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Mongolian Economy

JULY 2024

SPECIAL EDITION



GO MONGOLIA



A woman with long dark hair, wearing a textured grey top, is shown in profile from the chest up. She is looking upwards and to the left, with her hand resting near her chin in a contemplative pose. The background is a dark, out-of-focus city skyline at night, with numerous lights from buildings and streetlights creating a bokeh effect. The overall color palette is dark with blue and white highlights from the city lights.

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We believe that social advancement and economic prosperity are interconnected

**Mongolian
Economy**

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We emphasize regional development reforms

Greetings to the distinguished guests and representatives participating in the "Mongolian Economic Forum 2024," organized under the slogan "Go Mongolia," which represents aspiring Mongolia.

Exactly one year ago, we gathered with You in the hall of the Mongolian Economic Forum under the slogan "Welcome to Mongolia." During that time, we discussed the economic and investment situation, resources, and pressing issues, ultimately reaching a certain result.

Over the past year, post-pandemic recovery positively impacted all sectors, leading to significant improvements in Mongolia's economy. In 2023, the economy grew by 7 percent, with GDP reaching 68.9 trillion MNT. Per capita GDP rose to 5,875 USD, foreign currency reserves exceeded 5.0 billion USD, total foreign trade turnover reached 24.4 billion USD, and export income totaled 15.2 billion USD. Inflation decreased to 5.7 percent as of May 2024, thanks to reduced import transportation costs, stabilized exchange rates, and the implementation of effective fiscal and monetary policies.

The Development Bank, which had been a burden on the economy in recent years, has been completely brought out of bankruptcy. The debts and payments of foreign bonds have been settled, ensuring that there are no urgent debts to be paid in the coming years.

The recovery in tourism, which welcomed 0.6 million tourists and earned 1.3 billion US dollars, confirmed that this sector can continue to make a significant contribution to the economy. The law on the national wealth fund, which will allocate mining resources to every citizen, was discussed and approved during the spring session of the State Great Hural.

The Mongolian Economic Forum, where representatives from the government, private sector, investors, and academics convene to address the challenges confronting Mongolia's economy and society, is particularly significant this year following



The Prime Minister of Mongolia,
OYUN-ERDENE LUVSANNAMSRAI

the elections of the State Great Khural, which saw the election of 126 parliament members. These elections coincide with constitutional changes aimed at reforming the structure of the government.

The new parliament and government are eager to advance policy initiatives aimed at creating a favorable environment for the private sector, improving the business climate, and attracting investors. They are committed to undertaking significant legal reforms and implementing large-scale development projects.

Following the 2024 election of the State Great Hural, the government has built upon the successes and achievements of the past four years. This year, conditions are set to continue implementing the "Vision-2050" long-term development policy and the medium-term "New Revival Policy" over the next four years. There is a planned emphasis on Regional development reforms as part of these initiatives.

This time, the Mongolia Economic Forum will center around key themes including regional development policy, green energy and energy sector liberalization, and the implementation of the 20-minute city concept. These priorities are part of the government's reform agenda for the next four years. The forum is viewed as a crucial opportunity to establish mutual understanding and foster future cooperation among stakeholders.

The Prime Minister of Mongolia has officially invited the world's leading investment corporations, mining investors, and prominent representatives of international banking and financial organizations to the 15th Mongolia Economic Forum. We anticipate that the participation of all stakeholders will lead to effective decisions, including support for Mongolia's regional development, urban and rural revitalization policies, further expansion and diversification of the economy, and the extensive integration of artificial intelligence across economic, productivity, and production sectors emanating from this conference.

I wish you success in the forum. ■

Main article

What lies ahead for the new Government

In a landmark event following the constitutional amendment, Mongolia successfully conducted its ninth parliamentary election, marking a historic moment with the parliament now boasting 126 members. This milestone aligns with Mongolia's Regional Development Concept, which envisions development across seven economic zones: Hangai, Western, Northern, Central, Eastern, Gobi, and Ulaanbaatar.

In this pivotal election, the Mongolian People's Party (MPP) secured 68 seats, the Democratic Party claimed 42 seats, the HUN Party won 8 seats, the National Alliance garnered 4 seats, and the Civil Will-Green Party also took 4 seats. Prime Minister L.Oyun-Erdene said, "I am happy that the constitutional changes have been mirrored in this election. We were able to form a parliament with representatives of many parties and include representatives of social groups."

As the new parliament and government take the helm, the focus now shifts to the economic landscape.

An one significant challenge lies ahead for the new government: the implementation of Mongolia's Regional Development Concept. This mission is multifaceted, aiming to "honor national culture, establish a stable population localization and settlement system, preserve the ecosystem's balance for future generations, promote green production through economic diversification and cooperation, and support balanced and competitive regional development within the framework of regional economic integration". New government policies and development plans must align with this definition.

In a pivotal move, the Parliament approved the Law on the National Wealth Fund on April 19, 2024. This fund comprises three main funds: the Future Heritage Fund, the Savings Fund, and the Development Fund. The new government is now tasked with operationalizing this law, enacting supportive policies, and enhancing the

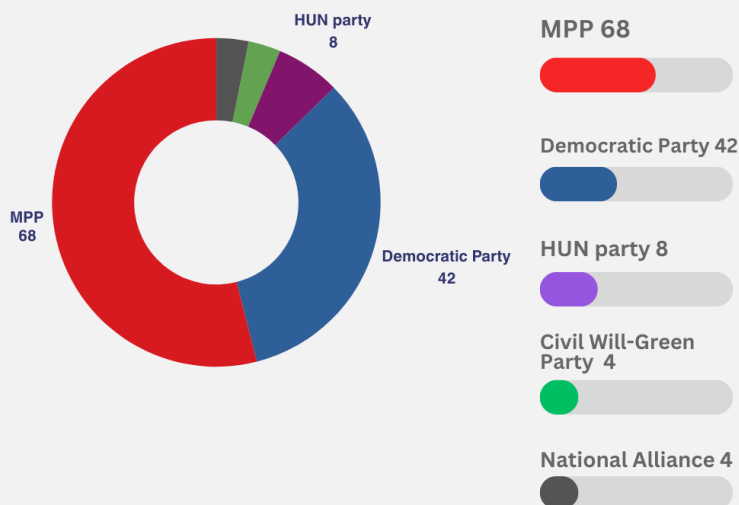
New parliament also faces a formidable challenge in revitalizing Mongolia's struggling energy sector

legal environment to ensure the fund's successful implementation.

The new parliament also faces a formidable challenge in revitalizing Mongolia's struggling energy sector, which is currently operating at a significant loss. Fundamental reforms in energy sector policy are urgently needed, it should be noted. The time is ripe to overhaul the energy sector, align it with market principles, and establish a legal framework that attracts both foreign and domestic investments. This reform is essential for the rapid development of the country, expand the economy through large-scale projects, and foster inclusive growth.

The next pivotal negotiations to advance Mongolia's ambitious uranium mining and export project await the new parliament and government. "Badrah Energy" LLC is spearheading efforts to extract uranium, the key raw material for nuclear energy, in Dornogovi province, with plans to export ►

The new parliament is made up of four parties and one coalition





► it. The Government of Mongolia and the French state-owned company "Orano Mining" have initiated negotiations on the investment agreement.

Mongolia has committed to the United Nations to reduce greenhouse gas emissions by 30 percent by 2030. Achieving this goal will require rigorous efforts from the new government over the next four years. Mongolia is among the 25 countries most vulnerable to global warming and climate change due to its geographical location and extreme continental climate. Climate change has already led to reduced precipitation during the warm season, intensifying

drought and desertification. By 2020, 76.9 percent (120.3 million hectares) of Mongolia's territory was degraded, with 4.7 percent severe erosion and 18.6 percent high degradation.

Additionally, the new government is expected to tackle corruption, pursue educational reforms, implement critical health policies, foster a business-friendly environment for the private sector, and address air and soil pollution as well as congestion in the capital city. The people have made their choice; now, the new government must act swiftly and decisively. ■

Achieving this goal will require rigorous efforts from the new government over the next four years

Productivity, Responsibility, and Unity ties the **development process**

The Mongolia Economic Forum is being held for the 11th time at a very special time. This is because the new parliament has been formed and the government has been reestablished following the election. The new parliament now consists of 126 members due to the amendment of the Constitution. Thus, expectations for the forum to discuss the country's medium-and long-term economic policies and address constraints to building a more resilient and broad-based economy are rising.

Today, the situation is very similar to the time when the economic forum was organized for the first time. Our country has completely come out of the economic recession during the COVID period and managed to welcome 2024 with a 7 percent economic growth. For this year, expectations and trends of stabilization and maintenance of growth prevail. Similar to other countries in the world, we will get rid of the problems and decline of the pandemic and move forward towards sustainable growth and development. As of 2023, foreign trade and balance of payments posted positive records, and exports are at



Ganhuyag Chuluun Hutagt
Secretary General of the Mongolia Economic Forum

the highest level in history. Specifically, coal export reached 70 million tons and its impacts on the economy has become a real incentive for economic recovery.

As of the first half of 2024, coal exports have exceeded 35 million tons, and more than 50% of the amount planned in this year's budget has already been fulfilled. The country's foreign currency reserves have also reached a historic high, the exchange rate has stabilized, and inflation has reached the target level of the Bank of Mongolia. The burden of external debt, which had caused major difficulties for the economy, has eased, and debt management has improved

dramatically. As opposed to increasing new debts, the process of debt and cost reduction has intensified. The first step to get the economy back on its feet has basically been taken.

To recall, in 2012, the economy of our country showed high growth, investments in the mining sector increased significantly, and major mega projects led by Oyu Tolgoi moved forward. As a result, Mongolia's economy and business environment completely changed, and by the standards of rich countries, the symptoms of "Dutch disease" began to appear in our economy. The sharp increase in the price of mineral raw

materials and the flow of investment in the mining industry have confused the situation to the point where it seems as if it is eternal. Today, however, we have learned from our mistakes, understood the value and nature of investment in our country, and fully realized that it is the starting point for development.

We should not forget that the impact of the pandemic worried the whole world and its consequences caused unexpected difficulties in the international economy, trade relations, logistics and supply chain, and brought crisis and high inflation to the economies of countries. In addition, the difficult situation between Russia and Ukraine has changed the entire chain and increased the pressure of price increase and high inflation. Although today inflation is decreasing and the negative effects are disappearing, it is time to think about the risks. Therefore, the above situation has shown that we should seriously discuss and reach a common solution regarding the nation's risk management and its management. For this reason, the Mongolia Economic Forum plans to define the national risk policy and ►

► brought it to the podium for open discussion.

At a time of drastic changes in nature and climate, the global geopolitical situation, and the changing balance of power, how can the country be wisely managed and developed, and its citizens can live in a healthy, safe environment with high incomes. For our country, which has faced many challenges, by having risk management, we will gain economic immunity and increase our resources to develop independently. Therefore, national risk policy is one of the main topics of the regular forum. The forum is aimed at identifying ways and solutions to combat corruption, properly design and develop the capital city, creative approach to regional development, and optimally overcome the risks and difficulties encountered.

This is the time when rapid changes in banking, finance, and capital markets will intensify, and fair distribution of wealth and accessible growth will guarantee sustainable growth and development. We have an advantage. Our country, which is rich in natural resources, is half the size of India, but has one of the least densely populated countries. Therefore, it is very important to pay special attention to the development of the region, to create a

Today, we have learned from our mistakes, understood the value and nature of investment in our country

favorable environment for business and investment outside the capital city, to discuss tax benefits, incentives, and other conditions, and then to reach a solution.

The Mongolia Economic Forum emphasizes the development of the region. In accordance with the concept of regional development, it is important to map and plan our economic resources in more detail for the changes that will bring 'New Recovery' in the direction of the 'Vision 2050' long-term development policy. The problem of the city, which is an obstacle to the economy, should not be left out. Therefore, we will look for opportunities to assemble a "20-minute city" that will create a smart city and a friendly environment for people.

The next big step is energy. The main guarantee of economic growth and expansion is energy. Therefore, there is no choice but to take bold steps to make progress in the industry and get out of dependence on others. As an indication of this, it is seen that the power plants of Buuruluut and Erdeneburen will bring good news to the economy in the

coming years.

The economy is out of shock. We become more critical and look for solutions to find the cause of problems. Therefore, developing a free economic zone and continuing to focus on port development is a factor that will bring great progress to the supply chain. Therefore, this time we will also discuss port and transport issues. The Oyu Tolgoi project has played an important historical role in the country's economy. The project has been successful and underground mine production has begun. As a result of a successful transaction, there is a chance to receive dividends.

The governance of state-owned companies has been reformed, inefficient ones have been liquidated, and the market principle has begun to operate. The policy of becoming an open joint-stock company with public governance through the stock market is being implemented. The narrow interest scheme surrounding the Development Bank of Mongolia, Erdenes Tavantolgoi, and Erdenet Factory collapsed. A legal framework for the National Wealth Fund has been established to manage and control the distribution of wealth and to pass it on to future generations.

A major change in social and economic thinking is taking place, and the belief that the country will become

rich and develop together is getting stronger. Our wealth-cursed economy is recovering and warming up. As a result of our country maintaining its foreign relations in a very smart, balanced, stable and persistent way, the reflection in the economy is clearly visible and directly felt. Everything is not perfect today, but the solution has been determined and the results are coming from the beginning. The embezzlement in the economy was revealed and the underground economy began to shrink. Economic capacity is increasing, and GDP per capita is expected to reach 6,000 USD this year.

We, Mongolians, are living and working in a time where we must protect our fiscal stability, strictly follow the law, and carefully manage our debt. We are the owners of the time to base ourselves on real calculations, listen to the words of academics, consult, discuss openly with each other, and take responsibility for development, rather than getting bogged down in overly optimistic expectations and imaginations. Let's work together for a creative Mongolia that will wisely define the development of the country that has come to the crossroads, openly compete with ideas, and turn the great responsibility of pride and integrity into development for future generations! ■

Energy

Policy reforms are vital for energy sector growth

MPP stated, "We will enact fundamental policy reforms in the energy sector and attract private sector investment" in the manifesto

The energy sector is in critical need of fundamental policy reforms. It currently poses a significant barrier to the speed of Mongolia's development. It is impossible to talk about the development of the country without a capable energy sector.

Ahead of the 2024 parliamentary elections, it was applaudable that political parties recognized the urgency, pledging reforms to enhance energy resources and boost clean energy exports. For instance, the MPP stated, "We will enact fundamental policy reforms in the energy sector and attract private sector investment." This commitment reflects the sector's current state, signaling the need for substantial changes, attracting both foreign and domestic investments, and elevating its capacity. Other parties echoed a commitment to prioritize energy policy, legislation, new energy resources, efficiency, tariffs, governance, and investment in their manifesto. This collective resolve underscores the sector's imminent renewal and strengthening as a catalyst for Mongolia's development in the near future.

Mongolia's energy sector is currently lagging in development, leading to a significant energy shortage as consumption outpaces production. Energy consumption is increasing by 6-7 percent annually, but new resources to match this growth are not being developed.

As a result, Mongolia relies heavily on its northern neighbor for energy. The country purchases electricity from Russia at an average cost of 250 MNT per kWh, spending 83 billion MNT to import 330 million kWh annually. Imported energy accounts for 20 percent of Mongolia's total energy consumption, while 80 percent is produced domestically, statistics show.

Mongolia's energy sector is grappling with outdated equipment, as power plants and power lines have reached the end of their service lives. The

newest facility, Thermal Power Plant-4, is 41 years old. Additionally, there is a significant personnel shortage, with many professional employees, engineers, and technicians leaving for jobs in the mining sector or abroad. The sector has also suffered financial losses for years due to unprofitable tariffs. This makes the sector unattractive for foreign and domestic investments. To address these challenges, the industry is calling for attention to loss-free pricing and tariff policies based on market principles.

It's time to seriously address the governance of Mongolia's energy sector. Key questions need to be asked about the efficiency, structure, and management of state-owned enterprises, and the effectiveness of the Board of Directors, which typically includes heads of ministries and departments. These issues highlight the need for fundamental policy changes in the sector.

Currently, the energy sector is in a dire state, awaiting action from Mongolia's new parliament and government. It is crucial that the ►





► new government's top priorities include energy sector reform. Comprehensive, diligent, and rapid reforms are necessary to develop and empower this essential sector of the economy. Historically, policies have been sluggish, but now there is hope for a fundamental shift. This requires cooperation not only from the ruling parties but also from all parliamentary parties, emphasizing collaboration to drive significant changes in the energy sector. One of the main directions of the New Recovery policy is the energy sector, with action plans already being implemented. However, it is now essential to re-evaluate these policies and establish a robust legal framework to support long-term development.

Mongolia cannot rapidly build large new energy resources. However, addressing the growing demand remains critical. This year, a battery storage station started its operation, and the Buuruluut 300 MW station is slated to come online in October. Additionally, construction has begun on the 90 MW Erdeneburen plant—promising developments for the

sector. Looking ahead, the MPP has included in its manifesto to building of energy power stations in Tavantolgoi, Baganuur, and Shivee-Ovoo. Besides these large power stations, Mongolia also plans to develop distributed sources to enhance overall energy production.

Mongolia has a tremendous opportunity to develop clean energy projects, export this energy, and attract foreign investment to bolster the economy. With abundant wind and water resources, as well as new sources of gas and hydrogen, the potential is significant. To harness these resources effectively, a serious dialogue about the energy transition is needed, along with decisive steps to make it a reality. Mongolia has pledged to increase the share of renewable energy in its total installed capacity to 30 percent by 2030 and to reduce greenhouse gas emissions. The new parliament and government face four years of fast and productive work to fulfill this promise, driving the country toward a sustainable energy future. ■

Energy sector is in a dire state, awaiting action from Mongolia's new parliament and government

Renewable energy

Can Mongolia export energy?

NEW RECOVERY
POLICY
ACCELERATOR
center

The “New Recovery Policy” is a mid-term economic and infrastructure development plan of Mongolia. Objective 2.4 of the first phase of implementation of the New Recovery Policy focuses on energy recovery, in which it states: “ensure the preparation of the high voltage transmission lines and substations for connecting to the renewable energy source of South Gobi and network within the Northeast Asian integrated energy grid”. To support the development of policy recommendations and proposals related to this objective, a research team supported by the Asian Development Bank conducted research following its project plan based on previous studies and provided the necessary information for the key players in the energy sector.

Researchers at the New Recovery Policy Accelerator are also conducting research within the scope of this objective. Without addressing the binding constraints of the country’s economic growth, including increasing energy production and accessibility, we will not be able to attract both foreign and domestic investors to this sector.

Some people may find it confusing why electricity is planned to be exported during a period of energy shortage. The size of the Mongolian energy market is relatively small, considering the country’s economic size with a total population of 3.6 million. If large-scale export projects are implemented, it would mean that the installed capacity of these projects is much larger than our current installed capacity. The ideal location for export projects would be the Gobi region, which has low population density and scattered settlements. It is important to attract foreign direct investment to renewable energy projects and diversify Mongolia’s economy by leveraging our advantages on the ground in addition to underground natural resources.

A 2001 US National Renewable Energy Laboratory study identified 1,100 GW of wind and 2,200 GW of solar renewable energy sources. Furthermore, a 2018 study supported by the Asian



► Development Bank, a research team found that the country has the potential for 2,600 GW of renewable energy. This study considered factors such as the nearest available infrastructure, land planning and its usage, and economic circulations from an economic perspective. It indicates the country has the capacity to generate 2,550 TWh of electricity per year using wind energy and 4,800 TWh of electricity per year using solar energy. The total amount is equivalent to 9.6% of the world's total electricity production and 32% of China's total electricity production in 2022.

In addition, the result of the study shows that it is technically possible to build renewable energy facilities in approximately 40% of Mongolia's land area. With significant investments and advancements in solar and wind energy sources, the study suggests that Mongolia has the potential to achieve approximately 10 GW of installed capacity from renewable energy sources by 2036.

In the Paris Agreement, signed in France in 2015, Mongolia set a goal to reduce carbon emissions and increase the share of domestic renewable energy to 30% by 2030. To restore foreign investor confidence, Mongolia deliberately set supportive tariffs in U.S. dollars in the Renewable Energy Law before the 2019

amendments. As a result, six solar and three wind power stations were built with private investment. These projects play a key role in forming 20% of Mongolia's installed energy capacity from renewable sources. In addition, if potential ten wind and solar power stations are put into the central grid operation, it would exceed our system's technical capability limit.

Although there is still a possibility of adding additional renewable energy projects to the integrated grid, encouraging price competition through the principle of auctions is necessary. This is because renewable energy projects in the global market are decreasing rapidly. We are anticipating amendments to the legal regulations to promote the implementation of subsequent projects with battery storage facilities and rapid deployment. This includes promoting collaboration with various partners for efficient utilization of integrated renewable energy systems and minimizing legal disputes based on consumer tariffs.

In the context of global warming, climate change, and measures to reduce carbon emissions, various projects and initiatives focused on renewable energy are being implemented. This is an opportune time for Mongolia to contribute to regional energy cooperation by introducing renewable energy sources through

It is technically possible to build renewable energy facilities in approximately 40% of Mongolia's land area



- projects such as Asian Super Grid, Gobitek, Northeast Asia Power System Interconnection; and Belt and Road Initiative. Mongolia should play a leading role in regional projects and make active efforts to ensure sustainable development and progress in the country's energy sector.

If renewable energy export projects are implemented in Mongolia, the only potential market for the purchase of the generated energy is our southern neighbor, the People's Republic of China, and the closest points of electricity export connection areas are Kubuqi, Ulanbuh, Tengri, and Badan Jilin in the Inner Mongolia Autonomous region.

China is the world's largest energy consumer, and its energy demand is steadily rising as its domestic economic resources grow. According to estimates for 2023, the total installed capacity is 2,853 GW, with an annual electricity consumption of 9,220 billion kWh. This represents a massive demand, making Mongolia's geographical location advantageous. China has set a goal of reducing greenhouse gas emissions to zero by 2060 through low-carbon energy production and increased use of more clean technology. In recent years, China's renewable energy production sector has developed rapidly, and in particular, Inner Mongolia, has set the goal of becoming the country's renewable energy core base or "Blue Ocean". As of 2023, wind power plants contributed 15% of China's total installed capacity and solar power plants accounting for 21%.

China is the world's largest energy consumer, and its energy demand is steadily rising as its domestic economic resources grow

Compared to 2022, the installed capacity of wind power plants increased by 21%, while solar power plant capacity climbed by 55%. However, China also faces land problems as the main renewable energy technologies, such as solar and wind, require at least ten times more land to produce the same electricity as conventional energy sources.

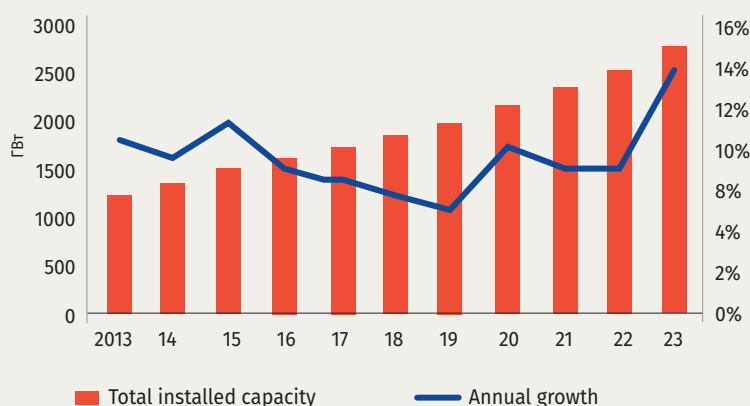
In 2014, Mongolia and China developed a comprehensive strategic partnership and signed a memorandum of understanding on cooperation in the energy sector. As stated in this memorandum, the parties agreed to actively cooperate in the Renewable Energy sector and actively studying and cooperating with the "Asian Super Grid" project.

In order to develop renewable energy sources, build transnational ultra-high voltage transmission overhead lines, and form technological solutions for substations, coordination of policies and sound planning is necessary. A dedicated committee between the two governments is needed to negotiate an agreement on contract conditions, purchase prices, and tariffs. The Government of Mongolia should diplomatically suggest to the Chinese government to include an objective of purchasing of electricity from renewable energy from Mongolia in the XV Five-Year Plan; which is currently under development.


In order to develop and ensure reliable and stable renewable energy in an appropriate ratio or to maintain the inertia of the integrated energy system, it is necessary build thermal power plants, hydroelectric power plants, or storage plants next to renewable energy projects. This is especially important in Mongolia, a country with a high need for heat and a cold climate region. The clean energy transition is not easy to solve in the short term. Therefore, the possibility of finding financing for coal-based energy sources internationally for the construction of small thermal power plants has already narrowed, so it is now possible to decide on the option of domestic financial sources and other special rights agreements. The inability to attract investment in these projects is directly related to the current pricing and tariff regulations.

Developing the renewable energy sector, the pillar of the energy sector which has been a binding constraint of economic development, can be properly developed and determine the vision of the country's development is an opportunity that cannot be missed by the coming policymakers as the ghee in the mouth "metaphor of great opportunity". ■

China's power system installed capacity and annual growth (2013-2023)



Source: NSO, BoM

 **Galileo SuperSense System**
Model-based Smart Wind Turbine

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Envision Energy is a world-leading green technology company that provides renewable energy solutions for global enterprises, governments, and institutions. Encompassing three major business sectors - Smart Wind Turbines, Energy Storage, and Green Hydrogen Solutions, Envision Energy collaboratively constructs comprehensive solutions for energy transformation. It also manages Envision-Hongshan Carbon-Neutral Fund and owns Envision Racing Formula E team, who conquered the Formula E Teams' Championship in 2023.

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Go Mongolia

“Go Mongolia” branding campaign focuses on **Mongolia**

Tourism is a cornerstone of Mongolia’s strategic sectors. To capitalize on this, the Government declared 2023, 2024, and 2025 as the 'Years to Visit Mongolia,' aiming to attract one million tourists in the first year. Supporting this ambitious goal, the government introduced favorable laws and regulations, including visa exemptions, relaxed air travel policies, and tax refunds for foreign visitors, yielding positive results. The tourism budget saw a significant increase from 4.9 billion MNT in 2023 to 12.8 billion MNT in 2024. The increased budget will be dedicated to hosting tourism events and extensive foreign advertising campaigns. The industry is projected to welcome one million tourists in 2024, generating an estimated 6 trillion MNT.

The exhibition “Chinggis Khan: The Mongols Changed the World” was recognized internationally

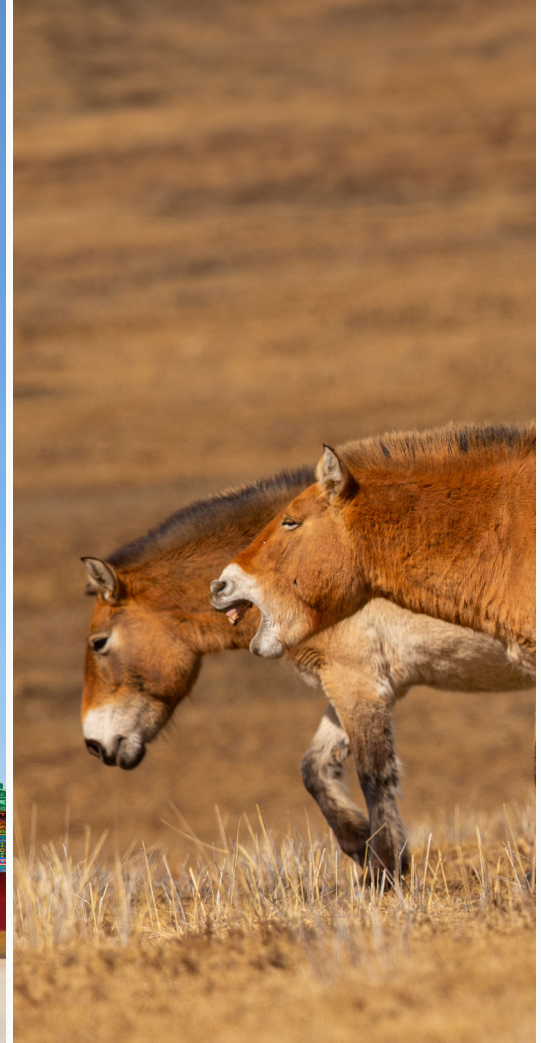
An 18-month strategy titled 'Welcome to Mongolia' was launched to boost the country’s international profile. This initiative aims to leverage Mongolia’s stunning landscapes, unique culture, and rich history to attract tourists. The strategy also includes efforts to draw foreign investment by promoting Mongolia’s democratic system, e-transition, and e-governance, distinguishing it from neighboring countries. Under the 'Welcome to Mongolia' campaign, tourists are invited to explore Mongolia, and the follow-up 'Go Mongolia' branding campaign explains why Mongolia should be their destination of choice.

As part of the 'Welcome to Mongolia' campaign, positive coverage about our country appeared in over 40 major world media outlets, including CNN, ►

MONGOLIA



the Financial Times, and the Washington Post. This year, the Fulham team in the English Premier League, with its 3.2 billion viewers, will promote Mongolia internationally under the 'Go Mongolia' branding. Additionally, the highest state award, the first-class 'Chinggis Khan' order, was awarded to Mongolia's cultural ambassador, the Horse Fiddle Orchestra, which showcased 'The Beautiful Country of Mongolia' globally. Performances drew over 2,200 spectators at the Sydney Opera House, more than 1,000 at both the Royal Opera House of Versailles in Paris and the Debussy Hall of the Nantes Conservatory, and over 1,200 at the Jaguar Symphony Hall in Shanghai. The exhibition 'Chinggis Khan: Mongols Changed the World' in Nantes, France, attracted over 250,000 visitors. Mongolian artists also featured in the Cannes



► Film Festival and competed at the Venice Biennale in Italy. Through these cultural and artistic promotions, Mongolia's positive international recognition rose from 24 percent in 2023 to 38 percent this year.

Minister of Culture Ch.Nomin highlighted Mongolia's growing international recognition and the increasing value of its national products and services. Over 70 percent of tourists are drawn to

Mongolia for its rich history, culture, and stunning natural landscapes. To further promote these attractions, the exhibition 'Chinggis Khan: The Mongols Changed the World' is scheduled for venues including the National Museum in Prague and the Rietberg Museum in Zurich this October, with plans to reach the Berlin History Museum in Canada and the United States by 2026. The Ministry of Culture ►





► will collaborate with EU museums to organize exhibitions featuring artifacts from the Mongolian Empire. Moreover, the 'Mongolia House' initiative will showcase Mongolian cultural heritage during the Paris Olympics, aiming to elevate Mongolia's nomadic civilization and historical sites on the global stage, thereby increasing interest among international tourists. ■

Total number of
tourists in 2023

651.000

Number of tourists
as of 2024.07.02

314.148

Highest number of
tourists visiting

5.174

Mongolia in a single day



MONGOLIA

Reform

Regional development

The Regional Development Concept of Mongolia was approved by Parliament, marking its adoption after 23 years

The issue of regional development was mainly at the research level until 2001. From 2001 onwards, it became state policy and began to be used in development strategies. Resolution No. 57 of 2001 of the Great Khural of Mongolia approved and implemented the concept of regional economic development in Mongolia, with the implementation period extending until 2020. To develop according to this concept, the Law "On Management and Coordination of Regional Development of Mongolia" was approved by the State Parliament in 2003.

During this period, 48.9 percent of the total population, or 1.7 million people, lived in Ulaanbaatar, the capital city. Additionally, 70 percent of registered enterprises, 84 percent of trade and services, 96 percent of universities, and 63 percent of GDP highlighted the disparity between the development of urban and rural areas.

Since 2018, the work of revising the "Concept of Regional Development" on a scientific basis, incorporating the experience of other



G. Tuvdendorj
Deputy Minister of Economy and Development

countries and with the participation of international organizations, local communities, scientists, citizens, and the private sector, has been intensively carried out. This revision was approved by the Great Khural in 2024 with the 64th Resolution.

During the past 23 years, the election constituencies of the State Parliament were divided into provinces and districts. This division created conditions for distributing projects and programs implemented with state budget investments to provinces and districts. However, it has also been the main reason for delays

in implementing national and transregional strategic development projects outlined in the regional development concept.

One of the main directions of state policy in any country is to create favorable living conditions for citizens across the entire territory. The primary approach to solving this problem has been organizing the economic space of the territory or regional development.

With the initiation of the "Regional Reform" and the declaration of 2024 as the year to support regional development, the decision to organize regular

parliamentary elections in regional constituencies has provided significant momentum for intensifying regional development policy, which has been under discussion for many years.

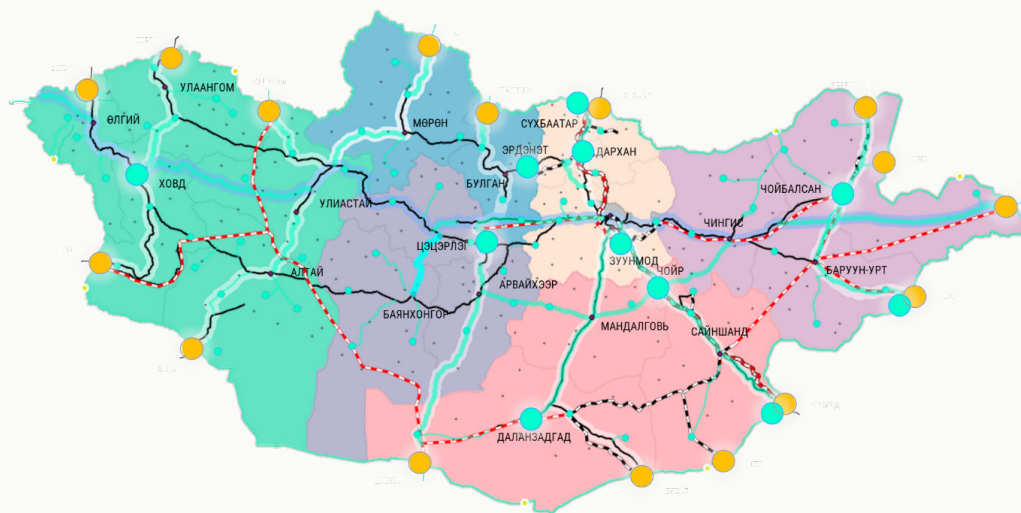
In the concept of regional development of Mongolia, seven regions are identified as economic means to accelerate national development. The priorities and goals of these regions are formulated, along with economic and financial support to achieve them, creating a favorable business environment, and spatial planning goals defined in "Vision 2050," aligned with Mongolia's long-term development policy.

Purpose of Regional Development:

The mission of regional development is "to develop a green industry that respects national culture, maintains a stable system of population localization and settlement, preserves the natural appearance and balance of the ecosystem, and fosters green production with economic diversification, specialization, and cooperation. This approach aims to develop regions ►

► and localities in a relatively balanced manner, integrating and competing in regional economic integration."

- Discover regional characteristics and advantages.
- Rationally define regional and local economic functions.
- Ensure appropriate, beneficial, and accessible use and protection of natural resources.
- Support industries and services through cooperation, diversification, monopoly, and cluster policies.
- Introduce high technology and innovation in the region.
- Implement cross-regional and interdisciplinary strategic projects in phases.
- Distribute state budget investments optimally by region.
- Implement different tax and financial policies.
- Support the interests of stakeholders in regional development to foster cooperation.
- Develop a unified transport and logistics network, including ports, free zones, and special zones.
- Create a unified and intelligent energy network.
- Join regional economic integration and expand the market.
- Build new modern settlement areas and cities.
- Support regional employment and reduce unemployment and poverty.



- Develop a competitive region that creates favorable conditions for working, living, and doing business in the seven economic regions.

The "Regional Development Concept" reflects the evolution of natural and climatic zones and belts in Mongolia's vast area, ecological capacity, heritage and culture of nomadic civilization, ethnic customs, and the cooperative interests and needs of citizens. It also considers the mental capacity of Mongolians, forming the legal basis for implementing state policies that reflect unique regional features and spatial distribution.

From 2001 onwards, regional development became state policy and began to be used in development strategies

Features of the Regional Policy:

Mongolia's regional policy aims to connect with neighboring countries and, subsequently, with Europe and Asia along latitudinal lines, and with Western and Eastern (Pacific) countries along longitudinal lines. It leverages passenger and freight transit capacity, improves connections between territorial parts, and blends the advanced cultural heritage of nomadic farming with the advantages of settled citizenship.

Mongolia's national development policy involves planning production and service development, population localization, infrastructure, land use, and organizational spatial coordination. This complex state activity harmonizes common national and international demands, sectors, and local policies, valuing sustainable

development and progress in accordance with balanced social development and ecological change.

Within the framework of regional development policy, appropriate planning and distribution of the state budget and financial resources by territory, in accordance with national, sector, and regional development priorities, are key government regulation tools. In market conditions, the government functions through appropriate allocation, redistribution, and stabilization of public funds. From a regional development policy perspective, investments should be "placed" in regions and sectors to accelerate economic growth, "redistributed" to ensure inter-sectoral and inter-regional coordination, and "stabilized" to provide social, economic, and ecological balance. ■

Mining

Engine of the **economy**



In the first four months of this year, Mongolia exported 25 million tons of coal

Mining is the cornerstone of Mongolia's economic development. It accounts for nearly 80% of foreign investments, 25% of the gross domestic product, 90% of export income, and more than 40% of budget revenue.

In the first four months of 2024, the mining sector contributed 1.8 trillion MNT in royalty income and 1.7 trillion MNT in corporate income tax (CIT) to the national budget. During this period, Mongolia's total unified budget revenue reached 10.3 trillion MNT, marking a 44.5% increase compared to the same period last year. This significant growth can be attributed primarily to the mining sector. Copper and coal are the leading minerals driving this economic surge, bringing in the most foreign currency in Mongolia's economy.

In the first four months of this year, Mongolia exported 25 million tons of coal. This is a significant 28% increase compared to the same period last year. Despite this growth, our primary market, China, faces a stagnant real estate sector which reduced domestic

steel consumption, and increased coking coal reserves. This has led to an imbalance where supply exceeds demand, causing coal reserves to grow. M.Sanjaadorj, Head of the Department of Budget Policy and Planning at the Ministry of Finance, attributes the increase in coking coal reserves as one of the key factors in the reduction of coal prices. There are predictions that China's economy, the main destination for our mining exports, will contract compared to the previous year. Nevertheless, Mongolia is set to export 60 million tons of coal this year. The projected price of coal stands at 140 USD per ton, while the average price in the first three months of 2024 was 125.3 USD per ton.

Finance Minister B.Javkhlan emphasized that "60 million tons of coal can be exported if production is evenly distributed throughout the year." The World Bank has projected Mongolia's economy to grow by 6.2 percent in 2024 and emphasized significant contributions would come from the mining sector.

A major development in the industry is the enactment ►

► of the Law on Mining Products Exchange. Industry experts agree that trading mining products on the stock exchange was a wise decision by the government, expected to yield positive long-term results. In April, the monthly export performance of coal traded on the stock exchange of "Erdenes Tavantolgoi" JSC reached a record high of one million tons, the highest figure since trading began. The transparency and openness of coal sales have boosted coal transportation and exports, resulting in one million tons of coal being exported within a single month.

Following the Government of Mongolia's resolution on "Regulations for Open electronic trading of coal for export," approved in 2022, "Erdenes Tavantolgoi" JSC and the Mongolian Stock Exchange have jointly organized 83 electronic trading sessions since February last year, resulting in the sale of 17.6 million tons of coal. Since the law's implementation, the mining sector has achieved significant sales revenue through exchange trading, earning 2.0 billion US dollars in 2023. In the first five months of 2024 alone, 14 million tons of mining products were traded on the Mongolian Stock Exchange, generating 1.7 billion US dollars in revenue.

During the "Mining Week" event, Minister of Mining and Heavy Industry J. Ganbaatar announced that copper would be traded on the exchange starting in 2024. On the 29th of last month, the first exchange trading of copper concentrate commenced. In a historic move, "Erdenet Mining Corporation" SOE initiated this new chapter by trading its copper concentrate on the stock exchange. The company sold 2,718 dry metric tons (DMT) of copper with a grade of 22.35% for 5.8 million US dollars. This trade included the condition that the copper concentrate be delivered to the port of Erenhot, China.

Deputy Minister of Mining and Heavy Industry B.Uyanga emphasized the positive impact of the Mining Exchange trade on Mongolia's economy. With guaranteed reserves of 56.5 million tons of copper, the country produced and exported 1,525,000 tons of copper concentrate by the end of 2023. Looking ahead, the Oyu Tolgoi project's underground mine production is expected to reach full capacity, and the Tsagaan Suvarga project will be completed, enabling the production of 1.9 million tons of copper concentrate annually from 2025.

Mongolia's most promising sector for attracting

In the first five months of 2024 alone, 14 million tons of mining products were traded on the Mongolian Stock Exchange, generating 1.7 billion US dollars in revenue

foreign investment is mining and exploration. Particularly coal, copper, and gold deposits attract the most foreign investment. The entry of large multinational companies like Rio Tinto, increased stability and improved overall economic situation are the direct positive results of the FDI. Mongolia boasts numerous large strategic deposits that are attractive to both foreign and domestic investors. Following the Oyu Tolgoi project, notable projects with significant foreign investments include Xanadu Mines' Harmagtai project and Erdene Resources' Bayan Khundii project, both set to continue this trend of success. The Harmagtai copper-gold project, located 420 km southeast of Ulaanbaatar in Umnugovi province, is another key example.

Currently, special permits for exploration have been granted only in eight percent of Mongolia's territory. Plans are underway to increase this to at least 15-20 percent. This is part of a strategy to attract more foreign direct investment in the sector. Regarding this topic, at the State Conference on Geology, Minister of Mining and Heavy Industry J. Ganbaatar emphasized "It is important to restore confidence of investors. Mongolia is committed to working transparently with both foreign and domestic investors, protecting their interests within the framework of law, and expanding the principle of public-private partnership in the industry."

A significant challenge facing Mongolia's export sector is infrastructure, particularly railways, which have been under discussion for many years. The strategic importance of connecting border ports via rail is paramount for our landlocked country. Anticipated railways are set to commence operations soon, promising a revitalization of the road and transportation sectors. The government's efforts to enhance border port infrastructure aim to bolster the export of mining products. In the near future, initiatives will intensify cross-border railway connections such as Gashuunsuhait-Gantzmod, Shiveehuren-Sehe, Hangi-Mandal, and Bichigt-Zuunhatavch, alongside paved roads to connect ports. By shifting coal transportation from trucks to rail, Mongolia stands to save time and increase export volumes resulting in economic expansion and increased foreign investment flow. Ultimately, these developments underscore the mining sector's role in sustaining Mongolia's economic growth in the years ahead. ■

Stock market

Value of the domestic capital market surpassed **11 trillion MNT**

In recent years, the stock market in Mongolia has experienced significant growth. As part of the amendments to the Banking Law, King Bank, Trade and Development Bank, Khas Bank, State Bank, and Golomt Bank successfully raised 446.8 billion MNT by offering their shares to the public. Additionally, products such as shares of national enterprises, asset-backed securities, and debt instruments were registered and made available to the public, resulting in the primary market trading exceeding 140 billion MNT. Additionally, the commercial trading of mining products on the Mongolian Stock Exchange has significantly improved unit operations. As a result, the value of the domestic capital market surpassed 11 trillion MNT, reaching 16.9 percent of the gross domestic product. In 2023, the "Mongolian Stock Exchange" JSC was included in FTSE Russell's "Emerging" market rating, promoting the stock market on an international level.

Since the first IPO of 'Mongolian Castle' in 2005, a total of 38 companies have gone public through the stock exchange, attracting a combined 704 billion MNT in financing. Interest in raising capital by issuing shares has increased dramatically in recent years which is evidenced by two companies becoming public in 2021, six in 2022, and five in 2023. In the first six months

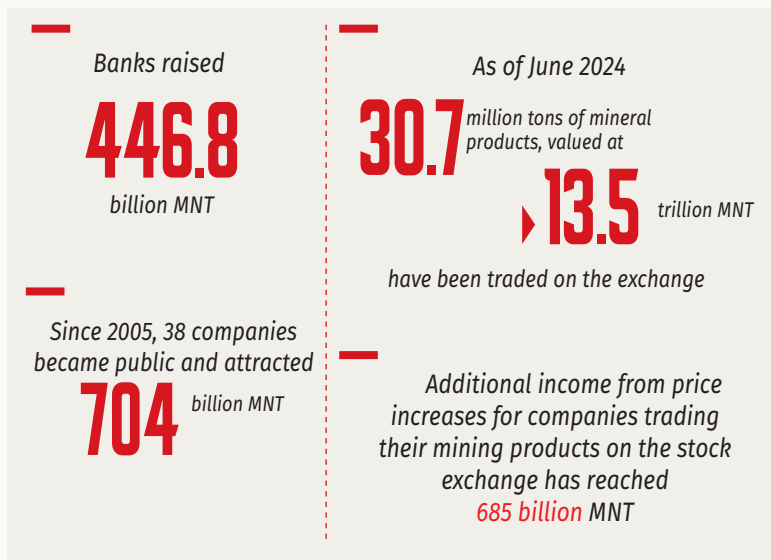
Company share price has increased by a maximum of 14.7 times

of 2024, the trade volume reached a total of 788 billion MNT. This includes 564 billion MNT traded in the primary and secondary bond markets, 177 billion MNT in stocks, 44 billion MNT in asset-backed securities, and 2.8 billion MNT in investment fund units.

Starting in the second half of 2023, with the implementation of the Law on Mining Products Exchange, state- and locally-owned companies are obligated to trade their mining products through the exchange. In this context, state- and locally-owned companies began trading coal and iron ore. By the middle of last year, they traded 3 million tons, and by the end of the year, 15.6 million tons of mining products, including 14.9 million tons of coal and 677 thousand tons of iron ore and concentrate. Coal from "Erdenes Tavantolgoi" JSC dominates the coal trade, while iron ore and concentrate primarily come from "Darkhan Iron and Steel Plant" and "Mongolrostsvetmet" SOE.

J.Tsogtbayar, the acting Executive Director of the "Mongolian Stock Exchange" JSC, said "Previously, trading mining products for export lacked transparency, with prices often undisclosed. However, organizing trading on the stock exchange has enabled the determination of real market rates and the provision of accurate trading information. With increased market competition, there is potential for product prices to rise. As of June 20, 2024, a total of 30.7 million tons of mineral products, valued at 13.5 trillion MNT, have been traded since the inception of mining product trading on the exchange. Additional income from price increases for companies trading their mining products on the stock exchange has reached 685 billion MNT to date. "Erdenes Tavantolgoi" JSC traded 10.5 million tons of coal, while "Energy Resources" JSC traded 2.9 million tons. It is expected that mining products will be traded in similar volumes in the first half of this year compared to last year."

The share prices of the public companies have increased, with values increasing between two and an impressive 14.7 times their initial market price. This rise underscores the substantial increase in value for shareholders of the companies. ■





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Bank of Mongolia

Lkhagvasuren B.: We aim to facilitate the establishment of foreign bank branches



Interview with the Governor of the Bank of Mongolia, Lkhagvasuren B., about the origin, development, and strengthening of the banking system, the role and contribution of the Central Bank, and electronic financial services.

-It is the 100th anniversary of the establishment and strengthening of the modern banking system in Mongolia. How would you define the role and contribution of the banking sector in the economic development of Mongolia?

-Over the past century, Mongolia's banking sector has evolved to meet international standards, significantly enhancing its role in the economy and making a valuable contribution to the country's development. The Industrial and Commercial Bank of Mongolia, now the Bank of Mongolia, was established in 1924 and the national currency, the tugrik, was introduced in 1925—a pivotal milestone in our history. This marked the beginning of a robust monetary system that supported Mongolia's economic and social development through internal financing.

From 1924 to 1991, the Bank of Mongolia single-handedly shaped financial intermediation and the financial system, acting as the primary financial

The Industrial and Commercial Bank of Mongolia, now the Bank of Mongolia, was established in 1924 and the national currency, the tugrik, was introduced in 1925—a pivotal milestone in our history

market intermediary. However, since the introduction of the two-tier banking system in 1991, the Bank of Mongolia has played a crucial role in the rapid development of the banking and financial system. Over its 100-year history, the Bank of Mongolia has adopted and localized best practices from around the world, enhancing rapid internal and external payments, maintaining price stability, managing foreign currency reserves, ensuring financial stability, producing internationally standardized quantitative data, and conducting thorough research and analysis.

Today, the Bank of Mongolia functions as a state institution, issuing bank, determines the monetary policy, banking industry regulator, financial intermediary, foreign exchange reserve manager, Treasury "wealth custodian," financial education provider, and loan and financial database manager. It plays an integral role in all sectors of society. Over the past 33 years, the banking sector has been a pioneer in services and technology, reaching international development standards and becoming a key pillar of Mongolia's economy. The banking industry's journey has not always been smooth, but it has now reached a level where it supports sustainable and inclusive economic growth and green development.

-Mongolia's currency has a rich history and dates back to ancient times. The currency of Chinggis Khan's era and the Yuan Dynasty have a proud history. However, it is true that we Mongolians do not know much about the history of modern currency. We think you have an interesting story to tell.

-Yes, we do indeed have a rich history of payment instruments and currencies. Coins were minted and used in trade and commerce from the time of the first powerful Asian nomadic empires Hunnu, followed by the Tureg and Uighurs. Chinggis Khaan and his successors established the Great Mongolian Empire and introduced gold, silver, bronze coins, and paper

► currency into the circulation of the economy.

In 1260, after Khubilai Khaan became king of the Mongol Empire in Shangdu (the Yuan Dynasty's summer capital), he issued a new paper currency backed by silver to replace the current means of payment, which marked the beginning of the unified money issue. Khubilai Khaan established the Great Yuan Dynasty of Mongolia (1271-1368) and declared his own paper money as the only legal tender and abolished all other metal coins.

Later, after the victory of the People's Revolution and the establishment of the Bank of Mongolia, at the third Congress of the Mongolian People's Revolution Party in August 1924, it was decided that "It is desirable to issue currency with silver guarantee." Subsequently, on February 22, 1925, the People's Government issued a historic resolution on "Monetary Reform".

-How do you determine the 30-year development of Mongolian commercial banks?

-Briefly summing up the past 33 years of the history of the banking industry, it was a period of rapid development both for banks and for the legal regulation of the banking sector. In 1990, Mongolia switched to a two-tier banking system, and the first commercial banks were established. With the establishment of commercial banks, there was a major systemic change in the banking sector, and the Central Bank assumed a major role in regulating and supervising the activities of commercial banks. The Central Bank immediately started working on developing a legal framework for the banking sector and banking supervision. In April 1991, the Law on Banking was passed, and in 1996 the Law on Central Bank that regulates Central Bank activities. With the adoption of these laws, the legal framework for the banking sector was established.

A period of relative stability in the banking sector began in 2000 thanks to the improvement of the legal framework. Bank liquidity, capital adequacy, and credit quality have improved, the number of qualified personnel in the banking sector has increased, and banks' operations have solidified. Since 2010, the activities of the banking sector have expanded and developed, the scale and scope of commercial bank operations have expanded, and new technologies have been introduced. It can be said that our banking

Today, the field of payment and settlement is nearly completely digitized in Mongolia

sector has maintained pace with global developments.

The Bank of Mongolia implemented the medium-term reform program of the banking sector with the main goal of reducing the concentration of ownership in banks starting in 2020. As a result, all systemically important banks of Mongolia have successfully become joint-stock companies.

-Can you say that the past 100 years are 100 years in which the policies, operations, security, and financial stability of the Bank of Mongolia have been firmly strengthened?

-Yes, over the past 100 years, the activities of the Bank of Mongolia and the banking system have significantly strengthened. The Bank of Mongolia has been a pioneer of development, continuously modernizing its activities to align with social and economic progress. This is an ongoing process. Today, the Bank of Mongolia has localized best practices and scientific achievements from modern central banks, adapting them to our country's unique characteristics. When the Bank of Mongolia was first established, its goals were to organize monetary flow, eliminate foreign loan sharks, and introduce the national currency. Today, it ensures price and financial stability and introduces the necessary infrastructure and tools.

The banking and financial sector has been delivering products and services based on modern electronic technology that meet the needs and requirements of its customers. Today, the field of payment and settlement is nearly completely digitized in Mongolia.

The Bank of Mongolia has successfully introduced the RTGS system, Automatic Clearing House System, Payment Card Clearing System, Integrated Central Bank Trading System, International TIER II accredited data center, and Token Verification Systems that are all in line with international standards and solutions. Beginning in 2016, the Bank of Mongolia has implemented the "Payment System Modernization" project in the main areas of infrastructure, legal framework, equipment, and payment system software. Fully automated system that can receive all financial reports, news, and statistics electronically and process it with the help of artificial intelligence has been developed and tested. As a result of this system, it is possible ►

► to issue reports and news with very little time delay.

-The Bank of Mongolia is embarking on a new century, leaving behind the previous one. What is the focus of the new century?

-One of the directions of monetary policy in 2024 is to facilitate the establishment of foreign bank branches in the domestic financial market, enhancing financial inclusion and ensuring stable growth of the banking sector. Foreign banks and financial institutions entering the domestic market may have positive effects such as increasing foreign funding and capital sources, increasing competition in the banking and financial sector, improving efficiency, and stimulating the development of the domestic financial market. Relevant regulations have been drafted and approved under the Law on Specialized Investment Bank. I would like to emphasize that the Bank of Mongolia is paying more attention to creating an opportunity for foreign banks to establish their branches in the domestic market.

-What is the role and involvement of the Bank of Mongolia in creating a sustainable financial system?

-The Bank of Mongolia, as the regulatory body of the banking sector, has taken the lead from the beginning in the direction of creating a "general line" of a sustainable financial system, creating a policy and regulatory environment, introducing common international standards and principles, and creating policy incentives. For example, the step-by-step planning and implementation of the necessary infrastructure to develop a system of green financing has been implemented in cooperation with relevant parties, as reflected in the main direction of the government's monetary policy between 2019 and 2024.

In 2019, the Financial Stability Council (FSC) approved the "Green Taxonomy" starting from 2020, statistics on green loans in the banking sector have been released and reported to the public. In 2022, FCS developed and approved the "National Sustainable Financial Roadmap". In 2023, the Bank of Mongolia approved a more expanded version of the "Sustainable Development Goal Financing Taxonomy" while the Bank of Mongolia approved the bank's environment, social and governance (ESG) and climate risk assessment and management

One of the directions of monetary policy in 2024 is to facilitate the establishment of foreign bank branches in the domestic financial market

methods, respectively.

In this way, it is possible to determine what is considered green business and activity and to be able to measure the amount of credit that is issued according to this to ensure the coordination of what measures and when the parties have implemented them to create a sustainable financial system and to take step-by-step measures to implement international methods and principles. With a clear and focused path to sustainable financing, it becomes feasible to advance faster, without risks, and extend further along that trajectory.

Banks are actively working to attract funding from domestic and international markets to support green and sustainable businesses and projects. In that sense, it opens funding opportunities for green and sustainable entrepreneurs and project developers.

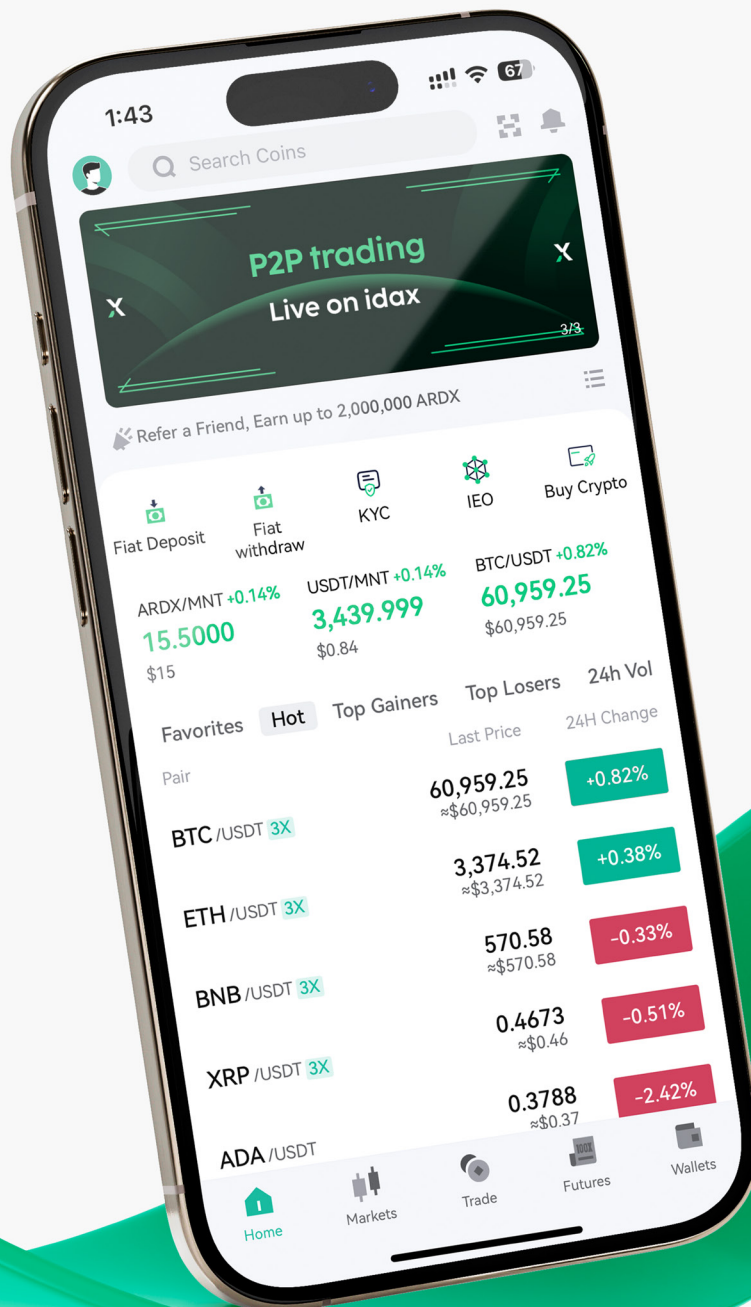
-Can the Bank of Mongolia implement measures to attain the goal of increasing the banking sector's green loan portfolio to 10 percent by 2030? What steps is the Bank of Mongolia undertaking towards achieving this target?

-While ambitious, we are confident in achieving this goal and are committed to pursuing it. As per the green taxonomy, green loans were categorized starting from the first quarter of 2020. At the beginning of reporting, the green loan portfolio stood at 428.1 billion MNT or 2.5 percent of total loans. However, by the first quarter of 2024, this portfolio had risen to 875.3 billion MNT, constituting 3.0 percent of total loans. The issuance of green loans in the first quarter of 2024 has surged by 2.3 times compared to the previous year. This escalation can be attributed to policy incentives introduced by the Bank of Mongolia, augmented bank resources from the foreign market, and active efforts towards expanding the domestic market. Expectations foresee a more rapid growth of green credit in the forthcoming years, driven by stringent reporting conditions and effectiveness verification associated with external green financing. Current projections suggest that the green loan portfolio will attain 6 percent of total loans by 2026 and 10 percent by 2030.

Thank you for the interview. ■

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Public transportation

Can the new metro resolve Ulaanbaatar's congestion woes

In a significant move, a government decree has been issued to commence construction on a high-capacity public transport system or metro in Ulaanbaatar, scheduled to be built from 2024 to 2029.

Discussions about the metro's construction date back to 1983, with several companies conducting related feasibility studies over the years. In 2010, the Asian Development Bank conducted a comprehensive survey for the city's public transport development. Subsequently, in 2011, "Soosang Engineering" undertook preliminary feasibility studies, followed by Japan's JICA organization conducting economic analyses in 2013. Based on these studies, a plan for a 17.7-kilometer line with 14 stops along Enkhtaivan Avenue, from Amgalan to Tolgoit was finalized. The line is projected to transport 10-12 thousand passengers per hour.

Officials have reported advanced preparations including locational, geological, and hydrogeological surveys, land clearance, tunnel boring machine installation, and inventory management, all set to be completed this year, paving the way for construction to commence later in the year. The metro project is slated for a five-year construction period, with work underway in anticipation of its completion by 2029.

Ulaanbaatar has committed to fully finance the metro construction project, with the government potentially providing partial capital guarantees as needed. Annually, the city contributes between 100-200 million US dollars in tax revenue to the state budget. Now these revenue will be used specifically for this ambitious infrastructure endeavor. This allocation underscores the city's autonomy in directing its revenues towards essential urban development. This year, Ulaanbaatar has allocated 54.6 billion MNT for consulting services and 333 billion MNT for metro construction, highlighting its commitment to advancing the project.

The Ulaanbaatar Metro project aims to generate 200-300 million US dollars through connecting shopping centers underground, building new centers,

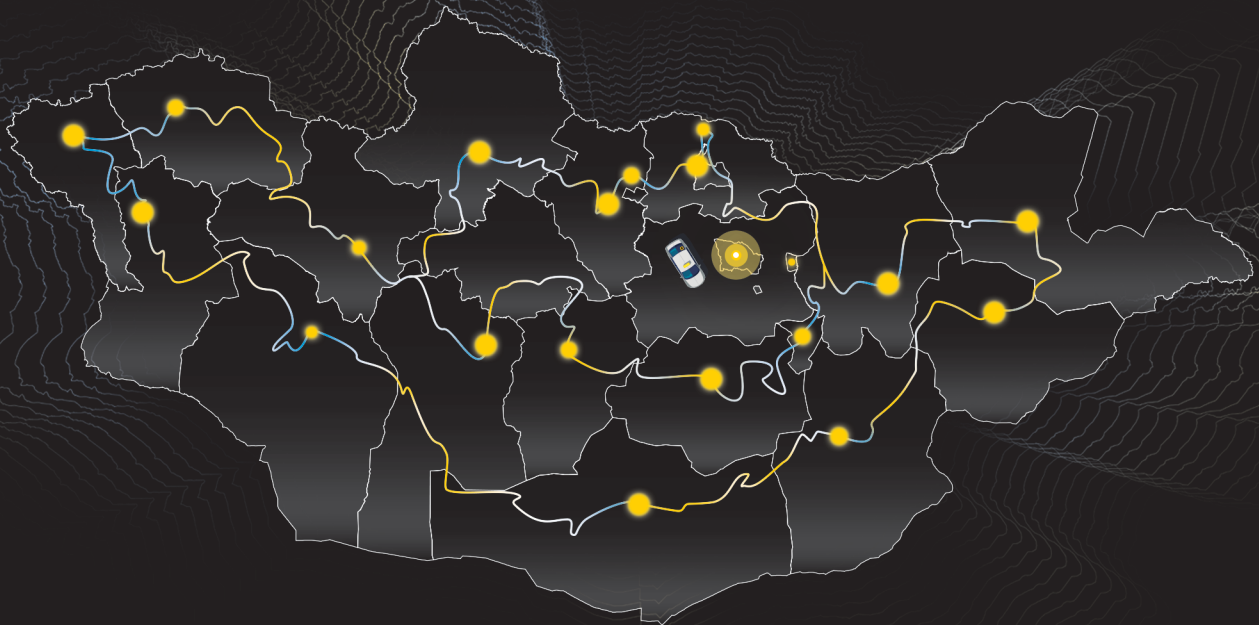


South Korean companies presented a comprehensive plan to complete the project in 75 months

and selling advertisements along Peace Avenue in collaboration with the property owners. Large parking lots and office buildings for the Ulaanbaatar Metro Company will be built at both ends of the metro line. Approximately 40% of the project's total construction costs will be allocated to stations, depots, and railway vehicles, with the remaining 60% dedicated to infrastructure and tunnel construction.

Constructing a metro is a formidable challenge for any country, demanding substantial funding and long-term commitment. With no prior experience in metro construction, Ulaanbaatar city faces additional risks, including a lack of specialized human resources. To mitigate these risks and ensure timely and efficient project implementation, the city recognized the need for expert consulting services. A consultative firm has been appointed to oversee and guide all project-related activities before and after the contract is signed between the client and the contractor, ensuring the project's success through meticulous planning and execution.

Korean companies, headed by "Dohwa Engineering" and included "Korea National Railway," "Korea Railroad Corporation," and "Soosung Engineering" have been selected as the consulting service providers for Ulaanbaatar's "High-Capacity Public Transport (Metro) Construction Project." South Korea's partnership presented a comprehensive plan ▶



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Camry, Crown



VAN

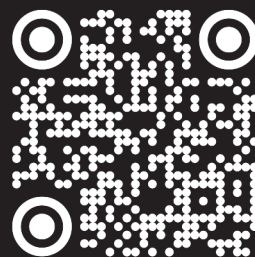
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► to complete the project in 75 months. Leveraging their extensive experience with successful metro projects worldwide, they highlighted the potential to construct Ulaanbaatar's first metro line in less time and at a reduced cost. Additionally, the partnership has established a Metro Systems department at Mongolian universities, introducing a 2+2 program that includes four years of study and one year of internship for students.

The development of public transportation promises broad benefits, including economic expansion, time savings, and alleviation of traffic congestion in

Ulaanbaatar. However, the construction of a metro brings to the forefront the city's most pressing issue: energy. Addressing the energy production problem is essential to support the capital's growth, the development of satellite cities, industrial parks, and the new metro system. Last winter, Ulaanbaatar residents faced a 200 MW electricity deficit, with a projected shortfall of 400 MW next year, highlighting the urgent need for a solution. Despite these challenges, the metro project is progressing. The question remains: can the new metro system effectively resolve Ulaanbaatar's congestion woes? ►

Badrakh Energy

Zuuvch-Ovoo project investment agreement of Badrakh Energy LLC

In this era when climate change poses real threats, everyone world-wide shift towards green energy, Badrakh Energy LLC has been working to implement a large project to mine raw material in Dornogobi aimag for nuclear energy production with no carbon emission, and to export as natural raw materials. After successful completion of its pilot test to mine natural uranium by the in-situ recovery method, investors, Mongolian government and French state-owned "Orano Mining" company have launched the investment agreement negotiation. This project is not only strategically important but also is a great opportunity to diversify exports, in the sense of extracting raw materials for clean energy and attracting investment from the third neighbor.

Objective of this project is to extract uranium yellow cake by ISR technology, the eco-friendliest technology used world-wide in this sector, and to export a yellow cake. Regarding this year, bilateral negotiation to conclude the investment agreement is continuing until now. Once the deal is concluded, Zuuvch Ovoo plant is going to be commissioned in 2028 and Mongolia will extract up to 2500 tons of uranium a year during more than 30 years.

Most importantly, total energy needs of this project with more than one billion USD investment will be met through 100% clean energy. In other words, this project has many important significances such as

implementing third neighbor policy, demonstrating truly Mongolian government substantial effort against climate change and producing raw materials for clean energy sector.

"Foresight 2050", the long-term development policy of Mongolia emphasizes, "We will implement a policy to attract foreign investment based on transparency and collaboration and to develop cooperation between foreign and national investors". The sustainability of this policy is considered as the whole nation's interest. Hence, this is the most important investment agreement expected from new parliament with 126 members and new Government. There is certainly a hope among investors that it will be the first successful cooperation between Mongolia and France. ►

Once the deal is concluded, Zuuvch Ovoo plant is going to be commissioned in 2028



Trade and Development Bank

We believe that social advancement and economic prosperity are interconnected

Mongolia's earliest commercial bank, Trade and Development Bank, was initially established as a fully state-owned company. In this regard, TDB performed the role of the Development Bank of Mongolia, including international investment, financing, and bonds. All businesses and enterprises established during Mongolia's early 1990s market liberalization period became clients of the Trade and Development Bank. Together, we believe we have played a pivotal role in shaping Mongolia's current economic growth and development.

Furthermore, TDB has significant contribution to Mongolia's every macro-economic sector, such as foreign trade, industrialization, infrastructure development, energy, mining, railways, highways, power plants, and processing plants. Currently, TDB holds half of the corporate banking market and remain the largest commercial bank in the country.

In 2023, six commercial banks transitioned to public companies, with their shares listed on the stock exchange.



Randolph Koppa
Chairman of the Representative Governing Board

Over the past century, Mongolia's systemic banks have achieved significant milestones, fostering a modern, transparent, and sustainable green banking system that adheres to international standards, regulations, and legal frameworks. This system offers a comprehensive array of products and services in the global market.

Banks and financial institutions are dedicated to advancing environmental, social, and governance (ESG) practices through extensive collaboration. The Trade and Development

Bank recognizes the imperative to address challenges posed by climate change, environmental degradation, and social inequality. Consequently, we actively support the transition to a sustainable economy by funding initiatives like energy-efficient technologies, sustainable water and waste management, and eco-friendly infrastructure projects.

Beyond environmental

TDB holds half of the corporate banking market

stewardship, our institution prioritizes enhancing social equity and inclusion. Through community engagement and philanthropic endeavors, we empower individuals, promote financial literacy, healthcare, and entrepreneurship. We firmly believe that social advancement and economic prosperity are interconnected.

Achieving sustainable development necessitates cooperation and a shared vision. We extend sincere appreciation to our partners, clients, and shareholders whose invaluable contributions bolster our endeavors.

In addition to protecting the environment, the Bank also takes significant steps to promote social equity and inclusion. Through community engagement and philanthropic initiatives, we empower citizens, promote financial education, health and entrepreneurship. We firmly believe that social progress and economic development go hand in hand.

We are hopeful that we can create a better sustainable future together! ►

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product of Mongolia



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