation and Development (OECD), which is noteworthy observation. With the exception of Croatia, all member countries of this organization are in the top 20. However, these countries also face challenges in achieving their sustainable development goals, and at least one of them has a "red" score, according to the report.

High-income countries are not making enough progress in sustainable consumption, production and the conservation of biodiversity as well as flora and fauna. Low-income on the other hand are facing significant challenges in eradicating extreme poverty and improving their infrastructure. Our country also faces similar challenges in achieving the Sustainable Development Goals. The goal of reducing poverty and creating flexible infrastructure is at 50 percent, while the goal of creating an industrial structure is only at 15.3 percent.

The National Statistics Office also said that the goals related to the environment are well behind schedule. The goals of protecting and rehabilitating the world's ecosystems, sustainable forest use, combating desertification, restoring soil degradation, protecting biodiversity, and combating climate change are only 35-38 percent complete. However, it should not be forgotten that the half of the time to reach the deadline for achieving the Sustainable Development Goals has already past. If our country does not take decisive action, it will not be able to fulfill its obligations to the world in the remaining eight years. Therefore, it is time for Mongolia to learn from international best practices and experience and take decisive action. ■

The goals that are protecting ecosystems, sustainable forest use, combating desertification, restoring soil degradation, and combating climate change are achieved at 35-38 percent in Mongolia.

| EPI scores and GDP of most green 10 countries | | |
|-----------------------------------------------------------------------------------------------------|------|-------|
| Country | Rank | Score |
| FINLAND  | 1 | 85.9 |
| GREAT BRITAIN  | 17 | 80 |
| BELARUS  | 24 | 78.8 |
| SOUTH KOREA  | 28 | 78.6 |
| USA  | 32 | 76 |
| RUSSIA  | 46 | 73.8 |
| VIETNAM  | 51 | 72.8 |
| CHINA  | 57 | 72.1 |
| KAZAKHSTAN  | 59 | 71.6 |
| MONGOLIA  | 106 | 63.8 |

Opinion



Dr. Antonio Graceffo,
PhD, China-MBA

Mongolian Inflation and Tugrik Devaluation



To protect their savings from devaluation, Mongolians are scrambling to convert their cash into dollars, but dollars are in short supply.

During the Covid-19 pandemic, Mongolia's economy has contracted due to lockdowns within the country and closures of its border with China, resulting in a decrease in exports and shortages and price increases on imports. During this period, Mongolia's central bank adopted an expansionary monetary policy, printing money, cutting interest rates, and injecting liquidity. This drove down the value of the tugrik, and left public debt at 81% of GDP by the end of 2021.

Nearly two and a half years since the beginning of the pandemic, the Chinese border is still mostly closed, due to Beijing's zero-Covid policy. Meanwhile, the war in Ukraine has driven up gas and energy prices, and this has had a profound impact on the prices of almost all goods in Mongolia. At the same time, the tugrik is losing value against the US dollar on world currency markets. To protect their savings from devaluation, Mongolians are

scrambling to convert their cash into dollars, but dollars are in short supply.

Mongolia entered 2022 carrying two years of relatively negative economic indicators. According to the Asian Development Bank (ADB), Mongolia's economy contracted by 4.6% in 2020 and grew by only 1.4% in 2021. Raw materials exports, largely copper and coal, recovered during the first quarter of 2021, but then petered out in the final three quarters of the year, as demand from China fell. The service sector rebounded, although not fully, as domestic Covid-19 restrictions were lifted. The manufacturing sector stagnated, and construction contracted, because of supply chain disruptions. Agriculture also regressed, as a result of harsh weather and animal disease outbreaks.

Investment recovered, but coal inventories increased, as a result of a decrease in exports to China. In 2019, accumulated inventory only ►

- ▶ accounted for 8.9% of GDP, but in 2021, inventories increased to 13.4%.

A combination of Covid-19 restrictions, pessimistic economic outlook, and inflation has driven down real household incomes, while suppressing household consumption. Consequently, final consumption decreased by 4% in 2021, largely because of a 6.6% decline in household consumption. The global increase in commodity prices should have helped Mongolia, but continuing border restrictions imposed by China reduced Mongolia's exports, nullifying any benefit Mongolia could have gained from higher prices. In 2021, total employment decreased by 5%, with 60,000 jobs lost.

Now, in 2022, Mongolia is facing currency devaluation and price inflation. Galsanbat Narantogtoh, a manager at Uran Uurgach LLC, explained: "Our country imports most of its goods from foreign countries. All imports are paid for in foreign currency, so everything is getting more expensive. It's getting more difficult to live on the same salary."

Roughly half of the goods in the Mongolian Consumer Price Index (CPI), used to measure inflation, are imported. Headline inflation, the inflation rate reflected by the basket of goods that Mongolians need in everyday life, reached 14.4% year on year by March 2022.

"Inflation is very high when it comes to products, and even meat and flour are getting very expensive. Along with food, other products such as home appliances and other non-food items have also increased," reported Bilguun, a department head at Golomt Bank.

The price inflation that Mongolians now face comes from a number of sources. The first is that the tugrik has lost value against the dollar and imports have to be paid for in dollars. Bilguun attributed the loss of value to the government's MNT 10 Trillion Comprehensive Plan for Health Protection and Economic Recovery. "With this program, the government printed a lot of money in Mongolia. For one or two years, it may seem like we've been fed by the government, but this has caused the tugrik to go in a long-term downward spiral," resulting in a greater number of tugriks being required to pay for the same quantity of goods, he said.

Another cause of rising prices in Mongolia is factory gate inflation, or the producer price index (PPI). All over the world, prices of energy and raw materials have increased, driving up the PPI and this the cost of manufacturing goods. In China, the PPI grew by 8.3% year-over-year in April.

Higher-priced products have become even more expensive because of China's lockdown regimen. Turbold, an employee at Oortsogiin Hondii, a non-bank financial institution, said that "the Chinese are purposefully holding up shipments at the border. This is making things very difficult here. Grocery prices have almost doubled because of the Chinese." Only a small quantity of containers are allowed to cross the border each day, causing shortages and driving up prices of consumer goods. Additionally, increased energy costs have resulted in higher transportation costs. These factors combine to push up prices at grocery stores.

Apart from food, one of the most important daily necessities is gasoline, which, as of mid-April, was up 64.2% year-on-year. According to Turbold, the increase in local gas prices comes from a combination of factors. The depreciation of the tugrik has made gas imported from Russia more expensive, he said. Even if gas prices had remained the same, Mongolians would still have had to pay more tugriks for it, because gas is priced in dollars. However, the actual cost has risen because of the war in Ukraine. Mongolians are therefore feeling the crunch on two fronts.

Taking all of these factors into consideration, The World Bank forecast Mongolia's 2022 GDP growth at 2.5%. ADB projected 2.3% growth in 2022 and 5.6% in 2023.

FocusEconomics takes a more optimistic position, expecting 4.7% in 2022 and 6.3% in 2023. It is important to note, however, that FocusEconomics arrived at the 4.7% number after downgrading their 2022 projection by 1.6%, as a result of first quarter financial data. If lockdowns in China continue, if the Ukraine war is not resolved quickly, or if gas prices go higher, the economic outlook for Mongolia will worsen.

"It doesn't seem like it'll stop any time soon. Every day, the Mongolian tugrik is rising by 5, 10, or 15 tugriks against other currencies," lamented Bilguun. ■

A combination of Covid-19 restrictions, pessimistic economic outlook, and inflation has driven down real household incomes, while suppressing household consumption.