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MONGOLIAN ECONOMY

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ECONOMY
PAVING THE WAY FOR TAX
REFORM

ECONOMY
A DARK LIFE IN TSAGAAN KHAD

ECONOMY
MAKING PROGRESS ON THE MSE

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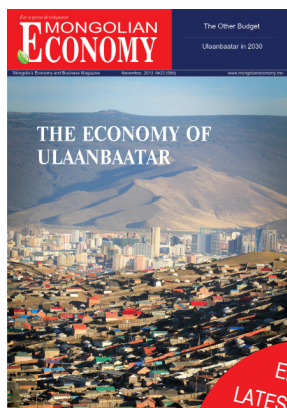
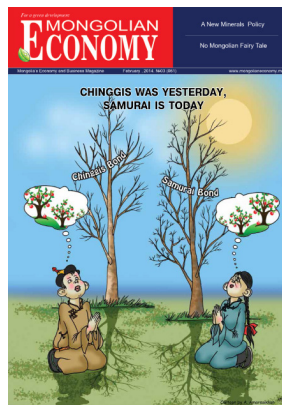
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Agriculture

The price of livestock is expected to be set by the Mongolian Agricultural Commodities Exchange soon. Training on how the process will work will be held for brokers at the exchange. Trading livestock on the exchange will maintain stability for the prices and stock of raw materials, according to the officials at the Ministry of Agriculture. There will be two points for collection: the Emeelt raw materials market in the west and the Nalaikh district raw materials market east of Ulaanbaatar.

Economy

Government officials May 12 reported on measures to be taken and their effects for the 100-day action. Action will be taken with 26 measures to increase the inflow of foreign currencies, improve the business and investment environments; establish a development policy; and manage debt. Eighteen measures will be employed in the near future because they are meant to deal with the current financial challenges facing the country. The remaining eight are meant as long-term strategies.

Technology

The government is due to fund MNT 1 trillion for projects that would create new exports and replacing imports. In total, 1,151 project applications

were received by government, of which 888 projects were selected by a working group at the Development Bank of Mongolia. The projects even include four projects for the domestic manufacturing of a mobile phone. For example, IT Zone plans to launch an Android smart phone with a four-inch LED screen at a price of a MNT 150,000 for its Mogul brand. Mongolian consumers spend MNT 48 billion for the purchase of mobile phones from abroad, according to government data.

Mining

The Khushuut mine is expected to launch coal mining and export in July. Soil removal will be conducted by Monnis mining equipment. The company must employ local workers and purchase products from the local suppliers, according to a cooperation agreement with the governor's office.

Tax

Mongolia's budget revenue accounts for MNT 6.9 trillion this year, of which MNT 6.2 trillion or 90 percent is created through tax revenue. An extra MNT 700 million, or 10 percent, is to be generated from non-tax revenue. Tax revenue from properties was MNT 475 million. Taxes paid by citizens comprise 90 percent of total budget revenues. Some 27 percent will come from value-added tax while 17 percent is from the social insurance fee.

Regulatory Reform

An initiative to reduce the number of licenses required to cut down on red tape has been launched by the Cabinet Secretariat. The Cabinet has ordered the elimination of some 478 licenses for a total of 438. The next phase will see amendments made to 59 laws and 45 regulations.

Law

An updated version of the Labour Law is now ready for submission during the State Great Khural's autumn session. The bill includes improved wage contracts and corporate responsibility, informal employment, short-term settlements for labour disputes, and challenges at the workplace. The bill also aims to provide equal wages to foreign and national employees.

Meeting

The Institute of Finance and Economics held an international meeting for to discuss socio-economic challenges on May 6 and 7, in observation of the institute's 90th anniversary. Mongolian and international researchers gave 76 speeches on the current economic challenges facing the country and the possible consequences, including more than 10 professors from South Korea's Handong Global University and China's Dalian Polytechnic University.

WORLD:

China

E-commerce giant Alibaba's much anticipated initial public offering is likely to take place in New York City this week, although the exact date is not certain. Serving the world's second largest economy, the company had sales of USD160 billion in 2012, double the USD 86 billion posted by e-commerce giant Amazon, according to NASDAQ. The company is worth more than USD 153 billion, up from USD 120 billion in October and is billed to be the largest initial public offering ever.

Australia

Australia has released its first budget under Tony Abbott's government last Wednesday night. Tough measures were introduced to return the economy to surplus, including cutting AUD 7.6 billion to foreign aid over the next five years, reports the Australian Broadcasting Corporation. Aid to Mongolia is rumoured to stay the same, if not increase because of trade ties with the Oyu Tolgoi mine. In March, Foreign Minister Julie Bishop announced funding of AUD 20 million for Mongolia as part of its Australia-Mongolia Extractives Program.

Crimea

A reported 95.5 percent of voters in Crimea support joining Russia, after half the votes have been counted in a disputed referendum,

reported the BBC. Applying to join Russia will come as early as Monday May 19. Russian President Vladimir Putin said he will respect the Crimean people's wishes. Meanwhile economic sanctions that Western nations and Japan have placed on Russia over the dispute have targeted people and businesses considered to be close financially or politically to Russian President Vladimir Putin, reported CBC Nnews.

Thailand

Thailand's first female prime minister, Yingluck Shinawatra, was forced to step down after the court deemed her guilty of abusing power, reported The

Telegraph. This decision is likely to spark more street protests and violent protests, which have left parts of Bangkok in deadlock since October last year. She is accused of acting as an intermediary for her brother Thaksin, the former prime minister who was removed from government in 2006. Yingluck is the third prime minister linked to her brother that has been forced to step down.

Technology

Apple is expected to unveil its latest iPhone series in August, much earlier than anticipated, reported Reuters. The iPhone 6 will be a sleeker, thinner, faster version of

its former self. Increasing the screen size will make iPhone more competitive with market leader Samsung.

Turkey

At least 166 workers are dead after a coal mine exploded in Turkey, reports the BBC. Around 787 people were believed to be in the mine when the electrical fault triggered the blast. Many have died from carbon monoxide poisoning; those trapped are reported to be two kilometres below the surface. Rescuers are working hard to retrieve the surviving workers. Analysts say the safety record of Turkey's coal mines lags behind that of most industrial nations. ■



Cartoon by A. Amarsaikhan

FEATURE

ALTANKHUYAG'S 100-DAY MAD DASH

TERRENCE EDWARDS IN ULAANBAATAR

This month the Mongolian government continues its efforts to restore the lustre to its once bright and prosperous economy with new legislation to tip the balance of investment returns further in favour of the private investors effort settlements disputes in mining.

Prime Minister Norov Altankhuyag received approval from Mongolia's parliament May 7 for his 100-day economic stimulus initiative. The premier is putting his energy behind promoting private business and foreign investment to help alleviate some of the bitter taste left behind in investors' mouths from the grief the government has caused over recent years.

"These [initiatives] are all aimed to increase foreign direct investment to Mongolia because right now one of the key problems is the inflow of foreign capital into Mongolia, and that can only be revived once there is specific projects in place," said Bayanjargal Byambasaikhan, chairman of the Business Council of Mongolia, which he said had provided input to the prime minister's plan.

The tugrug has sunk for about a year because of disputes with investors and unpopular regulations. This month the tugrug depreciated 25.5 percent year-on-year when it cleared a benchmark low of MNT 1,800 for the year against the dollar. The weak currency has made essential imports such as petrol fuel and food staples more expensive than many in the country can bear.

Government revenues aren't anything to boast on about either. Although the volume of coal exported in the first three months of the year saw an 8.4 percent increase from the year before, lower prices resulted in the light 1.4 percent decrease in revenue earned.

Copper revenue grew 67 percent, thanks in no small part to the launch of commercial operations at the Oyu Tolgoi mine in Umnugobi. However, the disagreements over costs between the diversified project lead Rio Tinto and the government have held back a key expansion project that would unlock a majority of the wealth at the mine.

Open for Business

"Mongolia is open for business" is the message the government is so eager to spread. Mongolia's prime minister on April 30 called upon foreign diplomats and leading figures in business to gather for a meeting to announce his plan. Altankhuyag and his aids explained how government would concentrate on supporting business through tax cuts and loans, as well as help to increase production from mines and promote foreign investment.

Efforts by the Mongolian government to recapture foreign investment began in earnest last year. In November 2013, the parliament passed a new Investment Law that threw out unpopular restrictions on foreign investment by private foreign firms. It also approved legislation that revamped Mongolia's securities market and set the foundation for institutional investors to enter the market.



The economic minister went into greater detail on Altankhuyag's plan the next day at the Mongolian Investment Summit in London. A slideshow presented at the summit showed government plans to invest in downstream production for the country's vast coal reserves, such as coal washing and handling. It also went into detail on the country's budding green energy industry and possibilities to expand tourism. Concession agreements between the government and private investor would be a key mechanism to see such projects become a reality, according to the presentation. ▶



has ticked off many of items on its list of issues that need to be dealt with, it is unlikely to eliminate some of the biggest drags on the economy. Mongolia could look forward to growth in line with forecast by the International Monetary Fund (IMF) of 12.9 percent for this year and 7.6 percent for 2015, said Altankhuyag, but he was cool on the implications. “We don’t think it’s a dramatic decrease in our GDP growth,” said one of the prime minister’s aids.

However, that ignores the fact that the IMF in October slashed its projection to 11.7 percent for this year and 5.8 percent for 2015.

But not everything is in the government’s control. One issue out of its hands is demand from China for coal and copper – Mongolia’s two largest exports. It’s also unlikely Mongolia will be able to relaunch development of the Oyu Tolgoi mine.

Statement’s by Rio Chief Executive Officer Sam Walsh and the government indicate that Rio is no rush to begin work on the underground mine shaft. Currently the government is indicating that work could begin in September. But according to Dale Choi, head of Independent Mongolian Metals & Mining Research, it’s unlikely that Rio Tinto will move forward until it can be sure that Mongolia will not try to alter the original terms laid out in a 2009 investment agreement for the project, as it has many times attempted in the past.

“Only RT [Rio Tinto] and GOM [government of Mongolia] know exactly what’s going on but our understanding is that RT wants essentially sanctity of the multi-billion dollar investment agreement, not the never-ending political debate with attempts to renegotiate it,” said Dale Choi in an email note to subscribers. “Although this point is well understood by GoM officials... at the moment there is a lack of prominent national political consensus on sanctity of the Oyu Tolgoi Investment Agreement which would be enabling for RT to proceed with underground development at OT.” ■

▶ Altankhuyag dedicated a fair bit of his plan to the mining sector – which is what put Mongolia on investors’ minds in the first place. Canada’s Centerra Gold has been waiting for the go-ahead from government since 2010 for its Gatsuurt mine after the so-called Long Name Law, which aimed at protecting Mongolia’s forests and water resources, put a wall up ahead of the project. There is also between 106 and 109 licenses that were cancelled by the government after a judge voided every license approved by an official convicted of corruption. Kincora Copper, another Mongolia-focused miner based in Canada,

reported a CAD 7 million writeoff because the court decision meant it could no longer explore at its North Fox and Tourmaline Hills properties.

“In the previous government, some of the licenses were approved in an unlawful way,” said the prime minister. “We are committed to solving the issues. On how, we have a working group to develop the criteria.”

Traversing the Turquoise Hill

While most would agree the government

TAX

PAVING THE WAY FOR TAX REFORM

BY I. OTGON

In previous editions of Mongolian Economy, we wrote about the expectations for tax reform held by people in business. In March we reported on the need for tax reform and measures that should be taken by government. Our April 15 issue also had content about raising the threshold for tax collection as well as 90 percent reimbursement for corporate income tax.

Although all of these issues are now being discussed by the State Great Khural, there is not much information that has been made public about how and when those tax reforms will happen. This issue of Mongolian Economy looks to correct that failing.

The proposed amendments to Mongolia's tax laws have taken centre stage as Mongolia attempts to bring economic stability and larger economic growth to the country.

The second phase of tax reform was included in the government's 2014-2017 action plan. It had the Ministry of Finance focusing on the preparation for the reforms beginning from the second half of last year.

Some representatives of the private sector believe that the threshold for value-added tax of MNT 10 million is too low and only succeeds in promoting the so-called "shadow economy" – or business activity where no tax is paid. These back-alley business transactions can be just as detrimental to private companies as government because those selling goods and services tax free can easily undercut their competitors.

Government officials have said they plan to raise the threshold to MNT 50 million,

but only for small business, and large companies say reform needs to be made for the entire market.

For some large domestic companies, the current tax regime is too expensive. The tax rate for corporate income, personal income, value-added, and social insurance are 10 percent each.

But not everyone agrees that taxes are too high.

"Mongolia is among the lowest taxed nations, not only in Asia but in the world," said E. Batbayar, deputy director of the revenue department at the Ministry of Finance. "We have been looking into every dispute on tax law since 1990. Since 2008, when the economic growth started accelerating, the disputes have been widened."

A chief aim of the tax reform to be submitted to the State Great Khural in August, he said, was to make the tax laws more clear and to educate the public on taxes. The tax regime would also change to adopt some of the terms and practices used around the world to streamline business with foreign nations, he said.

"Tax relations is a very wide issue that covers the whole country, including all of its 2.8 million citizens and a number of foreign citizens who work and live in Mongolia. Thus,

we cannot make the reform happen for the short term. The reform will take a long time," he said.

The government and business have different stances on how to reform the tax regime, but their final destination is the same – to get everybody paying their taxes and to eliminate the shadow economy.

The following are the four stages for the implementation of the tax reform:

Stage 1: Update the tax laws for general tax, corporate income tax, personal income tax, and royalties.

Stage 2: Integrate laws where there is overlap. For example property taxes and minerals royalties should be covered under one tax law.

Stage 3: Implement laws that were passed but never enforced in Mongolia, including taxes for inheritance and endowments.

Stage 4: Amend existing laws relevant to the reform. ■



MONGOLIAN ECONOMY MAGAZINE'S QUESTION

DO YOU THINK TAX REFORM IS NEEDED IN MONGOLIA?

G. Ganbold, director general at Mongol Altan Tos:

There are many issues related to tax in Mongolia. For example, some companies have several bank accounts, some avoid tax, and sometimes it

“ It is a time to reform the current tax setting and make the right policy and framework. ”

is said that the government is forcing pressure on the private sector for collecting tax. It is not true that all organisations avoid tax. Those who hold several accounts are usually small companies, but big companies pay tax fairly.

I am happy to hear that a bill to raise the [value-added] tax threshold to MNT 50 million is to be discussed by the State Great Khural. Also the amount of tax for luxury goods has to be increased. It is not good if both the wealthy and poor pay the same taxes.

The next important thing is that the tax policy needs to be properly directed towards national manufacturers by contributing to them. The contribution is not only about tax exemptions. For example, if a company manufactures products to replace imported goods, the taxes for the same type of imported goods have to be raised so that the market can be protected. In Mongolia, this policy is working properly.

L. Khurelbaatar, president at Monos Group:

I do not think that the current tax setting is really bad. With regards to tax reform, all companies need to learn to pay tax if they earned revenue. It cannot be that some pay for tax while it is not paid by others. Everybody has to pay for tax.

“ The laws are not working, we need to amend them and focus on the implementation ”

Regarding VAT [value-added tax], the issue for raising the threshold is raised often. It would be wrong for someone who earned more than the threshold to pay VAT. Instead, the threshold needs to be abolished so that everybody has to pay for tax. But it is important to keep tax incentives and exemptions. For example, small companies cannot pay a tax that is higher than their revenue. And high taxes cannot be imposed on those who earn low incomes.

Tax reform is being actively discussed, but now there are too many laws in Mongolia. With so many new laws being introduced, how about the enforcement? The laws are not working, we need to amend them and focus on the implementation.

Ch. Nergui, director of the policy planning and coordination department at the Mongolian National Chamber for Commerce and Industry (MNCCI):

In short, the current tax environment is under pressure. For example, business people pay around 40 percent of their revenue for tax. On the other hand, the knowledge and skills of employees at the tax authorities is lacking. They place pressure on the private sector on behalf of the government. It appears that reform is really needed in the tax setting.

“ The time has come to make an extreme change in the tax regime. ”

Now, the tax threshold is to be raised to MNT 50 million, which would not be a solution for any of these issues. After a few years, it for sure will happen again. The time has come to make an extreme change in the tax regime. MNCCI has been developing a number of initiatives in this area.

Another thing related to tax is social insurance. Employers often feel pressure because of this tax. More job creation leads to more pressures from social insurance. So, this type of tax needs to be reduced.

M. Ariunaa, director general at Monchimo:

I cannot say that the current tax setting is bad. But there are a number of issues related to tax. Most issues are caused by the absence of enforcement or compliance of the related tax law. For example, there is a clause in a tax law regarding tax exemption for the implementation of innovation projects and the production of innovating products.

When the laws come to enforcement, it does not happen. The laws have almost been forgotten. If the laws could be enforced, it would be a big contribution by the government to scientific production. Recently, people have been talking about tax reform. If the right time has

“ If the laws could be enforced, it would be a big contribution by the government to the scientific production. ”

come to make a change in the tax environment, it needs to be done, but there would not be any benefit if laws are not enforced, as is the case today. ■

CORRESPONDENCE

A DARK LIFE IN TSAGAAN KHAD

BY S. BATZAYA

A number of trucks scurry along a dirt road, raising dust in the air. The clouds of dust force them to detour on and off the road because of poor visibility. This happens every day here in Tsagaan Khad and is just the norm for those who live and work here.

Tsagaan Khad meaning “white rock” is a baghs (a sub-category of a county) of Khanbogd in the province of Umnugobi, close to where the Oyu Tolgoi mine operates. A number of people, especially truck drivers, have been lured here by the opportunity to make money. Just a few years ago, this area was just a desolate landscape. It is located 130 kilometres from Khanbogd and 240 kilometres from Tsogttsetsii, near where the Tavan Tolgoi coal mine is located.

Everything has changed since a customs control zone was established in Tsagaan Khad a few years ago. This customs facilitates coal en route to China. In Tsagaan Khad, there are a number of residents from different provinces such as Khuvsgul, Bulgan, Orkhon, Uvs, Khovd and Zavkhan. The population is increasing and they need schools, kindergartens and health facilities for the area.

Many people in Tsagaan Khad live in traditional gers, but most are dirty and shabby because of the dust kicked up by the never-ending cavalcade of coal trucks driving over the dirt roads and soot picked up from coal by strong gusts of wind. Tsagaan Khan is increasingly beginning to resemble a small town as the number of migrants from other provinces grows.

In Tsagaan Khad, the organisation’s gers and houses are found strewn about across the landscape. According to the governor of Khan Bogd, it is because of unregulated sprawl. Gers are built haphazardly and are surrounded by unused tyres and broken spare parts for trucks.

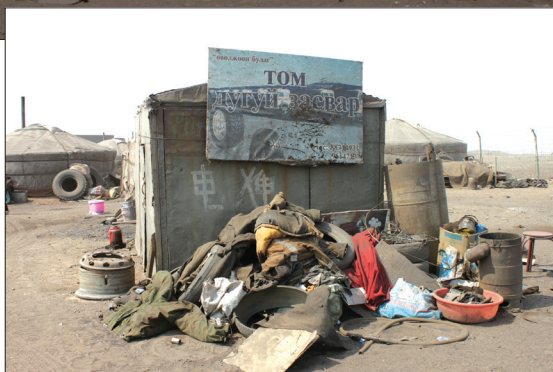
A great deal of coal is stored at Tsagaan Khad as well, but moving tons of coal also spreads giant clouds of soot. It is typical for mines to curtail operations at mines for three months each year, but the clouds never disappear because of all the coal left outdoors for soot to be picked up by winds.

Trucks typically have the capacity to load 70 tonnes of coal at once. But it is common for mining companies to load more



than 100 tonnes to save money. This leads to an increase in a number of accidents.

Trucks often drive slowly to maintain visibility, but every minute is money here. And with coal prices declining, the truck drivers are under immense pressure. One truck driver said that 1,000 trucks usually pass by customs each day. However, the soft coal market means it’s not unusual for just 400 trucks to pass on some days. ▶



Umnugobi aimag. Tsagaan khad 2014.

► Hazy Futures

It is 25 kilometres between Tsagaan Khad and the Gashuun Sukhait – Mongolia's third biggest customs check point. Coal trucks travel along a narrow and dangerous dirt road. Most drivers have grown accustomed to the hazardous nature of their job.

There are two types of drivers that travel between Mongolia's coal mines and China's Gants Mod border point: those who work for Mongolian mines and those who work for Chinese.

The only requirement to work for a Chinese company is a driver's licence. It is a tempting prospect for those looking for work, and people travel from all over.

Chinese companies do not pay insurance fees and drivers risk their lives on these hazardously dusty roads. Any accidents that occur are the drivers' faults and they are responsible for paying for the damage. Drivers are paid MNT 280,000 per trip across the border, which creates large incentive to drive even when it is dangerous to do so because of exhaustion.

Chinese companies have 8,000 trucks in total, of which 4,000 are driven by Mongolian drivers. Each one of them has to pay a RMB 1,500 (MNT436,000) for a year's permission to drive across the border. The distance drivers travel is entirely up to employers. Any driver who manages to transport more than 110 tonnes of coal in one trip is given a bonus of RMB 100 (MNT 29,000).

Mongolian coal mining companies find it hard to compete with those across the border because drivers are so expensive.

"Chinese people voluntarily let Mongolians work for them as truck drivers. In general, they drive trucks to transport coal from Tsagaan Khad. But when their visa is over, they let us complete the short distance to transport for them," said Dashdavaa, a Mongolia driver who works for a Chinese company.

Dashdavaa came to Tsagaan Khad from the northern province of Khuvsgul more than three months ago, but he said that he has not been able to earn enough money to send to his family in his hometown because of the downturn in coal demand.

Dashdavaa's truck was carrying 118 tonnes of coal, 48 more tonnes than the truck is meant to hold. He said it was common for the link carrying the trailer to get damaged, as well as problems with brakes. But drivers are desperate for the RMB 100 (MNT 29,000) bonus.

Lucrative Tyre Repair Work

Tsagaan Khad has five or six tyre repair services because it is common to have holes punched in tyres. It costs MNT 10,000 per tyre repaired MNT 8,000 to change in a new tyre. Tyre service centres used to earn MNT 150,000 to MNT 200,000 a day when coal exports were booming. But those days are gone and business is merely sputtering along today.

"If we stay here longer, our health will deteriorate. So, we hope that we will not be here for that long," laments Oyuntsetseg, the owner of a tyre service centre. "It is a quite difficult to face strong and dusty wind every day." ►►

▶ “Immediately after moving here, we started thinking of going back to Orkhon province, where we came from. After a month we managed to adapt to the current situation. Before we came here, our monthly wages sustained our lives. Since we started earning some profit here on our own, we thought to continue our business and be more patient.”

This family intends to go back to their hometown to resettle after the eldest son’s graduation from university.

Work hazards and health risks

When drivers return from the Chinese border point after unloading their coal hauls, there is a paved road that costs RMB 100 to use. The companies do not pay for that, however, so naturally drivers do not use the road to avoid the extra fee.

The roads are dangerous but air pollution caused by the dust and coal is also causing concern.

“There is no doubt that this tremendous air pollution causes respiratory disease,” said Oyuntsetseg. “Because we are still young, we might not feel it at this moment. When we need medical services, Khanbogd county, located 130 kilometres from here, is the only place we can find a hospital and see a doctor.”

“Sometimes, we have a headache or stomach ache. In that case, we use some pain killers to get over it. Everybody here does the same. It is not easy to find cars that will take us to Khanbogd county. Also it’s quite rare for people to hitchhike to Khanbogd county to see a doctor.”

The lure of more money and a prosperous life is the main draw card for the truck drivers navigating the dirt roads of Tsagaan Khad. The trade off, however, is huge risk to one’s health and life. ■

CORPORATE SOCIAL RESPONSIBILITY

MURUUDUL SHINES TOWARDS THE FUTURE

BY S. ZAYA

In Tsogttsetsii, Umnugobi is a yellow, white and blue building, located right beside the Viva City apartment block – the Murundul School. Behind the Murundul School is a playground, with seats and light posts. The interior of the school was much better than that of any of the public schools in Ulaanbaatar.

Construction of Muruudul School and its kindergarten was a joint investment project by the Umnugobi Governor’s Office and coal miner Energy Resources, divided MNT 3.1 billion and MNT 5.1 billion, respectively. Energy Resources also funded the overall costs for the interior design and school resources.

Muruudul opened on January 24 last year. It is able to hold 700 children while the kindergarten has the capacity for 144 children. There is also a dormitory able to house 100 children.

Ulaanbaatar’s Orchlun School provided training for teaching students English as a second language. Murun is raising the standards for rural schools while many schools around the country lag behind their Ulaanbaatar counterparts.

Not Lagging Behind

The first floor of the school was provided special maintenance so that the children can spend their spare time efficiently. This space will be used for special ▶



Tsogttsetsii school №6

► events, such as an art competition being planned.

The school has classrooms, a gym, and a 75-seat library. There are two separate rooms in the school for English training, in addition to separate rooms for computers and science labs. There is also space for learning handcraft, such as sewing and carpentry.

The school is educating the children of the many families that have moved into Tsogtsetsii since the Tsetsii apartment block opened.

“Currently, there are more than 620 pupils and more than 70 staff and teachers at our school,” said M. Uranchimeg, a vice principal at Muruudul. “The school was also set to accept children from neighbouring towns, other than Tsogtsetsii. There are no afternoon shifts for classes, so we can get the children involved in different clubs and trainings in the afternoon every day.”

The town was desperate for a new school and kindergarten before Murun was built. Tsogtsetsii has 1,500 school-age children and over 700 children old enough for kindergarten. The kindergarten has green space at the entrance with toy animals to greet visitors. The idea is to have the children learn about taking care of the wildlife at the start of their education. There are a number of toys in the kindergarten designed for the children’s mental development.

The administrators for the kindergarten said it was important to teach the children Mongolian traditions at an early age. The different rooms have different looks to them, including one designed to look like a traditional Mongolian ger. There is a model of the town for the children to interact with too.

“Since our kindergarten started last year the number of children reached 317,” said B. Oyungerel, the kindergarten’s principal. “With a capacity for 150 children, we needed to have a ger kindergarten outside. We have also created

two additional rooms in the kindergarten. Each class now has 35 children.”

Energy Resource launched its operation in Tsogtsetsii in 2009. It paid MNT 13 billion in tax to the government in 2009, MNT 54 billion in 2010, MNT 116.5 billion in 2011, MNT 163.2 billion in 2012, and MNT 52 billion in 2013. Last year’s payment was less than previous years because of the difficult challenges coal producers are facing.

Energy Resources’ corporate social responsibility goes beyond grants, however. It also supports community



The school's dormitory



Kindergarten

projects for sustainable regional development to benefit all members of the community. The company last year spent MNT 12.2 billion for local development at Tsogtsetsii.

The miners also started providing local citizens with reliable energy and purified drinking water, as part of its Ukhaa Khudag project for infrastructure development. Clearly it is having a deep impact on the lives of local residents. ■

FINANCE

MAKING PROGRESS ON THE MSE

BY B. TOGTOKH

The cost for the overhaul to the Mongolian Stock Exchange (MSE) totalled USD 13.4 million, of which some 20 percent was spent on operating costs. The exchange has partnered with the London Stock Exchange (LSE) for three years to assist in the transition to new regulations and the Millennium IT trading platform.

On the regulatory side, the MSE will now operate in line with the Securities Law and Investment Fund Law, which both took effect at the start of this year.

The LSE spent USD 30,000 to hire a consulting team and lawyer to assist in the drafting of the Securities Law. The Mongolian exchange and Financial Regulatory Commission introduced provisions for registration. Final approval for the new regulatory regime will have to come from the board of directors.

With foreign investment and coal sales still in a slump, the capital exchange could stimulate some economic activity.

"Mongolia's credit rating has been cut. This is a rare chance to activate the capital market amid a difficult economic situation," said Tundeviin Jambaajamts, director of the capital market policy planning division of the securities department at Financial Regulatory Commission.

However, if Mongolia's capital market is to take in foreign investment, it will need some essential components, said parliamentarian Rinchinnyamyn Amarjargal. "A custodian banking service should be introduced to Mongolia as soon as possible. Without the custodians, Mongolia shouldn't even dream of attracting foreign investment," he said.

Mongolia's four largest commercial banks – Khan Bank, Khas Bank, Golomt Bank, and Trade and Development Bank – are preparing to roll out their own custodial services. The

custodians are responsible for holding onto traders' securities for safekeeping to prevent theft or loss.

A custodian could be holding millions of dollars in assets – billions for larger institutions – so clear regulations and reputable service providers are essential. The Financial Regulatory Commission approved its special licensing regulations for custodians.

The exchange cut the number of shareholding companies registered from 330 to 200 to create a healthier market.

The remaining companies are now required by the Company Law to issue public financial statements. Meanwhile, the registered companies that do not have their shares traded need to be delisted. This month the Financial Regulatory Commission rolled out regulations for these companies, such as MIAT Mongolian Airlines, which would allow it to have a public offering later down the line, if it so chooses.

Khangain Altai resigned as chief executive for the MSE four months ago, after overseeing the migration to a modern platform and new regulations. His successor is likely to be chosen this month. The acting chief is D. Bolormaa, who was the head of the state property management department at State Property Committee.

The Mongolian government paid USD 1.5 million to the LSE for fulfilling its obligations in the Master Service Agreement made with the MSE, which ended April 7. Bolormaa has said that

the MSE would continue its strategic partnership with the LSE. With the technical upgrade finished, trade on the MSE is much faster and brokers are able to trade from their offices rather than at the exchange itself.

Altai said that the MSE is one of only a handful of completely state-owned capital markets in the world and it would benefit by privatising sooner rather than later. ■



ECONOMIST'S COLUMN

ECONOMIC OUTLOOK FOR MONGOLIA, APRIL 2014



MASA IGATA

Founder & Chief Executive Officer, Frontier Securities

Mr. Masa Igata, Founder & CEO of Frontier Securities, is a well-known pioneer figure in Asian frontier markets with more than 25 years of professional experience in financial markets.

In the beginning of April, at a press meeting, Prime Minister Altankhuyag admitted the Mongolian economy is not in good shape. However, he stressed that the reason behind a weak economy is mainly due to external factors. It is true that the commodity prices, which are important for Mongolia, are all down this year. But is there anything else that Mongolia can do internally to improve the economy?

April also saw the release of several reports from major foreign donors, such as ADB, World Bank and IMF. A brief insight into these reports and what each entails for Mongolia follows.

The World Economic Outlook of the International Monetary Fund

According to the world economic outlook of the IMF, released at the beginning of April (see table below), the economies of most developed countries are doing well so far and will do better in 2015. For instance, the US economy has dipped in 2013 to a growth rate of 1.9 percent. Yet, because of the recovery of consumption, accounting for almost 70 percent of the economy, the US growth rate in 2014 is expected to stay strong at 2.8 percent followed by 3 percent in 2015. Europe is still in a recovery phase from the Greece shock in 2012. However, liquidity towards the region has also increased for the last two years. Hence, the growth rate is recovering from -0.5 percent to 1.2 percent and 1.5 percent in 2014 and 2015 respectively.

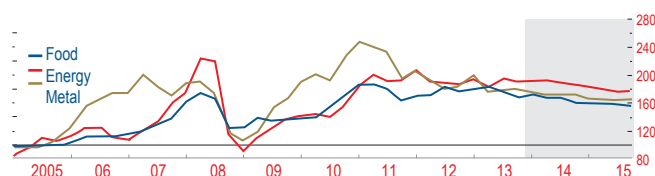
On the other hand, the growth rate of Emerging markets will slow down at around 5 percent in 2014 and 2015. Particularly, investors are worrying about the sustainability of the economy in China. So, we will explain further about China's economy later on.

	2012	2013	2014	2015
World Output	3.2	3.0	3.6	3.9
Advanced Economies	1.4	1.3	2.2	2.3
United States	2.8	1.9	2.8	3.0
Euro Area ²	-0.7	-0.5	1.2	1.5
Germany	0.9	0.5	1.7	1.6
France	0.0	0.3	1.0	1.5
Italy	-2.4	-1.9	0.6	1.1
Spain	-1.6	-1.2	0.9	1.0
Japan	1.4	1.5	1.4	1.0
United Kingdom	0.3	1.8	2.9	2.5
Canada	1.7	2.0	2.3	2.4
Other Advanced Economies ³	1.9	2.3	3.0	3.2
Emerging Market and Developing Economies⁴	5.0	4.7	4.9	5.3

The Commodity Price Outlook of IMF

As you see below, even with the robust economy growth in both the developed and emerging economies, the outlook of the commodity price is grim. The main cause may be China's change in economic structure, as China has been consuming quite significant amount of commodities through the last five years. »

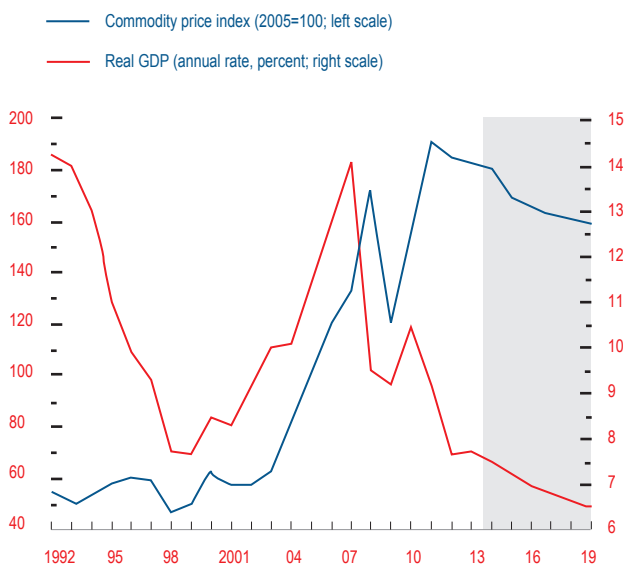
IMF Commodity Price Indices (2005=100)



► Is China's Spending Pattern Shifting (away from Commodities)?

Below is the long-term forecast of commodity price and the growth rate of China forecasted by IMF. As you can see, the Chinese economy will slow down gradually to around 6.5 percent in 2019. The growth rate in China will still be quite significant. However, the IMF believes that the commodity price will consolidate in the next five years.

China: Real GDP Growth and Commodity Prices



Sources: IMF, Primary Commodity Price System; and IMF staff estimates

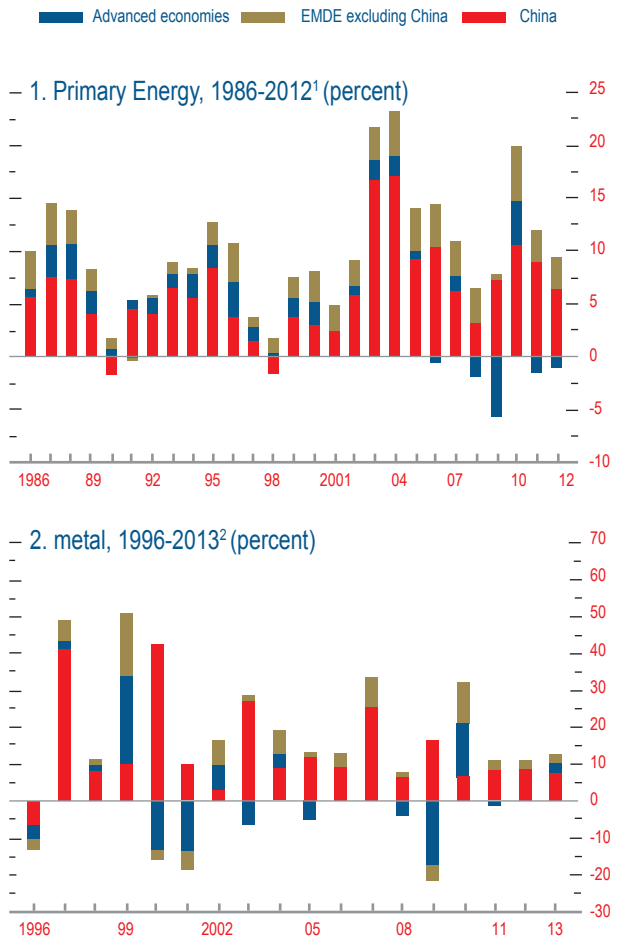
One of the reasons for the weak commodity prices with relatively strong economic growth in China can be explained by the change of the patterns of the consumption in China. Compared with 10 years ago, the rate of consumption of commodity and metal has halved in 2012 as you see below. Industry experts predict that they will spend even less on commodities in the future.

Basically, this is because China has already built up massive infrastructure during the last decade. So, the growth of its economy will be reliant on service sectors like consumption. Also, because of the higher labor cost, it has become more difficult for China's manufacturing sector to compete globally.

The graphs below will explain the correlation between income level and commodity consumption rate in developed nations in the past.

It is true that as income increases, the consumption of energy will increase. However, the investment to fixed assets will stop to increase once the investment to major infrastructure projects has finished. If you look at China, Government investment on public infrastructure has increased considerably in the last few years and the level of investment was much higher compared to other economies. This investments saw an upswing in

Growth Rate of Global Commodity Consumption



commodity prices until 2011. However, because the level of investment was abnormally high compared with the other economies, the driver of the economic growth will be shifted to the service sector in the future.

The level of private consumption in China, on the other hand, has been lower compared with other economies at a similar stage. Therefore, this expected shift will drive the economy in the future. The demand for commodities will not be as high as when the economy was driven by heavy investment in public infrastructure.

Therefore, even will relatively high growth of China at 6 to 7 percent until 2020, the commodity price may remain weak.

The Assessment of IMF of Emerging Economies in the World including Mongolia

The table below shows the most updated GDP forecast of emerging market and developing economies, according to the IMF. It says the economic growth rate of Mongolia was the highest among those nations in 2013. Mongolia is likely to ►►

- maintain its surprising rate of growth in 2014 with 12.9 percent assuming Oyu Tolgoi and the government reach an agreement. However, the rate of growth in 2014 will slow down to 7 to 9 percent in the next two years. The World Bank forecast is too optimistic because the investment related to Oyu Tolgoi remains uncertain.

Emerging Market and Developing Economies: Real GDP

(Annual percent change)

	Amiga										Projects		
	1995-2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2019	
Commonwealth of Independent States ¹¹	4.2	1.1	1.1	5.3	-6.4	4.9	4.8	3.4	2.1	2.3	3.1	3.2	
Russia	3.8	8.2	8.5	5.2	-7.8	4.5	4.3	3.4	1.3	U	2.3	2.5	
Excluding Russia	5.0	10.6	9.9	5.6	-3.1	6.0	6.1	3.3	3.9	5.3	5.7	5.0	
Algeria	8.6	13.2	13.7	6.9	-14.1	2.2	4.7	7.1	3.2	4.3	4.5	5.0	
Australia	9.5	34.5	25.0	10.8	9.3	5.0	0.1	2.2	5.8	5.0	4.6	4.2	
Bahrain	6.9	10.0	8.7	10.3	0.1	7.7	5.5	1.7	0.9	1.6	2.5	2.8	
Georgia	6.5	9.4	12.3	2.3	-3.8	6.3	7.2	6.2	3.2	5.0	5.0	5.0	
Kazakhstan	6.4	10.7	8.9	3.3	1.2	7.3	7.5	5.0	6.0	5.7	6.1	5.4	
Kyrgyz Republic	4.7	3.1	8.5	7.6	2.9	-0.5	6.0	-0.9	10.5	4.4	4.9	5.2	
Moldova	2.2	4.8	3.0	7.8	-0.0	7.1	6.8	-0.7	8.9	3.5	4.5	4.0	
Timor	6.0	7.0	7.8	7.9	3.9	6.5	7.4	7.5	7.4	6.2	5.7	5.8	
Turkmenistan	9.9	11.0	11.1	14.7	6.1	9.2	14.7	11.1	10.2	10.7	12.5	8.3	
Ukraine	2.8	7.4	7.6	2.3	-14.8	4.1	5.2	0.2	0.0				
Uzbekistan	4.6	7.5	9.5	9.0	8.1	8.5	8.3	8.2	8.0	7.0	6.5	5.5	
Emerging and Developing Asia	7.1	10.3	11.5	7.3	7.7	9.7	7.9	7.7	6.5	6.7	6.8	6.5	
Bangladesh	5.4	6.5	6.3	6.0	5.9	6.4	6.5	6.1	5.8	6.0	6.5	7.0	
Bhutan	6.9	7.0	12.6	10.8	5.7	9.3	10.1	6.5	5.0	6.4	7.6	8.0	
Brunei Darussalam	1.7	4.4	0.2	-1.9	-1.8	2.6	3.4	0.9	-1.2	5.4	3.0	3.5	
Cambodia	8.3	10.8	10.2	6.7	0.1	6.1	7.1	7.3	7.0	7.2	7.3	7.5	
Cuba	9.2	12.7	14.2	9.6	9.2	10.4	9.3	7.7	7.7	7.5	7.3	6.5	
France	2.5	1.9	-0.9	1.0	-1.4	3.0	2.7	1.7	3.0	2.3	2.3	2.4	
India	6.4	9.3	9.8	3.9	8.5	10.3	6.6	4.7	4.4	5.4	6.4	6.8	
Indonesia	2.6	5.5	6.3	6.0	4.6	6.2	6.5	6.3	5.8	5.4	5.8	6.0	
Kiribati	2.3	-4.5	7.5	2.8	-0.7	-0.5	2.7	2.8	2.9	2.7	2.0	2.0	
Lao P.D.R.	6.0	8.6	7.8	7.8	7.5	8.1	8.0	7.9	8.2	7.5	7.8	7.5	
Malaysia	4.7	5.6	6.3	4.8	-1.5	7.4	5.1	5.6	4.7	5.2	5.0	5.0	
Maldives	6.7	1.9	10.6	12.2	-3.6	7.1	6.5	0.9	3.7	4.2	4.5	4.8	
Marshall Islands	«* a	1.9	3.8	-2.0	-1.8	5.9	0.6	3.2	0.8	3.2	1.7	1.5	
Mexico	0.2	-0.2	-2.1	-2.6	1.0	2.5	2.1	0.4	0.6	0.6	0.6	0.7	
Mongolia	4.6	8.6	10.2	8.9	-1.3	6.4	1.7	1.2	1.1	1.2	7.7	8.8	
Myanmar		13.1	12.0	3.6	5.1	5.3	5.9	7.3	7.5	7.8	7.8	7.7	
Nepal	4.2	3.4	3.4	6.1	4.5	4.8	3.4	4.9	3.6	4.5	4.5	5.0	

ADB's assessment of the Mongolian Economy and Policy Recommendations

Seeing as 90 percent of Mongolian exports are sent to China and the contribution of the mineral sector to exports is also around 90 percent, the decrease in China's appetite for commodities and a weaker commodity price is worrisome for Mongolia. In this environment, according to ADB, Mongolia is challenged by significant external imbalances because

foreign direct investment has declined rapidly and some mineral exports remain weak. Growth is forecast to remain moderate in 2014 and broadly stable in 2015, inflation to decline, and the current account balance to improve over the next two years, assuming the appropriate policies. The major policy priority is to address pressures on the balance of payments and foreign exchange reserves.

Based on the above scenario, ADB forecasts that the GDP in Mongolia will grow 9.5 percent in 2014 and 10.0 percent in 2015. ►

Selected economic indicators (%)

	2014	2015
GDP growth	9.5	10.0
Inflation	11.0	8.0
Current account balance (share of GDP)	-20.0	-15.0

Source: ADB estimates

We also believe that their forecast is based on the optimistic scenario that Oyu Tolgoi-related income will be generated in 2014.

The Outlook and Emerging Challenges Observed by World Bank

According to World Bank, in 2014, economic policies in Mongolia are likely to repeat the expansionary path of the last year in light of continued political

Mongolia: Key Economic Indicators

	2012	2013*	2014 ¹	2015 ^f	2016 ¹
	Year	Year	Year	Year	Year
Output, Employment, and Prices					
Real GDP (% change yoy)	12.4	11.7	11.4	9.2	7.6
Mineral GDP (% yoy)	8.0	20.7	32.4	13.8	1.1
Consumer price index (% change yoy) 1/	14.2	12.3	12.5	9.9	8.0
Public Sector					
Government revenues (%GDP)	35.5	33.8	31.9	31.7	32.4
Government expenditures (9b GDP)	46.7	44.7	41.0	37.1	35.6
Government balance (% GDP)	-11.1	-10.9	-9.1	-5.4	-3.2
Total public sector debt (% GDP)	62.7	58.7			
Foreign Trade, BOP, and External Debt					
Trade balance (millions US\$)	-2,354	-2,082	+1,122	-819	+768
Exports of goods (millions US\$)	4,384	4,273	5,366	6,150	6,758
(% change yoy)	-9.0	-2.6	25.6	14.6	9.9
Imports of goods (millions US\$)	6,738	6,355	6,488	6,969	7,526
(% change yoy)	2.1	-5.7	2.1	7.4	8.0
Current account balance (millions US\$)	-3,362	-3,155	-2,435	-2,270	-2,087
(%GDP)	-32.8	-27.5	-20.8	-16.9	-13.7
Foreign direct investment (millions US\$)	4,407	2,342			
Foreign exchange reserves, gross (millions US\$)	4,126	1,242			
(month of imports of g&s)	64	35			
Financial Markets					
Domestic credit (% change yoy)	-7.5	146.0			
Reserve money (% change yoy)	30.5	54.0			
Short-term interest rate (% p.a.) 2/	13.3	10.5			
Exchange rate (Tugrik/US\$) eop	1,392	1,674			
Real effective exchange rate (2000=100)	140.0	136.5			
(% change yoy)	5.1	-2.5			
Stock market index (Dec 2000=100) 3/	17,714	16,736			
Memo: Nominal GDP (millions US\$)	10,067	11,471	11,725	13,398	15,277

e - estimate.

1 - forecast

1/ Ulaanbaatar

2/ Base policy rate

3/ Top-20 index.

emphasis on double-digit economic growth. Off-budget spending through the Development Bank of Mongolia will remain as the main financing vehicle for many infrastructure projects, by passing the control of the Fiscal Stability Law. It is likely to create an additional 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 Stabilisation Program and the politically popular housing mortgage program.

ADB also predicts that the main policy challenge is to adjust to unsustainable macroeconomic policies to relieve BOP pressure, contain inflation, and reduce the risk of severe distress in the financial sector. Negative shocks to FDI and coal exports have intensified BOP pressures since mid-2012. These types of pressure 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 the 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 the 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 most urgent. Monetary policy should focus on macroeconomic and financial stability. The priority should be to gradually phased out from the Bank of Mongolia's quasi-fiscal lending programs—or, if they are considered high priority, included in the budget. Procyclical fiscal policy is a major concern, although the discipline of the Fiscal Stability Law, if adhered to, in practice and in spirit, would reduce the scope for such a policy. Needed fiscal reforms include reprioritising and reducing public expenditure, incorporating Development Bank of Mongolia off-budget expenditure into the budget (thereby subjecting it to the Fiscal Stability Law), and developing a medium-term fiscal framework to reduce the ▶

► consolidated, on- and off-budget deficit the law's 2 percent ceiling. Expenditure reform should include improving the quality of public investment expenditure which has come under strain in view of the rapid increase in public investment.

Frontier shares the same view with World Bank that the international reserve level and exchange rate will likely remain under continued pressure from the large gap between the current and financial-capital accounts. Therefore, we hope that the government will ensure a stable and sustainable growth path, minimising the possibility of boom-bust cycles and addressing the balance-of-payments situation. The immediate policy priority is to counter rising balance-of-payments pressure and inflation through regaining foreign capital inflow and tighter economic management.

2013 was a bad year for emerging economies' foreign exchanges. Some currencies in emerging markets have lost their value as much as 30 percent compared with that of the US dollar. However, in 2014, the direction seems to depend on each country's economic condition. JP Morgan Asset Management has put importance on the direction of current deficit. In case the current deficit is shrinking, the pressure for foreign exchange will be softened. That is why most of the emerging economies are trying to tighten monetary policy. However, Mongolia has been loosening both the fiscal and monetary policy at a time while the economy has been losing its momentum. Therefore, we are seeing mounting pressure on the tugrug. We hope that the government will understand the risk and take measures to tighten the economy to defend the currency. ■

How is Mongolia going to pay for all this?

During a presentation on bond spending held May 2, opposition members of parliament said amendments to the 2014 budget should include bond spending. It is unclear how many companies received loans from bond proceeds for the prime minister's initiative to finance start ups and expansions for Mongolian industry. The hope is those goods would create exports and replace poor-quality imports. It is also unclear the interest rates commercial banks will have to pay the government to lend that money.

Prime Minister Norovyn Altankhuyag on May 2 said Mongolia would utilise MNT 394 billion for this initiative out of a total MNT 1.267 trillion borrowed.

Spending

Altankhuyag said MNT 570 billion would be spent for the development and construction of 10 road projects and 14 unfinished projects from last year. These projects factor into the larger effort to create a road network that links each of Mongolia's 25 provinces with the capital.

There is also the "Streets" project for the construction of a highway along the Tuul and Selbe Rivers, as well as the renovation of 33 intersections. Work will also be done to build basic infrastructure for Ulaanbaatar's ger districts. Last year saw the completion of two roads and the renovation of 16 intersections.

Mongolia's budgets included MNT 516.7 billion in spending to fund 92 projects in 2013 and 2014. Those funds would also go towards building an engineering ►

BOND

THE SPENDING OF A DEBT CREDITED FROM THE FUTURE

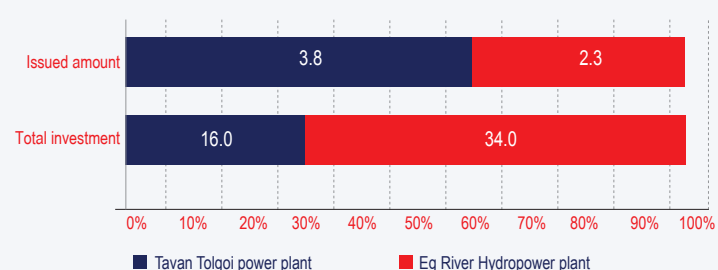
BY S. ZAYA

While Mongolia's debts are getting higher each year, the question of how Mongolia is ever going to pay for all this is becoming a growing concern.

The proceeds of the Chinggis bond are being spent on a number of projects that might not seem economically beneficial. In turn, it has caused concern for how Mongolia can repay such big debt. An initial payment of USD 500 million must be paid in 2018, followed by USD 1 billion in 2022. Mongolia will be liable for USD 71.9 million in 2017 for a half year's interest. Another bond worth USD 580 million was issued by the Development

Bank of Mongolia in 2012, and should also be repaid in full by 2017.

Investment for Tavan Tolgoi power plant and Eg River Hydropower plant projects (million/s of USD)



► pipeline network in Ulaanbaatar. Work has yet to begin on these fronts, however, because the Development Bank of Mongolia last year has only dispersed MNT 200 billion for 66 projects.

Mongolia is also planning the construction of 1,800 kilometres of railway throughout the country. Economic Development Minister Nyamjavyn Batbayar in April proposed the government provide USD 164.2 million for the construction of railway between Energy Resource's Ukhua Khudag mine and the Gashuun Sukhait border port rather than the USD 200 million initially planned.

A 450 megawatt power plant at the Tavan Tolgoi coal deposit will receive USD 16 million from bond proceeds. The financing agreement has the option for convertible stock in the plant. Last year the government approved USD 15.98 million to fund prep work at the site. The Eg River Hydropower Plant, too, will receive bond financing of USD 34 million.

Funds will also be allocated for housing projects, including the Buyant Ukhua 1 apartment block, which will comprise 28 buildings with 1,764 apartments. Bond proceeds will also fund projects for the production of building reinforcements and an iron ore concentration plant. MNT 270 billion will fund projects for cashmere, textiles, green-house farming, and dairy.

The government has funded around MNT 140 billion for these projects. Also, MNT 12.8 billion was spent to construct a steel mill and USD 14 million was spent on a factory to produce construction materials.

Exchange Rate Losses

The government has yet to explain how it will repay its debts in 2017, 2018 and 2022. Few of the projects will generate revenue that can be used to repay that debt.

"The proceeds of the Chinggis bond were meant to be spent on efficient projects from the very beginning," said D. Khoshbayar, an economic expert for the Mongolian People's Party. "Since it's debt, the bond should have been

spent on projects that are economically beneficial in the short term. Instead the proceeds have been spent for the construction and renovation of roads, intersections, maintenance, and infrastructure. The proceeds seem to have not hit their target."

The fact that the debt came in the form of U.S. dollars means currency fluctuations put the country at great risk. Last year, companies that borrowed in dollars saw losses totalling some MNT 570 billion.

Mongolia has a policy council responsible for monitoring bond

proceed spending. On the council are representatives from the Ministry of Economic Development, the Ministry of Finance and other policy-making organisations. However, there is no record of who exactly sits on the council.

Bond proceeds have already started making their way to finance projects, but the results have not been impressive. If public officials do not start taking the matter seriously soon, Mongolia will face serious consequences once bond holders look to collect. ■



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 May:

BUSINESS

BANKS TO KEEP BACKING UNDERGROUND EXPANSION OF OT

A group of banks has agreed to a six-month extension of a commitment to fund the underground expansion of the Oyu Tolgoi copper-gold mine, the chief executive of mine owner Turquoise Hill Resources Ltd. said on Tuesday.

The expansion still must be approved by the company and the Mongolian government after a new feasibility study is done. Turquoise Hill Chief Executive Officer Kay Priestly said the study will be finished by the end of June, contrary to an assertion by a Mongolian government official earlier this month that it had already been completed. Fourteen of 15 banks have agreed to extend their financing commitments to September 30, with a response from the final bank expected shortly, Priestly said on a conference call held to discuss Turquoise Hill's first-quarter results. ►►

▶ “With this we now have sufficient commitments to reach our funding goal of approximately a USD 4 billion facility,” she said.

Priestly said talks with the Mongolian government on restarting development of the underground expansion have been “constructive”. She also said that Turquoise Hill is considering selling its stake in Mongolian coal miner SouthGobi Resources Ltd. as it focuses on Oyu Tolgoi.

Turquoise Hill owns about 58 percent of SouthGobi, which has a market value of around CAD 93 million (USD 85.29 million) and owns the Ovoot Tolgoi open pit coal mine and three coal projects in Mongolia.

Source: Reuters

ERDENES TAVAN TOLGOI REPORTS Q1 SALES OF USD 50 MILLION

Erdenes Tavan Tolgoi LLC has reported sales of USD 50 million from the export of 1.3 million tons of coal in the first quarter of this year.

Sales grew 13 percent from the same period in 2013, when the company could not make deliveries because it had fallen behind on payments to transport companies.

Source: Montsame

ECONOMY

‘DEPRECIATION OF TUGRUG IS SEASONAL,’ SAYS MONGOL BANK GOVERNOR

Mongolia is currently suffering from a seasonal depreciation of the tugrug, said the head of the central bank, which is exacerbating weakness of what Bloomberg has reported as Asia’s poorest performing currency.

“Sixty percent of the US dollars used in Mongolia is in the spring season,” said Bank of Mongolia Governor Naidansurenin Zoljargal. “On the other hand, U.S. dollar inflow is in the second half of the year.”

He said revenue from cashmere typically appears about now, in May and June. Also, income from coal sales is about

USD 100 million less than last year because of the soft coal market. He said he expected gold revenue to grow further following the government’s USD 400 million in financing for the development of gold-mining operations. Despite the poor performance of the tugrug, the foreign trade balance is improving, said Zoljargal. The Q1 foreign trade deficit is USD 9 million this year compared with USD 400 million last year.

Political risk stands to rock the economy further, he warned. He advised that government concentrate on increasing exports and attracting foreign investment instead of short-term interventionist strategies such as government lending to local producers to maintain stable prices.

Source: Undesnii Shuudan

AGRICULTURE SUPPORT FUND TO SELL WHEAT SEEDS

The Agriculture Support Fund is planning to offer farmers MNT 18 million in soft loans.

Mongolia has 1,180 active farmers this year, with over 1,000 of them planning to sow wheat. The Agriculture Support Fund will provide grain seed to farmers able to pay 20 percent upfront. The remainder will be collected after harvest time.

The fund will sell three types of seed, with the A-and B-class seeds to sell for MNT 880,000 and MNT 830,000 a ton, respectively. Flour is expected to sell for a minimum of MNT 460,000 a ton this year. *Source: Montsame*

POLITICS

AGRICULTURE MINISTER’S RESIGNATION REQUEST APPROVED BY PARLIAMENT

Parliament on May 14 approved Minister of Agriculture and Industry Kh. Battulga’s resignation request from his post at the Cabinet Secretariat.

Parliament voted 54 in favor out of a total 69 members in attendance

Battulga will continue to act as a sitting member of Parliament. Battulga submitted a resignation request because of his support for the so-called “Double Deal” bill that was struck down by Parliament last week. The bill would have prohibited members of Parliament from taking on most ministerial roles.

“It is inappropriate for me to hold this position as I supported the bill myself,” said Battulga in his resignation.

Source: News.mn

PARLIAMENT REJECTS DISMISSAL REQUEST HEARING FOR JUSTICE MINISTER

A petition led by parliamentarian O. Basankhuu for a hearing for the possible dismissal of Justice Minister Kh. Temuujin was rescinded.

Baasankhuu submitted a petition calling for the resignation of Justice Minister Kh. Temuujin for what he claimed were serious cases of misconduct. Reasons for the need to dismiss Temuujin on the petition were his breach of Mongolia’s laws, his inability to manage his ministry’s responsibilities, and poor ethical choices. Baasankhuu cited Temuujin’s merging of the general hospital for state special servants with the hospital of the Defense Ministry, which he claims is in breach of the Law on Budget, and that his negligence is responsible for damage to a MNT 3.2 billion MRI machine. He also pointed to a relationship between him and a drug-addicted young woman that he found to be inappropriate.

Baasankhuu also said Temuujin abused his position by having his child adopted by a diplomatic official in Canada to give him the opportunity for a Canadian education. Temuujin later took parental rights for his son back.

Local press reported on Wednesday that Mongolian People’s Revolutionary Party leaders demanded that Basaankhuu withdraw his petition and that he may face possible dismissal from the party for submitting the petition.

Sources: Undesnii Shuudan, Udriin Sonin, Shuurkhai.mn, Infomongolia.com



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