

For green development

MONGOLIAN ECONOMY

APRIL, 2014, ISSUE №08 (066)

ECONOMY

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GOOD MODEL

MINING

THE ILLUSION OF A CHOICE

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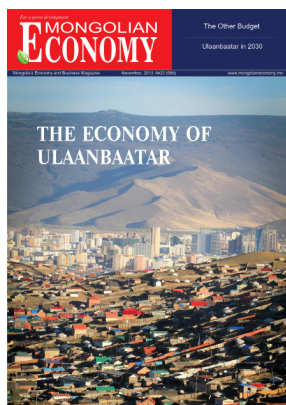
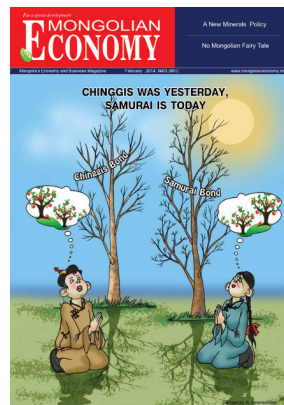
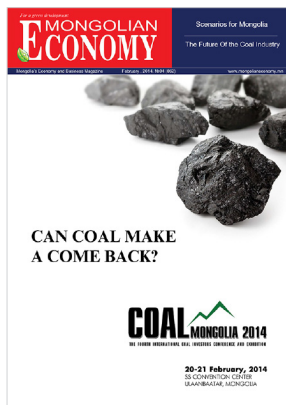
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CONTENTS

ECONOMY



P8

Everyone is talking about the degrading economy and standards of living because of the wrong decisions made by policy makers.

- 8 Mongolia in Crisis
- 9 The Real Economic Situation
- 12 Mongolian Economy Question
- 15 The Two Engine Economy – A Good Model



P15

Mongolian Economy caught up with Kristel Van der Elst Senior Director, head of Strategic Foresight for the World Economic Forum, to get a better understanding of the scenarios and her impression of Mongolia's economic future.

- 18 Innovation Setback
- 20 For PPPs, Management Skills Trump Experience
- 21 New Trends in the Capital Market
- 23 A Businessman with Freedom
- 25 The Illusion of a Choice
- 26 Report season: What the World Bank, ADB and IMF Have to Say
- 28 A Snapshot of the Mongolian Insurance Industry
- 30 Sprouting the Green Energy Revolution
- 32 BCM's NewsWire Highlights

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MONGOLIA

Banking and Finance

Borrowers who received U.S. dollar loans from banks have been suffering from the depreciation of the Tugrug against foreign currency, which is causing commercial banks to face difficulties managing their asset risks.

Banking officials have warned that instability within savings and current accounts might affect the banks' liquidity. The banks' abilities to protect themselves against the exchange rate are being exhausted. According to Mandal Asset Management, unless the exchange rate pressures are reduced, banks' operations will be strongly impacted by losses.

Concessions

The Ministry of Economic Development and Morit Impex have made a concession contract for a project for the Tuul Songino water resource complex, which would generate energy from the treatment of wastewater. Included in the project is a new deep waste-

water treatment plant with the capacity of treating 200,000 cubic metres of wastewater a year.

The new plant will retreat wastewater already treated by the central wastewater treatment plant, which treats a mere 30 percent of wastewater discharged from Ulaanbaatar. The plant will raise the amount of waste water treated to 90 percent after its commissioning.

Railway

A 217.9-kilometre railway will be built connecting Tavan Tolgoi with the Gashuun Sukhait border point in Tsogttsetsii, Umnugobi as part of the government's New Railway project to expand the country's railway network.

South Korea's Samsung C&T is leading the project, contracting 13 Mongolian construction companies for assistance. Work on the rail re-launched last week, with 70 percent of the embankment work completed, or 30 percent of total work.

Joint Ventures

Mongolian Mining Corporation, Erdenes Tavan Tolgoi, Tavan Tolgoi and China's Shinhua have partnered for the Gashuun Sukhait Railway joint venture to build a railway north past the Gantsmod border port in China. Yachilyn Batsuuri, chief executive at Erdenes Tavan Tolgoi, said that the new railway would reduce coal freight cost from USD 8 to USD 2 and increase transportation capacity to 25 to 30 million tonnes a year.

These same companies signed a cooperation contract last October, agreeing to export coal from Mongolia to China with the intention that the coal would eventually reach overseas markets.

Industrialisation

Mongolia's Technik Import has launched a rice production operation with its Japanese-Mongolian joint venture project MJ Partners. MJ Partners has begun producing its Sun Rice for sale to Mongolian consumers. Currently, the rice sold produced is made from rice imported from abroad, but the company plans eventually to grow rice crops in Mongolia.

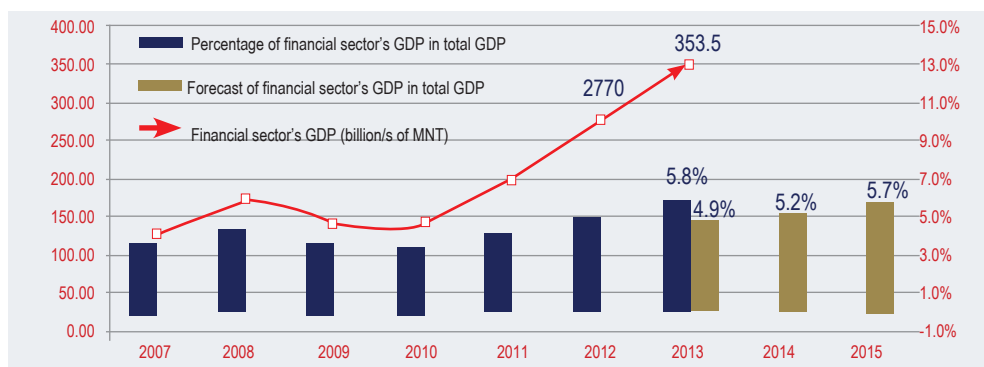
Gold

The volume of gold sold to the Bank of Mongolia by Mongolia's gold miners grew 2.6 times in March from the year before on the back of the passage of the Law on Gold Trade Transparency. According to Mongolia's Gold Producers Association, the volume is expected to increase to 36 tonnes a year by 2016, not including Oyu Tolgoi and Boroo Gold. The initiative is widely expected to cut out the black market trade of the precious metal.

Coal

This year the government is aiming high again in its export projections for gold after falling far short of last year's projection. Mongolia has exported 31.4 million tonnes of coal compared with 3.6 million tonnes exported thus far into the year. Mongolia exported 18 million tonnes of coal last year, or nearly half of the government's projected 34 million tonnes.

Exports thus far for the year are a fifth of exports from 2012, or USD 45 million less from when prices ranged between USD 81 to USD 115 per tonne. This year, Erdenes Tavan Tolgoi is expected to produce 11 million tons of the total projected exported coal output. However, the state-owned miner is still making coal deliveries as debt repayment to China's Aluminum Corp. of China (Chalco). Erdenes Tavan Tolgoi is expected to pay off its debt to Chalco by June 1 this year.

Financial sector's GDP in total GDP

WORLD

Euro zone

The European Central Bank has said it will provide “further stimulus” to the euro zone economy if inflation in the bloc continues to remain low, reported the BBC. Mario Draghi, the bank’s president, said a stronger euro would act as a trigger to looser monetary policy. The rise of the single currency’s exchange rate is one of the main reasons euro-zone inflation is at a dangerously low 0.5 percent. One of Draghi’s stimulus options would be quantitative easing. That is something the International Monetary Fund has been suggesting as concerns grow about deflation in the euro zone.

China

A Chinese consortium is buying Glencore Xstrata’s copper mine in Peru in a USD 6 billion all-cash deal, marking one of China’s largest mining acquisitions, reported the BBC. The consortium is led by MMG Limited and includes China’s Citic Metal. The acquisition is subject to regulatory approvals but all parties expect the deal to be done by the end of September. Analysts expect Glencore to use the proceeds from the sale to reduce its debt. The mine is expected to produce more than 450,000 tonnes of copper a year in its first five years.

Russia

Russian Finance Minister Anton Siluanov has said Moscow is ready to work

with international partners on financial aid for Kiev, Reuters said. “Russia is ready to participate in supporting Ukraine together with the International Monetary Fund and the European Union,” Siluanov said. He also told US Secretary Jack Lew that Russia was concerned about Ukraine’s unpaid debt for supplies of natural gas. The minister said he had told his US counterpart that the inclusion of Crimea into Russian territory is legal.

Ukraine and Crimea

All of the Ukrainian banks may cease their work in Crimea within two weeks, the first deputy prime minister of Crimea, Rustam Temirgaliev, told Russian News agency Itar-Tass. “Ukrainian banks are now fleeing.” Only four banks are still open, and they could shut up shop soon, he said. The Crimean authorities are actively developing a network of Russian banks, which have already opened 88 branches in Crimea, Temirgaliev said. By the end of April, the number of branches will reach 250, he said.

Climate Change

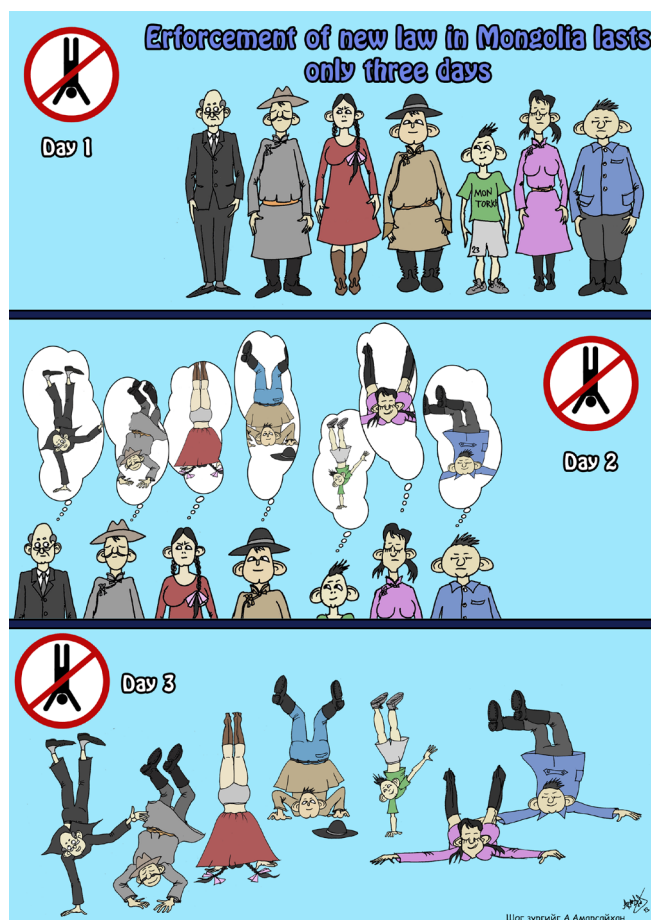
A long-awaited UN report on how to curb climate change says the world must rapidly move away from carbon-intensive fuels. There must be a “massive shift” to renewable energy, says the study released in Berlin. It has been finalised after a week of negotiations between scientists and government officials. Natural gas is seen as a

key bridge to move energy production away from oil and coal.

Malaysian Airlines MH370

Search crews will for the first time send a robotic submarine deep into the Indian Ocean on Monday to try to determine whether underwater signals detected by sound-locating equipment are from the missing Malaysian jet’s black boxes, Associated Press reported the leader of the search effort said. The crew on board the Australian navy’s Ocean Shield will launch

the unmanned underwater vehicle Monday evening, said Angus Houston, the head of a joint agency coordinating the search off Australia’s west coast. The Bluefin 21 autonomous sub can create a three-dimensional sonar map of the area to chart any debris on the seafloor. But Houston warned that while the signals are a promising lead, the public needs to be realistic about the challenges facing search crews, who are contending with an extremely remote, deep patch of ocean – an area he dubbed “new to man.” ■



FEATURE

MONGOLIA IN CRISIS

BY S. BATZAYA

Everyone is talking about the degrading economy and standards of living because of the wrong decisions made by policy makers. The government spent MNT 13 trillion last year, or the equivalent of 80 percent of GDP. That includes MNT 6.177 trillion in budgetary expenditures: MNT 3 trillion for the Price Stabilisation Programme; USD 1.5 billion from the proceeds of the 2012 Chinggis bond; USD 580 million for Development

Bank of Mongolia funding. The result was 11.7 percent economic growth. But that is not enough growth, according to some Mongolian economists and the opposition in parliament.

Although, the economy maintained double-digit growth last year, the Mongolian tugrug depreciated sharply against the U.S. dollar – the tugrug has fallen between 25 to 30 percent from a year ago. That weakness has triggered enormous inflation among consumer

goods, which has put a heavy burden on struggling citizens.

Politicians have denied the reality of the economy to the general public, pretending as if everything was fine. All the while, the economy has only grown worse.

The opposition party, the Mongolian People's Party, warns each day that the country is in red alert, urging parliament to take action to pass laws such as a bill that would prohibit members of the State



► Great Khural from serving in the Cabinet Secretariat. Unable to hide the truth any longer, the finance minister and other top officials have recently admitted to the difficult economic situation Mongolia.

The International Monetary Fund, World Bank, and Asian Development Bank have each released reports on the perspective of Mongolia's economy, each differing starkly from Prime Minister Norov Altankhuyag's analysis.

Waning Interest in Tenders

From mining to construction, Mongolian companies have been laying off employees for about a year because of the poor economy. Last year, around 4,000 companies suspended operations or folded completely.

According to the National Statistical Office, the number of active agriculture companies had dwindled from 2,878 to 839 by the end of last year. The number of mining companies fell from 470 to 70 and processing factories from 4,492 to 926 during that same period.

Mongolian companies' dollar loans are becoming a growing burden. Corporate debt has totalled MNT 573 billion because of the depreciation of the tugrug. The mounting debt has resulted in 2.6 times growth in the total value of non-performing loans, to MNT 222 billion this year compared with MNT 87 billion last year.

Companies are not interested in government tenders as Mongolia begins ramping up development of crucial infrastructure. The fact that the 2014 budget was drafted for an exchange rate of MNT 1,384 compared with the more recent rate of MNT 1,780 adds to difficulties.

"The list of projects to be financed by the state budget mostly comprises construction and road work, but most of the building materials are imported," said the chief executive at one construction company, who asked not to be named. "The exchange rate estimated in the budget was MNT 1,383 which is 30 percent lower than the current rate. The difference amounts exactly to how much a company profits from tenders.

"It means that there is no benefit for us."

Intervention into the Private Sector

Total investment budgeted for this year was MNT 1.1 trillion. The Ministry of Finance has stated that the total investment for the first quarter of this year was 7.2 percent of total budgeted spending. That compares with an expected 20 percent for spending for the same period, up until 31 March. The government only managed to spend 57 percent of what was budgeted for the first two months of the year. These statistics plus the fact that tax revenue was 23 percent short of projections for the first two months of the year demonstrate how poorly the government planned for its spending this year.

According to the statistics office, Mongolia's foreign currency reserves fell 67.1 percent, or by USD 2.4 billion, at the end of last year compared with the same period in 2012. However, some question the veracity of this official data released by the government.

"There is a huge gap between the reports by NSO and Bank of Mongolia," said Ch. Enkhbat, an advisor to a working group serving the Mongolian People's Party. Enkhbat is sceptical of the accuracy of the central bank's reports on currency reserves, suggesting that much of that total belonged to commercial banks. He also suggested that the government controls were creating an uneven playing field for private business.

"Businesspeople are afraid of expressing their opinions because they are often put under pressure by the government and checked more thoroughly by inspectors at border points."

Special Attention for Economic Growth

The State Great Khural will have to be careful to make the right and timely decisions to revive the country's economy during the spring session. A revised Petroleum Law and amendments to the Minerals Law are expected to be discussed by the Khural. Approval of these legislations would be vital to addressing a number of issues hurting the economy, such as ambiguity over special licences, responsible mining and environmental restoration.

The Khural will also discuss the possibility of raising the threshold for value-added tax from the current 25 percent.

"It is important to direct a policy towards maintaining the double-digit growth and not to lose the momentum," said Parliament Speaker Zandaakhuugiin Enkhbold, adding that Mongolia should focus on passing legislation for debt management to better address spending by the proceeds from the Chinggis bond.

Unemployment has grown 20 percent within a year and poverty is approaching 40 percent of the population, up from 30 percent, according to government statistics. Meanwhile many people's wages remain the same. There are too many problems to count, and it is important that the most important issues are addressed quickly. ■

CORRESPONDENCE

THE REAL ECONOMIC SITUATION

BY S. ZAYA

Politicians have repeatedly stated that the economy was not in crisis and that livelihoods were still safe. Many people in Mongolia have not felt the same way, however.

"It has been a while since the number of customers declined after the traditional celebration of Tsagaan Sar," said G. Anar a garment seller at Narantuul Market at 12:00 on a Tuesday in April. "These days are really something. I've never seen customers be so rare."

People do not have as much to spend as they used to, she said. And the lack of business was having its own toll on those who work at the market. ►►

► “After some months, we won’t be able to pay for the lease, and we have no other option than to take out a loan,” said Ts. Bayandalai, another salesperson at Narantuul who pays up to MNT 70,000 a month for her space at the market. “I am worried about how we can sustain our livelihood for the future.”

Anar and Bayandalai are just two of the 5,000 booth operators leasing space at Naranutal, in addition to the 200 pushing carts at the market. Their revenues have fallen from between MNT 15,000 and MNT 20,000 a day to MNT 5,000 and MNT 10,000 because of the decline in the number of customers. And their stories are not so unique.

The situation is better in the parking lot

outside the market, where salespeople sell small goods to incoming travellers. Continued transit in and through the city have sustained sales, they say, as Narantuul is still the destination where many vans and trucks drop off passengers.

“Our revenue has not dropped from MNT 200,000 a day as the prices of our products are from MNT 20 to MNT 30, which is cheaper compared to Narantuul,” said Kh. Khulan, who sells food outside the market.

But deliveries to the market are falling too. According to Mendbayar, a truck driver who travels 800 kilometres to Ulaanbaatar from Zavkhan Aimag, he is making half as many deliveries as he

did a year ago, travelling once a month rather than twice a month as he used to.

“It has turned difficult to find customers and I ask my relatives if they have any goods to be transported,” he said.

Bumbugur market was nearly empty the same day on April 1, just a few hours after arriving at Narantuul. Bumbugur’s more central location should make it a more popular destination, but the depreciation against the Chinese yuan has made clothes and home appliances too costly for customers here too. Those who sell home appliances there said that compared with year-long daily income of MNT 150,000 to MNT 200,000, today they are lucky to get MNT 100,000.

“We used to import goods from China two times a month. But now we do it only once a month and sometimes we do not do it at all,” said R. Buyan, who sells home appliances at the market.

Wholesale meat market Khuchit Shonkhor – popular because of the relatively cheaper price for meat and the variety of options – is also seeing goods growing more expensive. Meat prices have seen up to an additional MNT 2,000 a kilogram from the month before.

Herders were asking for more money for their meat, said salespeople, which was being passed on to the customers. Fodder prices have risen alongside the price of flour in Mongolia. Herders have grown frustrated with the jump in prices, just as their livestock are beginning to breed.

Although the government claimed enough wheat was produced in Mongolia last year to meet domestic demand, Mongolia still had to import 100,000 tonnes of wheat last September to prevent any change in price. It was for nought, however, as the prices for wheat and fodder grew anyway. A package of fodder has doubled in price to MNT 10,000 from previous months.

Taxes at the Border

The same situation was seen at the Bars market. Bars is a popular market for the sale of imported fruits and vegetables. Salespersons here, too, are suffering from fluctuations in the exchange rate, but also because of added tax at the border. ►



Narantuul market



Narantuul market

- ▶ The prices of fruits and vegetables increased from MNT 10,000 to MNT 25,000 per box from last year. For example, the price of a box of bell peppers has grown from MNT 28,000 last year to up to MNT 48,000 this year.

Mongolia's customs since last February have enforced a new standard so that the taxes match exactly with Chinese customs. The prices of fruits in China are still the same as that of last year, but because the tugrug has depreciated and customs taxes have grown, fruit stands have had to raise their prices.

According to B. Baigalmaa, a leaseholder at Bars market, the 5 percent customs tax, 10 percent value-added tax and 20 percent increase in the prices of fruits because of the exchange rate depreciation are making it impossible to maintain cheap prices for produce.

"The customs tax is being raised much higher," she said – 80 percent from before the changes in customs were implemented.

"Politicians are trying to cover the loss of export revenue by increasing import tax. It would obviously lead to the increase in the prices of imported goods. Poverty is expanding because citizens' wages are not increasing."

Across town at Zuun Ail, the arrival of spring is expected to place greater demand on construction materials. It is another market being ravaged by the exchange rate. The price for cement mix, for example, had grown from about MNT 8,000 a packet to MNT 12,000 this year.

The greater expenses for construction materials and tools have put many construction projects on hold.

Most of the merchants that operate at Zuun Ail said they use bank loans to fund purchases to stock their shelves. They pay back those loans after they have started selling their goods, but the delays to construction projects will make it harder to repay those loans this year.

The operators at Zuun Ail said business had never before been so slow during spring, and many blamed policy makers.

"There are a number of citizens like us who do not ask the government for money and pay our taxes. We are sustaining our lives on our own," said O. Saran, a merchant at Zuun Ail. "Under the names of monitoring and checking, customs officers are searching us thoroughly at border point to impose more tax on our imported goods because they think that the current amount of customs tax is insufficient."

These testimonials are just a few examples of how small business is suffering. Many small business operators suggested that elected officials come and visit these local shops to see the truth of the economy. That might be a bitter pill to swallow. ■

The price of variet of food products (MNT)

Type	Markets/price	
	Khuchit Shonkhor market	Bumbugur market
Sunflower oil	3000-3500	3200-3500
Sugar	1600-2000	1800-2000
Rice	1800-2000	2000-2200
Buckwheat	1800-2000	2000-2200
Salt	600-1000	500-800
Biye Bodooroi milk carton	2500-2600	2400-2500
Milko milk carton	2300-2500	2300-2400
Tsever milk carton	2400-2500	2400-2500
Minii Mongoliin Suu milk carton	2000-2100	2100-2200

The price of flour per kilogram (MNT)

Type	Weight	Markets/price			
		Khuchit Shonkhor market		Bumbugur market	
		10 kg	25 kg	10 kg	25 kg
Ulaanbaatar	high sort	11500	25000	12000	24500
Altantaria	high sort	8500	18500	9000	19000
	1st sort	5000	9500	5500	10000
	2nd sort	11500	26000	11500	25500
Atar	high sort	8000	18500	8000	18000
	1st sort	8000	18500	8000	18000



Khuchit Shonkhor market



Zuun ail building material market

Photo by B. Byamba-Ochir

MONGOLIAN ECONOMY QUESTION

WHAT WOULD BE THE MOST VALUABLE THING FOR MONGOLIANS IN THE 21ST CENTURY?



N. JANTSANNOROV,
Composer, state prize
winner and national
artist

Keep Mongolia As It Is

We cannot easily define exactly what the most valuable thing is in the 21st century. But we can imagine what this could be. We need to look back at what things were like yesterday and how things have changed today. Without economic leverage, the most valuable thing would be hard to hand down to the next generation. Perhaps, the valuable thing, sometimes, can be created through economic approach and this can also be handed down.

For Mongolians, the most valuable thing could also be five types of livestock. Our ancestors have properly determined their livestock structure, setting the exact volume of each type for thousands of years. Recently, the number of goat in the livestock structure has been increased due to the increasing price of cashmere. Traditionally, goat seems to consist of 10 to 15 percent of the structure. Recent change

reveals that the economy has the potential to change the value of things.

If the world's development momentum is expected to be the same as today or more in the future, we can imagine and discuss what would be Mongolia's most valuable thing in the future. This imagery is increasingly global. If Mongolia does not choose to globalise, it would lag behind development. Mongolia has no way but to catch up with the world.

To live happily, one would need to get happiness in a shorter time with high productiveness. This idea is common world over. It is said that there is nothing eternal thing but the sky. Under this understanding, globalisation would not be eternal. When globalisation comes to an end would there be any country to benefit from? The one who maintained itself as it is would benefit. It is important to keep Mongolia as it is while being a part of globalisation.



R. AMARJARGAL,
Member of parliament
and former prime
minister

Ethics, Responsibility, Knowledge and Country

In the 21st century, reform and innovation have rapidly taken place both nationally and among individuals, with much scope. In the 21st century – in a storm of technological development – Mongolia needs to create its own valuable thing which would be accepted, respected and followed by all Mongolians, as it will have to survive and become a leading country. I would say that the most valuable thing

for Mongolians in the 21st century is the country. In general, the country has been traditionally represented through concepts such as the soil, mountains, wild nature, tradition, culture, our ancestor, history and so on. These are correct, but we always used to perceive the concept of our country as a separate thing. The country starts from us and exists through us. It is already clear that it will be a century of knowledge, science and technology. So, the most valuable thing for Mongolians would be ethics, responsibility, knowledge and the country.



Ch. Khashchuluun,
Head of National Council
for Entrepreneurs Support

Nurture Knowledgeable Mongolians

The most valuable thing for all Mongolians is knowledge. With knowledge, Mongolians can live and write our history. It means that Mongolia will not lag behind global development and not be too wrapped up with foreign culture. To be honest, we will make the right choice through our knowledge. So, we need to focus on educating citizens. Besides natural resources, human capital to spend the resources efficiently is also important. Now is the century of knowledge and information. Information is found

abundantly. But it is important to convert information into knowledge and use it in our businesses. I am sceptical that the current reformation of Mongolia's high education system can create knowledgeable people. Reform will not be easy with only integrating schools and having a single management centre. Standards in our education sector are disappearing. It would be a tragedy if Mongolians couldn't write, talk, or know Mongolian history. Through knowledge, Mongolia would be able to catch up with developed countries. It would be harder if we try to develop our own country by imitating them. ■

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GUEST

THE TWO ENGINE ECONOMY – A GOOD MODEL

BY B. ENKHTSETSEG

Mongolian Economy caught up with Kristel Van der Elst Senior Director, head of Strategic Foresight for the World Economic Forum, to get a better understanding of the scenarios and her impression of Mongolia's economic future. Kristel has an MBA from Yale School of Management, is a Fulbright Scholar and has worked on other World Economic Forum scenarios including Mining and Metals: Scenarios to 2025; Euro, Dollar, Yuan Uncertainties – Scenarios on the Future of the International Monetary System; the Future Role of Civil Society; and Scenarios for the Russian Federation.

You have been to Mongolia four times – what is your impression? What is changing and what is not? What is the difference between other emerging economies?

Mongolia is a country with economically great potential because of the mineral wealth obviously and how you can diversify that into different products like agriculture etcetera. There is great potential in this country. There is still a lot of work to be done, obviously, to realise that potential, but clearly there is good thinking about how to move this forward.

One very important point in Mongolia that we find very interesting is your strong commitment to democratic values; to being a democracy and having debate around issues, and that is really important, we think. It's a bit different from certain other emerging economies. It's a really great country.

What countries is Mongolia most comparable to?

Already you have great mineral resources like some other countries, of course like Indonesia etcetera, but you have this very strong basis to build off, which is quite great. You have a very strong democracy. You have a relatively small population, compared to some other countries if you look at the population density also, you are slightly less than three million – that's not that many people actually. So you don't need to grow that much to provide everyone with more wealth.

You are very dependent on, as you said, two big neighbours, both Russia and China. So you have to take that into account. The physical location: you're landlocked. You [Mongolia] are completely landlocked and if you have to go to a port you have to go through Russia or China, you have to take that into account.

But you could easily leverage that. It's a question of perspective. Do you see yourself as landlocked or do you see yourself at the centre of major growth? You have this very particular situation.

As you say it is perspective and how you look at things. I have been through the scenarios and have realised we're now at the cross road of development.

So how should Mongolia move forward?

So there are three key decisions Mongolia really needs to respond to now. As it is really at a crucial moment. How do we manage the mining and potential revenues? How do we diversify and into what? And which trade and investment relations do we want to have in the future?

So I won't go through the scenarios in

detail because you can read them. Why we use scenarios is because we think the answers to these questions need to be seen in the future context and not only in today's context. All of these decisions have very long implementation times, very long consequences – you really need to think about the future.

For the minerals development, it's really important that Mongolia has a very stable economic environment. We've seen over the last years that the boom in commodity prices are becoming volatile and macro economic conditions have been changing slightly over the last six months, it might become more difficult for Mongolia to actually sell its minerals out of the ground and into the bank, so it's really important.

How possible it is for the 'China Greening' scenario to eventuate ?

It's not a given that we can predict but it's possible.

Which models do you think Mongolia is closer to if you look at the perspectives of Mongolia currently.

Well obviously it's building on the mineral wealth that you have. That is the cornerstone of your economy. But it's important to diversify. You have great potential for agriculture, you have more potential to look into some innovative areas like biotech, and the banking sector areas need to be looked at. It's important that you have a diversified economy not only built on the mineral wealth but this is certainly your cornerstone. So this would be a good model – a two engine economy both from mineral wealth and diversification.

Year by year it seems that Mongolia's participation in the World Economic »

► **Forum is increasing. How do you see Mongolia's participation in the future?**

I think it's really a good thing that WEF [World Economic Forum] and Mongolia are collaborating more. It shows also that Mongolia is very interested in the forum. And that is what the WEF is about – to commonly find solutions to problems. So we know that Mongolia is very proactive to work in the international community to finding some solutions to issues. There's been high involvement in the water resource work streams, the anti-corruption work streams, now in this economic development models.

It shows that you might be quite remote but it's all a question of perspective. You're very connected to the world. And we're honoured that we can bring that to Mongolia.

What trends are being discussed at the world economic forum? What would be the topics for next year?

There are a lot of issues that are being discussed because it's such a broad portfolio. But some of the issues being discussed are the global trade regimes and systems. We look a lot to science and technology and we believe science will transform our society in the coming ten years; the new innovations and where the economy is going; obviously it's a world economic forum. There is quite some uncertainty the economy is likely recovering but it's still very fragile. So we're looking at these types of topics and of course the whole issues around geo politics is becoming more and more on the agenda.

It also came up a lot more in the global risk report that there is more risk for geo political tensions in the world. So we're looking more and more into these areas.

We are talking a lot about sustainable development and a green economy – is this a common theme being discussed as well?

Yes because the way I talk about it here now – we call it green development, you can also call it resource management – you have the opportunity given that you still have to implement all of the infrastructure, to actually implement from the beginning the good systems that save energy, use water efficiently, and

this type of green development.

In the long run, at the life cycle costs, this is a good idea to start doing now. In a lot of countries where we come from, for example, you have to kind of retrofit and this is very expensive so really working on the green development is a good idea for the future.

We even saw that in our scenarios, even if the world doesn't go green,

even if the world stays kind of brown, then it's still a good idea for Mongolia because it makes you less reliable on your imports for energy . You can have more energy security within the country because you can create wind and solar resources here so why import oil. So you might become energetically more independent and as a country more independent and we know the value to Mongolians about being dependent. ►►



In 2013, the World Economic Forum (WEF) and more than 250 stakeholders were consulted to devise three scenarios for the economic future of Mongolia. The scenarios were first released in January at the World Economic Forum in Davos, Switzerland and were recently discussed in detail at the Mongolian Economic Forum (MEF).

- ▶ It would actually help to develop more green technologies within your infrastructure and in your industries. So any scenario that comes out, even if the world doesn't go green, it's a really good idea to have good resource management.

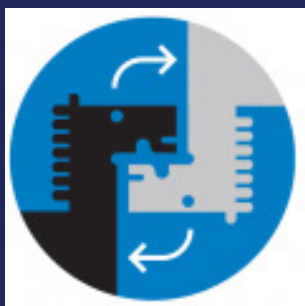
What do you think the biggest concern is for Mongolia's future growth?

The biggest challenge I think you have is to be able to extract the wealth – its' the cornerstone of your economy. But for that you need a very stable economic environment, for investment to come and for selling off of these minerals.

The first thing to do is to really stabilise the economy. To be able to extract the wealth, to be able to

provide confidence to the international community, to provide you the funds and FDI [foreign direct investment] that you need for the country to prosper. And to think about what to do with those incomes to make sure that we have income equality so that everyone is benefiting from that. These are the major two issues I think, in the very short term. ■

Scenarios at a glance:



1. Regional Renaissance:

- North-East Asia becomes more politically integrated, with strong economic growth. This gives Mongolia the opportunity to sell its main minerals and achieve economic diversification, and the challenge of managing export revenues in a way that prevents economic overheating and social unrest.



2. China Greening:

- A revolution in environmental attitudes sees China lead the way in the “circular economy” and pioneering new products and services. This reduces demand for Mongolia's main minerals, but opens up new opportunities to diversify into green products and services.



3. Resource Tensions:

- Geopolitical tensions ravage the region; natural resources are used for political leverage, making trade difficult. Mongolia struggles to access finance and markets for its minerals and to pursue diversification opportunities, but this scenario presents opportunities to carve out a role as a neutral and respected neighbour.

INNOVATION

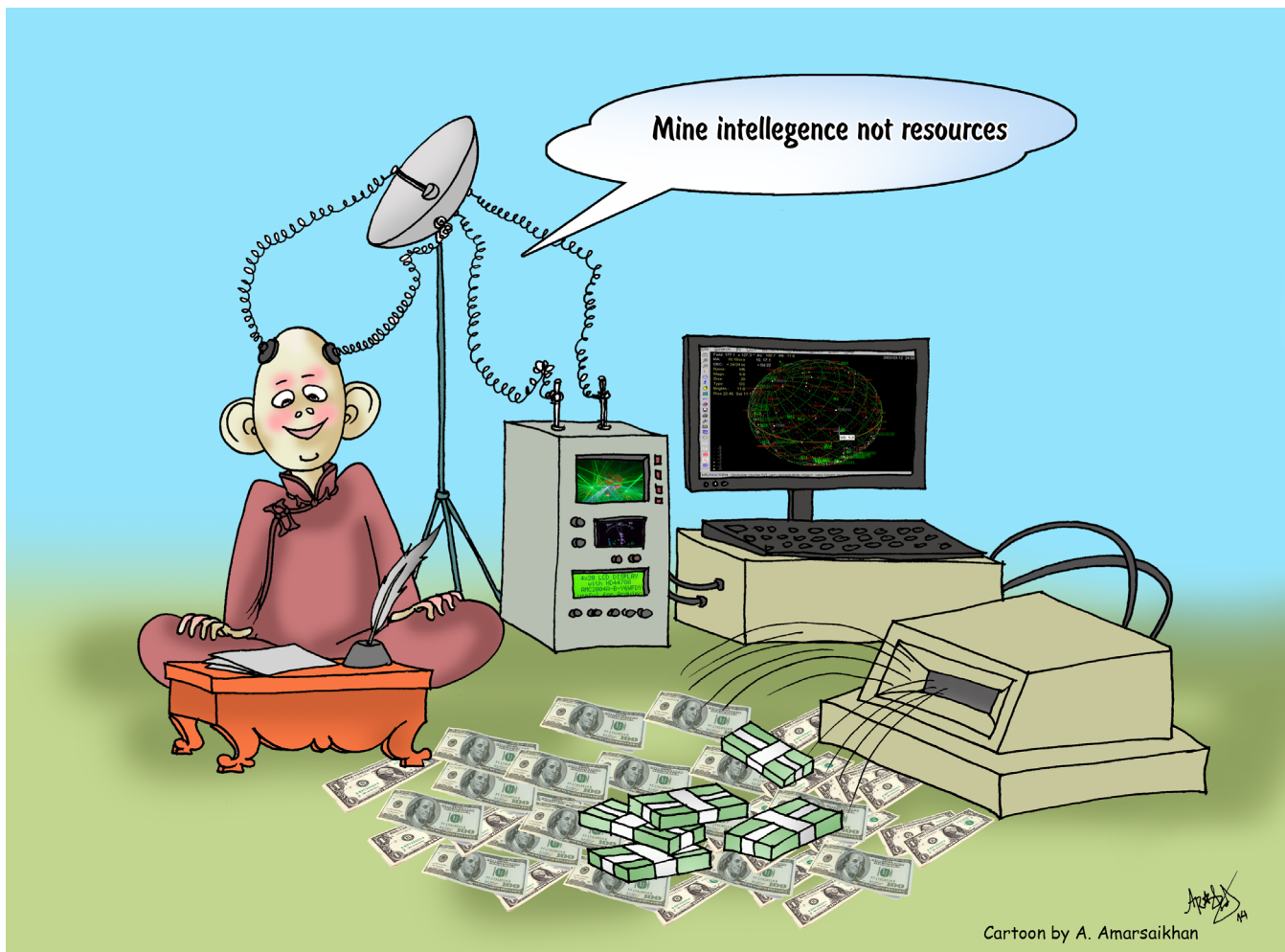
INNOVATION SETBACK

BY E. ZORIGT

There were 30 sessions at last month's Mongolian Economic Forum, covering a wide range of topics pertinent to the country. There were a number of well attended sessions, including "Innovation is a Solution," which revealed a community with a thirst for entrepreneurship and innovation that is stifled by

an inadequate Innovation Law.

Four years ago, the Innovation Law was first developed to put into practice the knowledge offered by Mongolian scientists and foster their global recognition. This law is seemingly still in the draft phase. Meanwhile some of the regulations that would be required to enforce the Innovation Law simply do not exist. ▶



▶ “Some 10 regulations need to be released for the enforcement of the Innovation Law,” said B. Lkhagvadorj, officer at the Ministry of Education and Science.

Three key regulations are awaiting approval, said Lkhagvadorj, which would provide the solution to several issues, such as the foundation of the Innovation Council and tax exemption for start-ups.

The Innovation Fund was supposed to be established under the Innovation Council by the government, according to the law, but no such council has been formed. Another issue is the absence of regulations for the enforcement of the Innovation Law. The law has a number of clauses supporting innovative business requiring the development of the Fund and Council.

“Mongolia never used to manufacture vegetable oil, but now it is being manufactured by our company,” said D. Ganbold, chief executive at Mongol Altan Khos. “Our production is considered to be innovative in the food sector of Mongolia. Unfortunately, there is still no clear response from officials at the Ministry of Economic Development because they are divided into two groups as they are arguing with each other about whether our production was innovative.”

Lots of Ideas, but No Money

Entrepreneurial dreams can often translate into profitable businesses. Innovative ideas, if they are good, will be financially rewarded. Some entrepreneurs who attended the innovation session were saying that they did not have the financial backing for their ideas. For example, research and development company Monchemo initiated a few projects such as the “Horse” project, a device that extracts calcium from horse bones. These projects have not gone ahead due to a lack of funding.

“Good innovation cannot survive in the market if financial issues have not been tackled. So, the government needs to focus on funding the innovation projects that will raise its reputation globally,” said M. Ariunaa, general director at Monchemo.

During the session, some manufacturers faced comments suggesting that they should not wait for money to come from the government. Those who criticised them said that the manufacturers should expose themselves to the capital market to attract investment. Some domestic manufacturers are not interested in sourcing their own funding as they lack knowledge of

the market. Some believe the only hope for innovation is the government.

“Socks and gloves manufacturers are funded by the proceeds of bonds under the name of contributing manufacturers to replace imported goods,” said Ariunna, “but we cannot be supported by the government even though we manufacture innovative products. If there was an innovation-minded person in a working group that selected the projects to be funded from the proceeds through tender, Mongolians’ dreams could come true in the future.”

A huge sum of money is needed to fund innovation in various sectors. But if done so, companies could profit by providing Mongolian consumers with high-quality goods that outperform imports.

“As rapidly as Mongolia’s economy develops, mining-led domestic sectors are purchasing large volumes of goods from abroad. So, it can be said that some 30 percent of total purchases should be made in terms of offset. This will create a condition that will bring industry and service to the country, which would be equivalent to 30 percent of total purchases”, said D. Nergui, director at the School of Economics and Business Management at the Mongolian National University.

The Path to Opportunity

“Mongolians have the opportunity of being recognised globally. Why would we not conquer the global market through the production of our own chip design,” said Ts. Natsagnyam, a state prize winner and young engineer and the session’s chair.

Mongolian scientists unanimously agreed at the forum that Mongolia could develop computer chips using local expertise and raw materials. One question brought up was whether the current market system somehow actually suppresses innovative businesses in Mongolia. According to Natsagnyam, Mongolia will have to make the best of the domestic markets first if it hopes to move forward to foreign capital markets.

The innovation session revealed that there is a thirst for entrepreneurship but some would rather remove competitors rather than directly compete with them. Finding a balance between government support – perhaps in the form of subsidies or tax breaks – may be what the country’s budding innovators need to release their product to market. But firstly, finalising the Innovation Law may help the industry gain some momentum. ■

EXPERT'S SAY

FOR PPPS, MANAGEMENT SKILLS TRUMP EXPERIENCE



BY S. ZAYA

Mongolian Economy interviewed Sodnomyn Bekhbat, director general of Innovation and the private-public partnership (PPP) department at the Ministry of Economic Development.

How is your department maintaining friendly relations with businesspeople?

In the Ministry of Economic Development there are five departments, including our innovation and PPP department. Our department aims to improve the business environment and develop the market economy in Mongolia. The department has three divisions: innovation and technology; free-trade zones; and concessions. We are also responsible for multiple tasks, including corporate governance, corporate social responsibility, private sector development strategy, and the "Beehive" programme [an initiative to develop a database on Mongolians living abroad and the skill sets they hold -ed].

I would like to address the concessions issue, which is currently attracting public attention. The dream of any country is public private partnerships, or PPPs. The state budget is insufficient to fund mega projects. So, the opportunity of engaging

the private sector and their efficient management is created only within PPPs.

In Mongolia, a legal setting for PPPs has just recently been created. However, there have been several attempts in the past. For example, some private companies worked with the government under management contracts. It means that we are at the tip of the iceberg regarding the kind of mega projects that are at the centre of the public's attention. There are a number of issues behind it.

Could you give an example?

The development of PPP is important for making the apparatus of government small and functional while improving its management. There are a number of such issues, in addition to large infrastructure investment.

If a property is 100 percent state or privately owned, all issues between them are to be regulated by the PPP. In its attempt to create a legal setting for such directives, Mongolia's State Great Khural established an interim PPP commission in 2008. Also the State Policy Document for PPP and the Concession Law were approved in 2009 and 2010.

The policy is considered to be a legislative umbrella because it includes all directives while the law is aiming to develop infrastructure and basic social services. The state functions to provide the public with specific services. In doing so, there should be infrastructure, roads, communication, power and electricity, water, and so on. It means that the state will still be responsible for providing such services, but will engage the private sector in the provision of those services.

Possible risks should also be calculated. It might be attractive to the private

sector if the state takes responsibility for all risks, but if the state takes all risks it could lead to a huge burden on the state budget. This is the reason why this policy and the law were approved. It means that the state considered opening some particular opportunities for the private sector while sharing the risks together.

What kinds of concessions are being planned?

The SPC [The State Property Committee] was responsible for the direction and function of concession issues before the enforcement of the Concession Law. Since the Ministry of Economic Development was established and the law was enforced, their direction and functions were transferred to the ministry from the SPC. In 2010 there was a list of 121 approved projects that were to be implemented under the concession contract. Now the list has been reduced to 51 projects.

On the other hand, you might not know that once the list is approved it usually takes four years without any improvement. This process is a programme and directive of our framework. Some projects can be added to and removed from the list, depending on the economic situation of that time and priorities.

In general, most investment projects will be implemented under the concession contract, which is alternatively called the PPP principle.

What are some mega projects to soon be announced?

There are some projects to be implemented in sectors such as road, infrastructure, airport, pipeline transport, energy, environment, health, education, sports and culture. The ongoing project is the construction of auto roads from ▶

► Nariin Sukhait to Shivee Khuren. A contract has just been made for the implementation of these projects: the Telmen thermo-power plant and a highway to connect Ulaanbaatar with the two main border points Altanbulag and Zamyn-Uud. The construction of this highway will be a huge infrastructure project.

The government has backed the implementation of a project for the construction of a mining metallurgical complex, and the contract is being made up at the

moment. A project for the construction of the Tuul-Songino water resource complex is ready for a contract. Some other projects such as Power Plant No. 5; roads to connect Tavan Tolgoi, Khanbogd and Khangai; and roads to connect a new airport with Ulaanbaatar are being negotiated.

How transparent is the tender process for concessions?

So far all tenders have been conducted transparently and fairly. Even international

organisations were invited and involved in the tenders. In order to make tenders more transparent in the future, public announcement will be made providing information for the Mongolian companies to be involved in the tender, including the number of assets, their experience, and the results of their work.

When selecting a company to implement a concession project, we will prefer management skills and fund-raising ability to experience. ■

FINANCIAL MARKET

NEW TRENDS IN THE CAPITAL MARKET

BY E. MUNKH-ERDENE, *investment expert and dealer at Mandal Assets Management*

There will be substantial changes in the quality and number of brokerage and dealer companies as new regulations over the industry roll out. Beginning from the second quarter of this year, brokerages are now required to have at least MNT 200 million in assets, compared with MNT 300 million for dealers, MNT 500 million for investment consultants, and MNT 1 billion for underwriters.

A mere 15 out of the more than 90 brokerages and dealers in Mongolia had more than MNT 200 million as of the third quarter of last year, according to a report by the Financial Regulatory Commission. Under the new regulations, the companies with less than the MNT 200 million in holdings would have to either merge or liquidate their assets. That could play out in the following ways:

- Broker-dealers will have to sell off their equity holdings, resulting in noticeable liquidity in the market and the drop in share prices for the stocks sold off.
- The announcement of multiple mergers or acquisitions will stimulate market demand to result in the growth of stock prices for the second half of this year.
- The new regulations will strengthen the financial capabilities of broker-dealers, to some extent bolstering the market as a whole.

Concrete producer Merex is to be the first company to issue a public offering on the Mongolian Stock Exchange since 2012. A successful offering would likely restore confidence for local investors to some extent. Merex plans to establish a concrete production facility able to produce 150 cubic metres of wet concrete an hour in the Songinokhairkhan district of Ulaanbaatar. The TW-2500 wet ►



► concrete manufacturing equipment is imported from South Korea. The robustness of the concrete range from M100 to M600. The company plans to expand its production capability to 513,200 cubic metres between 2014 and 2017.

Merex estimates that its operations will create 79 new jobs, generate MNT 82.05

Assets (million/s of MNT)		
1	United Securities	17 257.30
2	TDB Capital	12 850.55
3	BDSec	9 411.17
4	Frontier	1 838.41
5	Bayanzurkh Invest	1 311.84
6	MICC	616.80
7	Asia Pacific	498.59
8	Delgerkhantai Securities	441.92
9	Bloomsbury Securities	441.33
10	Tengri Securities	421.19
11	Khansh Invest	354.85
12	Gatshuurt Trade	292.74
13	MIBG	266.34
14	Global Asset	257.00
15	Reskan Securities	229.08
16	Capital Market Corporation	167.79
17	Golomt Securities	164.14
18	Life Time Investment	155.95
19	Tenger Capital	154.07
20	Bulgan Broker	118.58
21	Mergen Sanaa	114.66
22	OCB	113.07
23	Bumbat Altai	106.75
24	Tavan Tolgoi Khishig	105.76
25	Munkh Ogtorgui	95.41
26	Zerged	90.66
27	Altan Khoromsog	87.18
28	Sky Khan Capital	72.95
29	Novel Investment	54.31
30	Darkhan Broker	53.38
31	Greet Securities	52.68
32	Grand Development	51.62
33	Zeus Capital	50.01
34	Sankhuugiin Khugjil Invest	41.79
35	ZGB	22.27
36	Chono Capital	20.40

billion in sales revenue and MNT 11.8 billion in net profits, and pay MNT 1.8 billion in taxes.

If Merex earns at least 70 percent of its projected sales revenue, it could generate enough interest in investors to allow for a second offering.

Mongolia's stock exchange has seen 15 public offerings, but just three or four of those companies are still actively trade. The difference between Merex's public offering from those in the past is it comes at a time of weak foreign investor confidence.

The passage of the revised Securities Law that took effect last October marks enormous progresses Mongolia has made on improving transparency at the capital market. The common obstacles for such laws in Mongolia, however, is their enforcement. If the law is to be effective, it will require joint efforts from both professional organizations and investors. The Financial Regulatory Commission plays a very important role as well for this effort.

A sound market is something of interest for a number for long-term investors. The approval of the Investment Fund Law launched a regulatory framework that aims to bring the capital market to the next level. The law creates the legal foundation for investment funds to participate in trade on the Mongolian Stock Exchange. But while the additional trade activity from the funds expected enter the market beginning from the

second half of 2014 could pave the way towards growth, it will take time.

The following that have recently occurred or are expected to occur throughout the course of 2014 that make share price growth possible:

1. Nako Tulsh plans to restart the manufacturing of a smoke-free fuel product. The company received a USD 10 million loan from the European Bank for Reconstruction and Development that could allow Nako Tulsh to see through its plans to establish a fuel production plant that has been in the works since 2008.
2. APU increased its production capacity to 100 million litres a year while expanding its milk farm.
3. Talkh Chikher will increase its production capacity while putting a new packaging department into operation. It has also invested into expanding its production of pastries.
4. Remicon is working to increase its production capacity as much as two times and gain a greater market share.
5. Gobi Cashmere will renovate its equipment using a loan from the government.
6. Sharyn Gol has already put a coal-washing plant into operation and discovered a new coal resource. This year the company plans to expand its operations. ■

Name of securities	Merex MRX
Type of securities	Ordinary share
Nominal price	MNT 100
Total quantity	65,005.00
Convertible securities	
Percent	60%
Quantity	39,005,000
Securities to offer the public	
Percent	40%
Quantity	26,000,000
Price per share to offer the public	MNT 100
Amount of assets to be generated	MNT 2,600,000,000
Method of IPO issuance	Method of offering at the price that is set

Photo by E. Zorigt



REAL ESTATE

A BUSINESSMAN WITH FREEDOM

BY D. BEKHEE

Mongolian Economy interviewed Dashtseren, director general at Master Properties about his company, its service and what he thinks the future holds for Mongolian real estate. Dashtseren started his company 6 years ago by posting advertisements in local newspapers about his property services. Today, it is well-placed to compete in the market and has a particular focus on handling the sale and rent of higher-end residential and commercial real estate.

Your company has experienced success in a short period of time and has 41 percent of the real estate market in terms of real-estate trading. What is your key to success in such a short timeframe?

For our team, this is definitely a big success. We work really hard – even during weekends. This is because of our aim to learn and

bring international real estate trading standards to Mongolia and expand to international markets. Once we set this goal, we needed to work hard.

Today, there are some 20 companies, including us, running stable real-estate businesses. Most of them started much earlier than our company. It was not our aim to capture 41 percent of the market. This is purely a result of our hard work.

In 2007, we started our company with only two staff. After a year, we posted our ads in the media free of charge. But today, the money we spend on ads per year is quite a sum. Of course, the socio-economic situation is now quite different compared to a few years ago. People's understanding about real estate trading has now changed and the market is developing rapidly. The country, company and even clients are developing.

Compared to other countries similar to Mongolia, our market is developing faster, I think. Our investor who came from Switzerland said: "You have the opportunity to do this sort of business in the Middle East such as Turkmenistan. You are on a level where you can teach and train them about this business." We were encouraged and are focusing on working harder.

How suitable is the legal setting for real estate trading in Mongolia?

In this regard, I have got one good and one bad thing to say. Real estate is itself quite expensive compared to other things. In Mongolia, property ownership issues are regulated by law while real estate trading is almost not regulated. So, this line of business in Mongolia allows me to be free to deal with clients on the prices of properties. This means that there is no accurate and precise legal clause when it comes to court. In foreign countries, any lawsuit is regulated by the Real Estate Trading Act. As real estate is a big issue that people sell houses 4 to 5 times in their lives, so there has to be good policy to create a legal setting that reduces risk. The real estate business is even beneficial for the country as it contributes to the tax system.

We did not want to operate freely in the market and take no responsibility for our actions. So, representatives from 20 property companies jointly founded a Real Estate Trading Association, focussed on creating the appropriate legal environment. It is about adopting already existing experiences from the US and UK. For us, there is no need of going abroad to learn new things. By creating a proper legal environment in Mongolia, our rules in the market will become clear. In developed countries, correlation between trading, financing and construction of real estate were researched and coordinated precisely. We hope that we can contribute to the development of the real estate sector in Mongolia.

There are a number of new buildings in Ulaanbaatar. But the quality of buildings is questionable. What do you think about this?

Indeed, this is the hardest topic. Our senior researcher ►

► met a Hong Kong man when he was travelling from Japan to Mongolia. This man told our researcher he was researching the expected lifetime of new buildings in Mongolia. We were surprised because we did not even consider this even though we work in the real estate sector. Then, we started to be concerned about the age of buildings in Mongolia. It was hard to determine the quality of buildings that were built between 2001 and 2008 as construction regulation was lacked during this time. But there are some quality buildings. The average age of a building has to be 100 years. Today people pay around MNT 100 million for a small apartment with one bedroom. But when it comes to the quality, it is not guaranteed. Because they have usually paid all the money they have earned in a lifetime. The quality cannot be bad and there is no way, but it must be good. The government's big policy needs to be directed towards building quality control.

In Mongolia, apartments and offices are expensive. Some people say that they could buy a good house in the US for MNT 100 million, which is what you pay for a one bedroom apartment in Mongolia. Will the price of apartments increase in the future?

Any country has districts where wealthy people live in. There are high class and luxury districts in the US, UK and Japan. I was told by an American realtor that he was surprised by false words made up by some Mongolians who have not been to such districts in the US. We cannot compare the price of Nalaikh real estate, a remote district of Ulaanbaatar, to that of the city centre. The prices of both luxury apartments and nicely located offices need to be compared with the same ones in foreign countries.

Our company has been researching on trading and the price of real estate in Mongolia for the last five years. We have good researchers and I think that we do the best research in Mongolia. We conduct research on expected prices of real estate in Ulaanbaatar from 2010 to 2016. Now we are working on further research and the general trends of economic development and its impact on the real estate sector until 2020.

Looking at research that was done in 30 to 40 countries on development and GDP, apartment prices in some coun-

tries similar to Mongolia are around USD 2,000 per square metre on average. The price ranges from USD 1,200 to 1,300 per square meter in Mongolia. In the future, the price will increase in Mongolia. According to our research, the price is expected to grow 16 percent by 2016. There is one main reason behind any increase in the price of real estate – economic growth.

The real estate market consists of many sections: industrial, service, luxury, average and so on. In any country, it is up to the government to have a policy supporting households with lower-than-average-income earners. For example, the government of Mongolia has set the price of apartment per square metre to be MNT 1,280,000, which is a good price. But we cannot understand why the prices of all types of apartments should be the same. It is good that the government is contributing to citizens with lower-than-average income who cannot afford apartments. For other types of real estate, their prices cannot be set by the government.

So, you mean the price of apartments will increase 16 percent until 2016 on average?

All types of apartments cannot increase by the same percent. The prices of some apartments will increase while some will decline and even some will lose value. When it comes to value, the price of apartments is only about the object, but it also depends on its location, service, renovations and so on.

Our company has German advisers. They said that they sold a whole apartment block very cheaply. In Mongolia, the price of apartment is expected to increase by 20 to 30 percent until 2016. The first game rule in the real estate market is that nobody can deceive or hustle one another. So, if somebody has real estate, first he/she has to evaluate it very well.

There is a tendency among the public to think that apartment buildings built by the Japanese are good and those built by the Chinese are bad quality. How would we know that?

It depends on a marketing policy by construction companies. Those who conduct really good monitoring on the quality of construction and spend enough money

for the construction work will obviously have good quality buildings. Japan's quality construction is thought to have been recognised worldwide. They fund the construction of buildings according to standard as it should be and conduct the tightest control and monitoring on the quality. Mongolia's construction companies are still learning how to build buildings well. Once they gain experience, they plan to build buildings abroad. This is good thing.

What are the characteristics and challenges in the real estate sector?

Real estate is my dream and my favourite type of work. To be honest, I would say that there is almost no challenge. This is probably because I like it so much and I do not see some challenges as a real challenge. Of course, there are always issues in any business. It is understood that if there is the issue, it is business itself. Most importantly, we need to overcome and deal with the challenges.

Sometimes I appreciate the government because there have not been any regulations by the government that restrict or hamper our business in the past. We decided ourselves that we should not continue acting so freely in the market. So, we wanted to contribute to a legal framework for the real estate sector. Initially, citizens used to treat us badly like we were going to take their money as they lacked understanding about real estate trading. Compared to six years ago, we now find citizens quite cooperative and they understand our business very well.

You started up an English training centre called Master Travel. Have you branched out to any other sectors?

Yes, we started our business with the English training centre. Today, we are planning to develop Master Travel for the tourism and entertainment sector. Besides that, we have Master Develop, a construction company and Mongolian Mortgage, a financial company.

Master Property focuses mostly on higher-end real estate. We have just launched a project for the construction of an office building. We plan to build this office building near School No. 3 based on the research of 150 companies and several discussions. Sales have reached 30 percent. ■

MINING

THE ILLUSION OF A CHOICE

BY B. BAYARTOGTOKH

Mongolia is faced with a new choice for its development. Attendees of the Mongolia Economic Forum held last month were in agreement that although there was the suggestion of a choice, the reality is there is only one option to take for Mongolia's development.

Although the mining sector still is seen as the main driver of the development of Mongolia, many are disappointed in the large role it plays. The hard truth, however, is that the country's economy will be driven by the mining sector for the mid and long terms. Mining is essential to the country still because Mongolia has not yet extracted the potential wealth there yet.

Mining is unpopular: it is risky because of the price fluctuations of commodities and it puts a tremendous toll on the environment. But separating mining from development is impossible for Mongolia, at least for the moment.

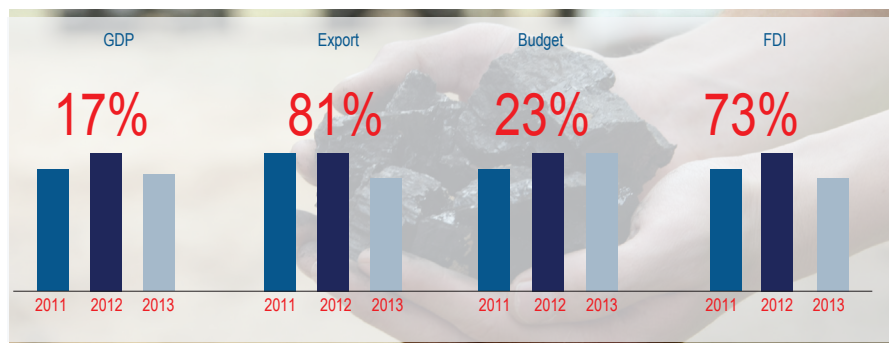
The World Economic Forum shares this opinion that there is a strong bond between mining and Mongolia's economic growth, as seen by the fact that mining was a central figure in its development possibilities. Presenters said Mongolia has the potential to develop on the back of growing demand for commodities and that Mongolia is at a turning point of its development.

During one session titled "The Mining Legal Setting and Wealth Creators," it was suggested that mining companies could generate wealth for the country. There are some advantages to this idea, including job creation, high tax contributions, and assistance to the development of localities.

However, Mongolia must introduce downstream, value-added goods to meet maximum economic potential.

This year the mining sector is expected

Mining sector impact



to comprise 12 percent of total budget revenue, or MNT 1.4 trillion. Coal mining represents 43 percent of that figure, while copper concentrate would represent 27 percent, and gold would be 13 percent.

This year will likely see landmark legislation for the mining industry passed. That includes amendments to be made to the Minerals law and the Law on Underground Wealth. There is also an expectation for a revised Law on the Transparency of the Extractive Industries and a Petroleum Law to be submitted to the State Great Khural.

Already the Law on Common Minerals and the Law on Gold Transparency have been approved. The reduced royalties introduced by those laws have driven a 2.6-fold increase of gold sold to the Bank of Mongolia – 1.3 tonnes.

There was the sense during the forum that regulations over the mining sector would be restructured so that the private sector will be more responsible over controls in the industry, in addition to the government. According to D. Galsandorj, head of the Mongolian Exporters Association, Mongolia's minerals policy reflects the need for development driven by the private sector and that professional mining associations would be taking up a greater role in this area.

While many have lauded the changes and proposals already made, the need for an expanded railway network is tremendous problem. Without the rail Mongolia will never be able to deliver its mining products to new markets overseas. Mongolian National Mining Association head D. Damba argued during the forum that Mongolia could no longer draw out the debate over the Russian and Chinese standards for the railway.

Coal is Mongolia's largest export, having surpassed copper in recent years. Mining Minister Davaajavyn Gankhuayg said Mongolia would introduce a new royalty for coal to help miners struggling within the country. State Secretary at the Ministry of Mining R. Jigjid said at the forum that a study was under way to research three types of coal processing: liquefaction, gasification and concentrate.

Several measures are also being taken by the Mining Ministry to cut the amount of red tape at the border. One initiative taken was the introduction of 24-hour operations at the China-Mongolia border, which allows an additional 1,500 trucks to pass the border each day.

It is high time that Mongolia make it easier for its miners to export. Doing so would bring a great deal more revenue to the economy to help drive growth in health, education, and domestic manufacturing. ■

OUTLOOK

REPORT SEASON: WHAT THE WORLD BANK, ADB AND IMF HAVE TO SAY



It is reporting season and the World Bank, International Monetary Fund, and Asian Development Bank have all recently released bi-annual analysis and projections of economic developments for Mongolia and Asia. A particular focus was given on “Developing Asia” in the report.

Overall, Mongolia is expected to experience growth hovering around double digits this year, but it will see a slow-down for the next years if existing problems are not managed with tighter policy.

World Bank – East Asia Pacific Economic Update, released April 8, 2014

The World Bank report highlights two main challenges for 2014:

In 2014, there is a political emphasis on double-digit economic growth likely to result in the expansionary path of 2013. Off-budget spending through the DBM [Development Bank of Mongolia] will be the main financing vehicle for many infra-

structure projects, bypassing the control of the Fiscal Stability law, likely creating a budget deficit of 7 to 8 percent of GDP on top of the official budget. Monetary policy will also likely remain loose, including the Price Stabilization Program and the politically popular housing mortgage program.

Economic stimulus relying on external borrowing and liquidity injections will likely add to economic imbalances. The rising cost of imported goods has only been partially reflected in retail process due to the price control of the central bank. The international reserve level of exchange rate will likely remain under continued pressure from the large gap between the current and financial-capital accounts. Economic management at this stage should be to ensure a stable and sustainable growth path, minimising the possibility of a bust and addressing the balance-of-payments (BOP) situation. The rising balance of payments pressure and inflation, and regaining foreign capital inflow requires immediate attention.

Source: www.worldbank.org

International Monetary Fund (IMF) – World Economic Outlook, released April 9, 2014

Macroeconomic imbalances related to rapid credit growth and high current account deficits in Mongolia are an ongoing risk, says a report recently released by the International Monetary Fund).

According to the fund, Mongolia’s GDP is forecast to grow 12.9 percent in 2014 and 7.7 percent in 2015.

The report shows solid growth for developing Asia with some additional benefit from the ongoing recovery in world trade.

Source: www.imf.org

Asian Development Bank’s Asian Development Outlook 2014, released April 2, 2014-Mongolia mission

Medium-term prospects remain promising, with double-digit growth expected after a dip in 2014, given Mongolia’s potential to develop its natural resources. Economic growth is forecast at 9.5 percent in 2014, driven in particular by the start of copper production at the Oyu Tolgoi open pit in June of last year. Growth in non-mineral output is expected to be held back by the tighter economic policy, which will be needed to reduce high domestic demand and so relieve balance of payments (BOP) pressures. In particular, the overall budgetary deficit including off-budget outlays is expected to be lower than in 2013, as the Devel- ➔

WORLD BANK EAST ASIA PACIFIC ECONOMIC UPDATE, APRIL 2014-Mongolia

Year	2013	2014 /forecast	2015 / forecast	2016 / forecast
Real GDP / change yoy	12.4%	11.7%	9.2%	7.6 %
Mineral GDP / , yoy/	8.0%	20.7%	13.8%	1.1 %
Consumer price index / change yoy	14.2%	12.3%	9.9%	8.0 %

International Monetary Fund, World Economic Outlook, April 2014-Mongolia

Year	2014	2015	2016
GDP Growth	12.9%	7.7%	5.7

- ▶ opment Bank of Mongolia curtails investment expenditure and as BOM liquidity injections are expected to begin their phaseout this year.

Policy challenges

The main policy challenge is to adjust unsustainable macroeconomic policies to relieve BOP pressure, contain inflation, and reduce the risk of severe distress in the financial sector. Negative shocks to FDI [foreign direct investment] and coal exports have intensified BOP pressures since mid-2012. These pressures have been compounded by highly expansionary fiscal and monetary policies that have spurred substantial credit expansion and debt accumulation, as well as boosted demand for imports.

While current foreign exchange reserves are broadly adequate, the declining trend is not sustainable. The resumption of significant foreign capital inflows may take some time despite the adoption of the new investment law. Current policy offers little room to strengthen financial buffers to cope with possible external shocks. Mongolia needs to change course to mitigate its vulnerability to external shocks. Addressing these challenges requires a comprehensive package of economic policy reforms, but improvements to monetary management and fiscal policy are the most urgent.

Source: www.adb.org ■

Asian Development bank, Asian Development Outlook 2014: Fiscal Policy for Inclusive Growth

Year	2014	2015
GDP Growth	9.5 %	10 %
Inflation	11 %	8 %
Current account balance	-20 %	-15 %

ADB, WB, IMF, projections for Chinese economy

Year	2014	2015
World bank	7.6%	7.5%
Asian Development bank	7.5%	7.4%
International Monetary Fund	7.5%	7.3%

IMF, economic growth forecast for Major economies

Year	2014	2015
Russia	1.3%	2.3%
India	5.4%	6.4%
Great Britain	2.9%	2.5%
US	2.8%	3.0%
Eurozone	1.2%	1.5%
Emerging markets	4.6%	5.3%

Global Trade Review (GTR) is delighted to announce that the Mongolia Trade & Commodity Finance Conference will return to Ulaanbaatar in May 2014 for the third edition of this annual series – the only such event for the Mongolian trade and commodity finance community.

Building on the success of the 2013 conference, which welcomed 175 delegates from 13 different countries, the 2014 event will once again provide an unrivalled platform for discussion and debate with the region's leading local businesses and trade finance practitioners.

With its focus on Mongolia's mining, minerals and vast commodity-led growth, this will be the key trade gathering for the country's senior business leaders, providing timely

insight on the challenges facing the local banking and private sectors, as well as offering perspectives from the industry's key supporting actors.

In partnership with the 3rd Annual Mongolia Trade & Commodity Finance Conference, Mongolian Economy is giving away two double passes to this event at Blue Sky Tower, May 13, 2014.

To win a double pass to the event please email win@mongolianeconomy.mn with the title "Trade & Commodity Finance Conference Passes" in the header, and state your name, workplace, email and telephone number.



ECONOMIST'S COLUMN



L. Byambaa economist at Mandal Assets Management

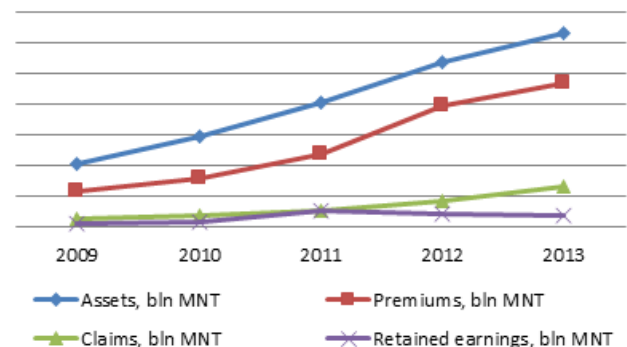
A SNAPSHOT OF THE MONGOLIAN INSURANCE INDUSTRY

- Compared to 20 years ago, the insurance sector in Mongolia has undergone significant transformation. From just one state-owned insurance company, the industry now has a number of players, earning annual gross revenue of MNT 93 billion at the end of 2013.
- All companies, except one, offer property and casualty insurance. The only life insurance company has not yet turned positive.
- There are no listed insurers; all of them are limited liability companies. Only one company is majority owned by a foreign entity.

Regulated bodies	2010	2013
Insurers	16	17
Branches of insurers	134	213
Insurance agent	2006	3187
Insurance broker	8	20
Loss adjustor	6	14
Actuary	10	15
Total	2180	3253

- Industry assets have been continuously growing during the last several years. Average growth rate for the last five years is 33 percent.
- Premiums between 2009 and 2013 grew at an average rate of 43 percent. Compared to 2012, industry premiums grew 1.2 times in 2013.
- Claims are rising as well, 2013-2012 growth stands at 1.56.
- Earnings fell industry-wide during the last two years, down to MNT 10.3 billion in 2011 to MNT 7.3 billion in 2013.

Industry Data



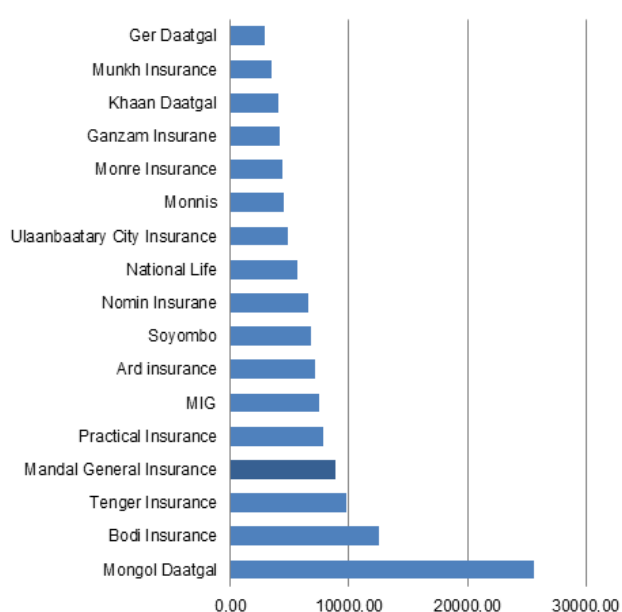
Balance sheet items

- As of the fourth quarter of 2013, 17 insurance companies had total assets of MNT 126.4 billion, which is 43 percent higher than the same period in 2012.
- In terms of asset size, Mongol Daatgal leads with MNT 25.6 billion, almost double its largest second-largest competitor, Bodi Insurance.

Equity, MNT ml	2013
Mongol Daatgal	6,524
Mandal	4,602
Tenger	3,956
Practical	3,948
Ard	3,862
Bodi	3,741
MIG	3,609
UB city	3,520

No	Balance sheet items	2013
1	Current assets, MNT bln	109.6
2	Non-current assets, MNT bln	16.8
3	Total assets, MNT bln	126.4
4	Equity, MNT bln	61.3
5	Reserve fund, MNT bln	60.4
6	Liabilities, MNT bln	4.7

Insurers, by assets, mln MNT



Premiums and Claims

- The table on the right depicts premiums to claims ratios of insurers.
- Market leader Mongol Daatgal collected MNT 24.9 billion. Bodi Insurance is next with MNT 11.8 billion.
- The claims ratios is highest for Nomin Insurance, Mongol Daatgal, Soyombo, and MIG.

Earnings

- Premiums take up the bulk of total revenues. The Top six companies in 2013 accounted for 76 percent of industry premiums.
- In 2013, most of the companies were profitable, four of them ended with negative balances. Bodi Insurance posted the highest loss – equal to MNT 1.8 billion.
- The sale of core property explains Ard Insurance's higher earnings

Investment management

- Companies have not been allowed to invest in stocks. Insurers usually invest in money markets, real estate and sometimes structured fixed-income products. Only starting from 2014 will this regulation change to allow a wider spectrum of investment classes.

Premiums, MNT mln	Rank	Claims ratio %		
Mongol Daatgal	24,971.00	1	Mongol Daatgal	50.20
Bodi Insurance	11,878.00	2	Bodi Insurance	34.40
Ard insurance	10,093.00	3	Ard insurance	41.10
Tenger Insurance	8,512.00	4	Tenger Insurance	36.90
MIG	8,190.00	5	MIG	45.40
Mandal General Insurance	7,298.00	6	Mandal General Insurance	37.60
Soyombo	5,256.00	7	Soyombo	48.50
Practical Insurance	4,421.00	8	Practical Insurance	46.40
Nomin Insurance	3,927.00	9	Nomin Insurance	55.70
Khaan Daatgal	1,881.00	10	Khaan Daatgal	22.99
Monre Insurance	1,879.00	11	Monre Insurance	46.60
Monnis	1,697.00	12	Monnis	12.30
Ulaanbaatary City Insurance	1,241.00	13	Ulaanbaatary City Insurance	27.80
Munkh Insurance	619.00	14	Munkh Insurance	26.50
Ganzam Insurane	554.00	15	Ganzam Insurane	11.40
Ger Daatgal	447.00	16	Ger Daatgal	36.70

ROI	2013
Tenger	23.9
Mandal	17.6
MIG	14.9
Bodi Insurance	12.8
Ard	12.5
Mongol Daatgal	10.8

RENEWABLE ENERGY

SPROUTING THE GREEN ENERGY REVOLUTION

BY E. TAMIR

Energy demand is expected to reach 1,128 megawatts per year by 2020, according to a study by the Ministry of Energy. But the completion of Power Plant No. 5 alone would not be enough to satisfy the country's increasing consumption of electricity and heat.

The country's energy resources will no doubt impact development. There are several options available to the country, including several renewable

energy options such as wind farms and hydropower.

"Developing the country's economy rapidly and sustainably, and developing the energy sector should be a priority," said Bayanjargalyn Byambasaikhan, chief executive at NovaTerra.

The energy sector is not a development priority in Mongolia; the industry often lags behind other sectors. Perhaps necessity will

encourage further action.

"Since we got the Ministry of Energy, we have been doing a lot. As a part of current implemented energy policy, the ministry has set a goal to boost energy sources until it meets the country's economic growth," said Purevjavyn Tovuudorj, director general of the Department of Strategic Policy and Planning at the Ministry of Energy.

"Our aim is also to transition the production of energy to exporter from importer." ▶



▶ The ministry plans to wrap up a project for the expanded capacities of Power Plant No. 3 and Power Plant No. 4 this year. The expanded capacities will bring an additional 150 megawatts energy and 200 giga calories per hour of heat to the central electricity grid. The ministry also plans to put the Amgalan thermo-power sub-station into operation this year. And with Power Plant No. 5 on the way, which will have the capacity of 450 megawatt by the expected completion date of 2016, these projects are expected to resolve the energy problems in Mongolia.

Once construction has finished, Mongolia's energy sector will have the potential to supply domestic demand. The Ministry of Energy plans to implement several projects for the construction of 12 new power plants, including Power Plant No.5 and the Egiin Gol (Eg River) hydropower plant.

The private sector is also engaged in the energy sector. For example, The "Asian Super Grid" initiative that would allow Mongolia to deliver green energy throughout the continent is in the research phase. The project team is now carrying out research in several areas of Mongolia on the possibility of harvesting wind and solar energy.

'Renewable Energy Paradise'

Mongolia has 56.2 billion kilowatts of water resources, 1,200 to 1,400 kilowatts of solar resource and 836.8 kilowatt hours of wind resources, according to a study by National Renewable Energy Centre of Mongolia. According to Byambasaikhan, Mongolia could be "a renewable energy paradise".

But renewable energy also has to compete with 175 billion tonnes of estimated coal resources, 205 million tonnes of estimated oil resources and 68,000 tonnes of estimated uranium resources. Excessive use of coal and uranium would be detrimental to the environment. Using renewable energy is sustainable and it will encourage green economic growth.

Initiatives aimed to boost renewable energy highlight its benefits. The national 100,000 solar ger programme was implemented between 2000 and

2012 where 100,146 households were supplied with solar energy generators. The Salkhit wind park was also established last year. The park now supplies 5 percent the central region's energy grid.

A second wind farm, the Sainshand wind park, is also planned for at Sainshand, Dornogobi. Germany's Ferrostaal Industrial Projects will own the majority of its shares. Investment required for the project totals USD 120 million and construction is expected to finish by 2015. The new wind park will supply 190 million kilowatts a year of energy for the central energy grid, which would fuel 100,000 households. This will also reduce carbon emissions by more than 200 tonnes while saving two million cubic metres of water and 50,000 tonnes of coal a year.

"There are a number of issues to tackle in the energy sector today," said Tovuuudorj. "According to the Energy Law that was enacted in 2007, renewable energy is subsidised in Mongolia: wind energy, USD 0.8 to USD 0.95; solar energy, USD 0.15 to USD 0.3; and hydropower, USD 0.45 to USD 0.6 per kilowatts of energy.

"In doing so, a draft contract should be approved by the Energy Regulatory Commission. In general, a legal setting for renewable energy sector has been created in Mongolia,"

Hydropower

The government has talked about the construction of hydropower plants in the Orkhon, Eg and Selenge river basins since 2000. These talks have not yet borne any results, however.

It was difficult to highlight the positive benefits of renewable energy to residents before the establishment of the Taishir and Durgun hydropower plants. Recently, there has been a push for building hydropower plants in the Selenge river basin.

A feasibility study for the Egiin Gol hydropower plant was developed between 1991 and 1994, but no work has yet been launched. There have been two failed attempts aimed to initiate implementation by policy makers. The latest attempt was in 2007, and would

require an estimated USD 300 million loan from China .

With proven results and a push for renewable energy, it is likely that the government will move this project forward. Those in the renewables sector agree the time has come to implement the project.

"Behind this long-awaited Egiin Gol hydropower plant project, there were a few reasons [for the delay] besides the politics. Those include locals' lack of understanding about hydropower plants," said D. Enkhtur, project officer at Egiin Gol Hydropower Plant project.

"Now their understanding has changed. Out of the four plants built along the Ankara River in Russia, this plant would be three times smaller, with the capacity of 12,000 megawatts. If these hydropower plants were harmful for the environment, Russia would not have built them. Hydropower plants do not only produce energy, but create moisture in the air and control flood water."

However, Russia may not be a shining example for Mongolia to follow. International environmental group Green Peace cites numerous failings on Russia's part concerning the environment, including the shipping of nuclear waste in Siberia and oil giants polluting large spans of landscape.

The capacity of the Egiin Gol hydropower plant is expected to be 220 megawatts per year. This would be the largest plant in Mongolia. But the government claims that this is very small compared with big hydropower plants in other countries, and that it would use a very small volume of the outflow that leaves the country. Project experts have said that there are many advantages to the project, including the reduction of a million tonnes of carbon emissions.

To keep up the pace with demand, the energy sector needs to act swiftly. There are various options available, including the renewable energy alternatives such as wind and hydropower. The country's abundance of mineral wealth is probably the obvious solution. With infrastructure in the development phase, it is important to consider all solutions and what is best for the environment. ■



BCM'S NEWSWIRE HIGHLIGHTS

NewsWire is a weekly news aggregate sponsored by the Business Council of Mongolia. Each week NewsWire delivers breaking and significant news from local and international news sources for a Mongolian and foreign audience alike. The following are news highlights from the month of February:

BUSINESS

MONGOLIA COUNTS COST OF MINE DELAY AS RIO TINTO DEADLINE PASSES

A dispute between the Mongolian government and its biggest foreign investor over the expansion of one of the world's largest copper mines has added to concerns over the country's faltering economy.

A financing deadline to expand the vast Oyu Tolgoi copper project passed last week without an agreement between developer Rio Tinto PLC and the government. The expansion is seen as crucial to Rio's plans, but the Anglo-Australian mining company missed a deadline to secure USD 4.2 billion in project financing from banks for the project as discussions continued with the Mongolian government over how to divide the revenues.

Mongolia needs the revenues to fund spending commitments made in the first flush of optimism of a mining-based windfall for the landlocked nation's nearly three million people. But expansion of the mine, which began producing copper in 2013 and which could eventually generate one-third of the country's gross domestic product, is now not likely until 2015. Few believe the mine expansion will not happen, although it could be developed on a reduced scale.

An agreement on the mine "would be a wonderful signal, but there has got to be a lot more than that," said Jim Dwyer, head of the Business Council of Mongolia, which promotes trade and investment in the country. In 2013, parliament passed a law to treat foreign and domestic investors the same. But foreigners remain concerned by Mongolia's history of sudden regulatory changes and corruption probes that have sometimes ensnared foreign projects or citizens.

Much will depend on the spring parliamentary session, which began on Monday, when the government's approach to Oyu Tolgoi will be debated. The weak currency and drop in Mongolian stock prices

has had some benefits. Two Japanese banks have set up shop in Ulaanbaatar while work has begun on the first power plant in the capital to be built since the 1980s.

"In 2010-2011, lots of people said values were too high," said Howard Lambert, chief representative of ING Bank in Mongolia. "Now we are starting to see those people come back."

Source: Financial Times

CHINA'S SHENHUA TO INVEST IN CROSS-BORDER RAIL LINK FROM MONGOLIA

Shenhua Group, China's top coal producer, will form a joint venture with partners in Mongolia to build a cross-border rail link that will help ship coal to China, the company confirmed on Wednesday.

The deal marks a change in attitude in Mongolia, which has long sought to keep its powerful neighbor at arm's length amid fears about China's political and economic hegemony in the region. China buys more than 90 percent of Mongolia's exports and has sought big stakes in the country's strategic assets. A signing ceremony for the new rail joint venture was held in Ulaanbaatar on

Monday.

A Mongolian government official said the Chinese firm will own 49 percent of the project, which will involve the construction of a 13-kilometer rail link from the Chinese border to a terminal where coal is delivered by trucks. Yondon Manlaibayar, the director general of the department of railways at the Roads and Transportation Ministry, said a consortium of Mongolian firms, including state-owned miner Erdenes Tavan Tolgoi and the Hong Kong-listed Mongolian Mining Corporation, would share the remaining 51 percent.

Mongolia plans to spend USD 5.2 billion on the expansion and upgrade of its railway network, and last year hired Samsung C&T to lead construction of a 217-kilometer route south from the Ukhaa Khudag mine in the South Gobi region towards China. A route to China would reduce the cost of shipping coal to customers in China—now largely done by road—and would also improve Mongolia's access to China's ports. But an additional 27 kilometers of rail connecting the Shenhua line and Samsung C&T's line will be needed to complete the route. In the meantime, the temporary drop-off ▶▶

▶ point will be established for trucks to deliver coal to the Shenhua joint venture rail to be carried into China, said Manlaibayar.

"They (the joint venture partners) don't want to wait for us to complete the whole line," said Manlaibayar.

The Shenhua joint venture project and the connecting 27 kilometers of line will be built using China's rail gauge, while the rest of the line uses the Russian standard, said Manlaibayar. A station for gauge transference will be built where the Samsung-led rail line ends, he said. Mongolia's rail policy requires the use Russia's wider gauge standard, but some in the industry worry about the added costs of having to change standards at the end of the Samsung line.

Source: Reuters

ECONOMY

ENERGY MINISTRY MAKES AGREEMENTS TO TACKLE LOOMING ENERGY SHORTFALLS

Representatives of the Energy Ministry and the Development Bank of Mongolia signed an agreement with contractors Thursday for the expansion of Mongolia's power generation and network.

The government is expected to lead eight projects this year to expand the country's heat and electricity capabilities through upgrades to the Amgalan Thermal station, Central Thermal Plant No. 3 and Central Thermal Plant No. 4. The Energy Ministry has

made expanding energy capacities to meet growing demand in Ulaanbaatar its main priority for 2014, in conjunction with the government's "Smoke-free Ulaanbaatar" programme that is to see the re-planning of Ulaanbaatar's ger districts.

Source: Montsame

ULAANBAATAR TO MOVE 4,800 FAMILIES FROM GERS TO APARTMENTS

The government is reportedly expecting 4,800 families from Ulaanbaatar's ger districts to move into apartments this year.

Ulaanbaatar has 67 sites in 21 different areas where there are plans to build apartment buildings. City authorities have selected 16 out of 32 companies that bid to participate in the construction projects. Some companies taking part in Ulaanbaatar's urbanization and ger redevelopment projects have complained of legal and infrastructure obstacles. Replanning of Ulaanbaatar's ger districts is set to continue for 6 years at a cost of MNT 148 billion. Contracts for MNT 53.183 billion for construction have been made and infrastructure works are underway.

Source: Undesnii Shuudan

UB TO UPGRADE CAPACITY TO HEAT 50,000 MORE HOMES

The government has approved financing for the construction of the Songino and MBA power generation substation, and

the Ikh Toiruu electricity transmission lines.

The Development Bank and the Economic Development Minister Batbayar received approval to finance 30 to 40 percent of the work to take place for the energy infrastructure. The power generation and delivery capabilities would allow 50,000 additional families to receive heat from the central thermal energy grid.

The government is introducing additional energy and heat infrastructure in the hopes of reducing pollution in Ulaanbaatar.

Source: Undesnii Shuudan

POLITICS

OT INCLUDED IN ECONOMIC REVITALIZATION RESOLUTION

The Oyu Tolgoi copper-gold mine was included in a proposed resolution submitted by Economic Development Minister Nyamjav Batbayar.

The resolution would give the order for government to prepare the necessary documents for the second stage of investment for Oyu Tolgoi, in addition to the relaunch of exploration, financial support to industrialization, and possibilities for the exploration of oil, oil shale, and natural gas in protected areas. The proposed resolution would reportedly give 19 different directives with the purpose of fostering economic growth and stability during spring session of Parliament.

Source: Cover Mongolia

PARLIAMENT LAUNCHES SPRING SESSION

The opening of the 2014 spring session of Parliament was held on 7 April to an audience of party and foreign delegates.

"Parliament could not confirm the list of issues to be discussed during the session of Parliament," said Parliament Speaker Zandakhuu Enkhbold in his opening address. "Thus, I expect the first issue to be passed by Parliament to be the list of issues to be discussed. However 252 bills were suggested to be discussed at the spring session, but only 52 proposals have been submitted. These proposals that were submitted need to be arranged due to their socio-economic importance."

The speaker also said discussions expected to be held during the session would be reviews for the 2013 financial performance of government and the state budget reports for 2015, as well as bills to be prioritized by socio-economic importance. There is also debate expected regarding 272 funded construction projects that underwent audit and need to be confirmed before funding can resume.

The spring session of Parliament was noteworthy for the fact that it was attended by party leaders without seats in parliament, as well as foreign ambassadors and consuls. Separate caucuses were expected to convene following the opening of Parliament.

Source: News.mn ■