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MONGOLIAN ECONOMY

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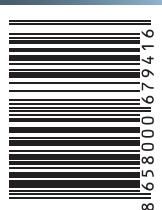
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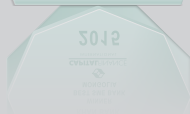
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MONGOLIAN ECONOMY

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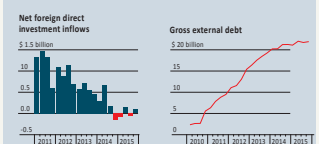


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EDITOR'S NOTE



The Mongolia Economic Forum is being held at the State House under the theme “Lessons Learned, Facing Challenges and Solutions Pending” for the seventh consecutive year on March 30 and 31. The forum has its own established standards, including the forum theme, opening statements and presence of reputable foreign and domestic guests. The organisers involve a large number of representatives from the public sector, private sector and researchers to raise broad scope topics about the economy and the development of the country. The reason why the topics selected for

the MEF is discussed throughout the year is related to prediction of arising issues and smart reviews of the topics. Last year’s forum was held under the theme “Building Credibility,” binding together important issues such as falling prices of mining products, sharp decline in foreign investment, government instability and many other socioeconomic issues. The forum’s theme in 2014 was “Let’s create in Mongolia.” This year’s objective of the forum is to discuss lessons learned, challenges and possible solutions and walk forward into the future with confidence.

Since the establishment of Mongolian Economy magazine in 2011, we have continually participated in the forum as a media sponsor and also to raise issues on multilateral positions.

This time, the Mongolia Economic Forum has raised questions on many new topics such as Mongolia’s economic outlook, lessons learned from mining, competent governance, ambitions of young Mongolians, professional ethics, women’s leadership in the society, competitiveness of lawyers and long-term sustainable development policies of Mongolia. Readers can also get information about these topics from the magazine. In addition, the Mongolia Economic Forum traditionally invites reputable foreign guests. This time, the forum has invited Ayumi Konishi, Director General of ADB East Asia Department, and Daniel Kaufmann, President of the Natural Resource Governance Institute, as distinguished guests. There is no doubt that their speeches from the podium will be interesting, providing new information to the participants. ■

Deputy Editor I. Otgonjargal

Mongolia

Government

With the implementation of the government's "Good Herder" programme, 850 herders were granted loans at 10 percent annual interest. Specifically, State Bank received loan applications amounting to MNT 5.6 billion from 1,803 herders. State Bank granted loans equal to MNT 2.6 billion from the submitted requests.

Finance

In 2015, non-banking financial institutions reaped net after-tax profits of MNT 46.3 billion, which is an increase of about MNT 10 billion from 2014. Total assets of non-banking financial institutions reached 2.7 percent of GDP which is a 0.5 percent increase from the same period of the previous year.

Production

Relevant officials announced a project to establish a joint Taiwanese, Malaysian and Mongolian sea buckthorn plant. The investor on the Mongolian side will contribute 20-40 percent of the total investment and be in charge of the domestic market. A Taiwanese business delegation led by head of the Mongolia-Taiwan cooperation association Hong Huo-Ming is focusing on connecting business partners and getting the ball rolling on their next trip.

Roads

This year, 1,033 kilometres of road will be built along 14 routes. The Ministry of Roads and Transportation will build the roads through funds from the state budget, foreign loans and aid. Road construction will resume into 2017, with 760 km of road along 11 routes and three bridges planned. This year's road construction works will begin nationwide starting April 15.

Projects

It was recently decided that an oil refinery with a capacity of 2.3 million tonnes would be built in Bor-Undur soum of Khentii province, and a tender to select a consortium of domestic companies to invest and implement the project is underway. The criteria for tender applicants include being a consortium with participation of domestic companies and one of the members of the consortium having experience of establishing and operating similar oil refineries within the past 10 years.



Lending

The Ministry of Finance reported that the USD 250 million loan from Credit Suisse will not go towards plugging the budget deficit. However, the repayment of internally issued government bonds will be financed from this source. Therefore, the Ministry of Finance has noted that repaying high-interest domestic bonds through this low-cost loan financing is an effective option.

Tax

Citizens receive tax reimbursements if they purchased real estate or paid university tuition during the year in accordance with the personal income tax law. This year's tax returns will be provided starting from April. People who submitted the necessary documents before January 22 will receive reimbursement first while the next in line will be provided within April. This year, a total of MNT 45.8 billion in tax reimbursements will be provided to over 75 thousand citizens. Sixty percent of reimbursements are for real estate purchases, and the rest for tuition payment. ▶

► Mining

Minister of Mining R.Jigjid announced that Centerra Gold Mongolia (the licence-holder of the Gatsuurt deposit) and Areva (licence-holder of Zuu-uch Ovoo and the Dulaan Mountain uranium deposit) have begun separate negotiations to establish a deposit exploitation agreement and investment agreement with Mitsubishi Group. R.Jigjid announced the news during the “Mongolian Geological Survey 2014” conference. In 2013 and 2014, expenditures by private firms in the geological sector were estimated to MNT 150 billion.

Agriculture

At the beginning of the year, 23.8 million heads of livestock were counted nationwide. As of March 25, the country has 11.5 thousand camel calves, 7.4 thousand colts, 46.2 thousand horse calves, 1.4 million lamb and 1.3 million goatlings. Offspring survival is at 97.2 percent. Agriculture is Mongolia’s traditional sector and accounts for about a fifth of Mongolia’s GDP.



Cultivation

This year, Mongolia will sow 323 thousand hectares of crops. Of that amount, 302 thousand hectares will be used for wheat and 21 thousand hectares for potatoes and other vegetables. The Ministry of Food and Agriculture is preparing to sow forage crops on the remaining 16.3 thousand hectares and vegetables and other reserve plants on 25.3 thousand hectares. The Ministry decided to

China

Last month, China’s import of coking coal amounted to nearly three million tonnes, falling by a quarter from the same period of the previous year. As of the first two months of this year, Mongolia exported 1.4 million tonnes of coal to China, which is a 16 percent decrease compared to the previous year. China imported a total of 6.33 million tonnes of coking coal in the first two months of the year.

Energy

Negotiations to build centralised power stations in 10 provinces through funding by the Republic of Korea is currently on-going. In 2015, the energy sector as a whole made revenues amounting to MNT 790 million.

Russia

The Ministry of Energy noted that electricity bought from Russia decreased by 36 percent, as consumer energy dependability improved and domestic electricity production increased compared to the previous year. This past year, the sector’s operating costs decreased by MNT 27.3 billion, and the total deficit of the sector decreased by MNT 23.7 billion.

Foreign trade

In the first two months of this year, Mongolia conducted trade with 105 countries, with total foreign trade turnover reaching USD 965.4 million. Exports accounted for about USD 620 million and import accounted for USD 350 million. Total turnover decreased by 20 percent from the same period of the previous year.

grant two-year loans at 12.5 percent interest through the Development Bank to agriculturists who suffered heavy harvest losses due to weather conditions last year. However, the Development Bank will be responsible for figuring out how to find the MNT 100 billion required for the loans which will be provided to farmers. According to the preliminary estimates of the Ministry of Food and Agriculture, MNT 350 thousand will be required per hectare in order for cultivation. ■



Mongolia Economic Forum

Let's stop moonwalking

BY B.UURIINTUYA

Everyone knows Michael Jackson's Moonwalk. Mongolia's economy has been moonwalking since 2012. Foreign direct investment, which reached about USD four billion four years ago, has plummeted to the levels of 2006-2007. A country said to be at risk of falling into debt pressure is now among countries at risk of going bankrupt. The IMF's debt sustainability analysis showed that Mongolia's external debt was equivalent to 15 percent of GDP. Today, the ratio of the total debt as a percentage of GDP has reached 180 percent. The only statistics growing are the unemployment rate, poverty and the number of businesses going under. Many foreign and domestic organisations believe that China's economic moderation was the biggest factor influencing the falling commodity prices last year. Although it is true that China's production-based rate of growth slowed last year, the world is not in a crisis. Last year, Europe showed growth, though it was not much. Positive changes were also observed in Japan. Therefore, it is questionable to relate everything to China, as there is the notion that the relationship between the US dollar and

commodity prices, which have been slipping out of control for a long time, is behind it all.

The situation for Mongolia is a little different, because the economy has been too heavily reliant on mining. China was the only export destination, and we became too dependent on our only buyer. The theme of this year's Mongolia Economic Forum is "Lessons Learned, Facing Challenges and Solutions Pending," presumably to insist that we talk about solutions instead of mistakes, as we have spent our time of recovery just talking about added value and diversification. The Executive Director of the MEF, B.Lakshmi said: "Each country is facing some kind of test. We need to cooperate in order to overcome economic difficulties. Over the past few years, we have been talking about mistakes made. We have never raised questions about solutions." The time to determine what tests lay before us and find solutions has come. It is true that economy has become difficult. Still, we need to get up after stumbling, enough crying and grumbling. "Core economic indicators are poor. Foreign exchange reserves have been

drained. A system too dependent on one sector, mining, still remains and we are feeling the outcomes, especially today," added Lakshmi.

The Mongolian mining-reliant economy understands where it has stumbled. However, we have been circling around the stone on which we stumbled for over four years. In some cases, we even tried to backtrack. Now we need to take a step forward, not backwards. Director of the Economic Research Institute B.Tuvshintugs said: "China's economic structure is changing. We need to study its effect on our country. We need to determine responses and plan policies when our country's main trade partner makes changes. Thus, we need to raise issues related to trade, flow of investment and structural reform." Some people say that foreign investment is not needed while debt is piling up. However, what percentage of Mongolian companies are able to bear risks on their own and spilling with capital? When an issue concerning investment is raised, we just talk the same old talk about creating a favourable environment. According to Tuvshintugs, there is no need to look for easy solutions by changing a few things. On top of this, there is no such thing as savings in Mongolia. "Unfavourable business conditions" has been etched on our business card. All of these are due to our arrogance and instability. They say that political instability is a result of failed policies. Tuvshintugs says that the mechanisms for limiting the role of government are unclear. ■

► Residing between the two major powers of Russia and China is an opportunity for us, but also a danger. By knowing their pros and cons, we can turn our weaknesses into advantages. We cannot compete with China's mass production. Even if the former prime minister said praises about Mongolian socks, few would actually buy them abroad. Oil consumption is directly dependent on Russia, which has rich history of extraction and sales. However, even if there were someone willing to

import Mongolian oil, delivery is yet another problem. Given that the issue of transporting coal has been talked about for over a decade, extracting oil and processing it seems like a distant future. While we are talking about the distant future, everyone agrees that resolving the immediate issues is more important. Finding solutions is one the biggest challenges facing us. Nonetheless, when we talk about solutions, issue of human capital is a whole separate topic for each sector. ■

mistake the government made was taking the risk of Dutch disease lightly. It never fully understood the risks of commodity price cycles, economic challenges and debt crisis the disease could bring. "Mongolia's domestic factors played a crucial role in losing investors. Although the government is trying to fix its mistakes it could take at least 5 years to gain investors' trust. They won't come back that easily. So practical solutions could be factor to bring them back", said N.Algaa, the president of National Mining Association of Mongolia. Real benefits of mining development should be researched basing on facts. Instead of copy, pasting Mongolia should focus on what foreign experiences could teach them. While it tried to integrate foreign experiences, the country put pressure on the mining sector by demanding urgent development. However, something that worked in Nigeria might not happen in Mongolia, which the government never seemed to understand. For that reason it forced its mining sector to doom. In another words, Mongolia strived to compete with experienced competitors without having the know-how. It knew there were market demands, but didn't know how to satisfy it.

Current economic turmoil is not only

Mongolia Economic Forum

Lessons, challenges, solutions

BY B.UURIINTUYA

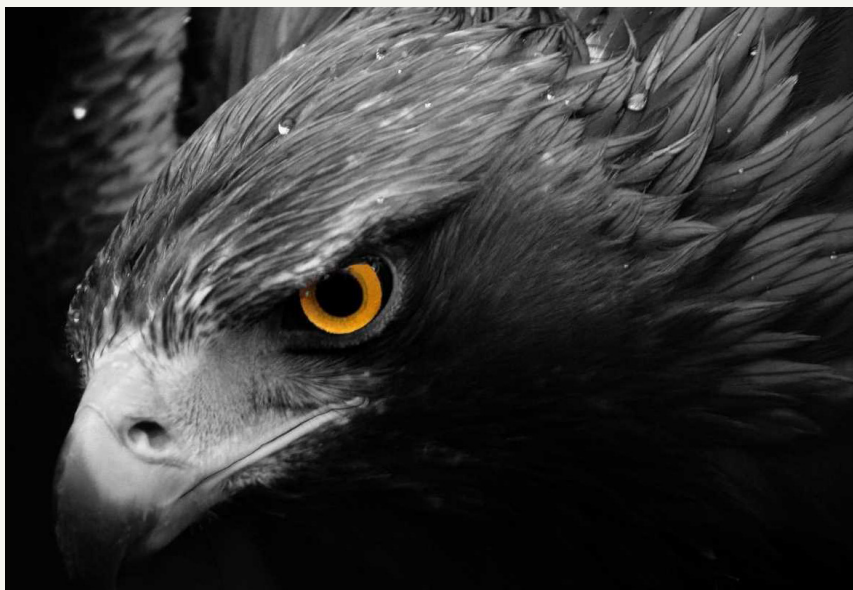
Last year at the Mongolia Economic Forum, Mongolians discussed their vision, something which they agreed that they lacked for the future. This year they will discuss the lessons learned from their past experiences and are searching for challenges and solutions. Digging deeper into the mistakes Mongolians made, one will find that they let mining slip away.

Mongolia's budget planning and economic development relied on high commodity prices and its megaprojects. However, coal, which accounted for up to 90 percent of the exports, has been quiet for a while. Other natural resource sectors do not have costumers while their prices fall further. Although China's moderating growth is the cause for several reasons, one of the main reasons lie beneath Mongolia's domestic instability.

Who is at fault?

The government is to blame, say many. Regarding political instability, such a statement is reasonable. Development goals of mining have never been crystal clear. Mining was often seen as a vending machine that provided cash to increase budget revenues. As a result, megaprojects such as Oyu Tolgoi and Ta-van Tolgoi never reached completion

in terms implementation. In addition, many of the companies engaged in coal filed for bankruptcy. This meant a fall in incomes and taxes that financed public services. The biggest mistake the government made was trying to compete



with the private sector when it came to exploration of natural resources. Government is an institution. It should not pose any threats to the private sector by posing as a competitor. Another

the government's wrongdoing. The private sector played it role as well along with the citizens. By not fully recognising its duty the private sector increased its risks of being misunderstood by the ►

▶ public, resulting in heavy populism. It granted the government the advantage to annul all previously issued licences. According to the president of MIH Group D.Jargalsaikhan, private sector fall into their own trap by trying to handle cer-tain challenges with corruption and illegal actions such as not obeying to laws and regulations. These three representations of the society are equally guilty if Mongolia were to doom due to mining recessions.

Shock waves

There were times when government officials declared economic growth of 17 percent during the boom periods. But merely after 4 years, the country is on the verge of deep crises. National currency is devaluated against US dollars by over 30 percent. Populism has become so popular thanks to its citizens, who barely manage to have a meal on their tables. According to recent studies, unemployment rate rose to 8.3 percent in the last quarter of 2015.

Beware of false knowledge; it is more dangerous than ignorance, said George Bernard Show, a Nobel Prize winner in Literature. Mongolians, instead of over-coming, adapt to a certain situations. Confusing knowledge and information with rumours that aren't accurate most of the time, said D.Jargalsaikhan. He added, "People make mistakes. But there are those who never learn from it. Mongolian Mining Corporation made headlines recently citing possible bank-ruptcy. Everyone talked about it. Some are even happy about it. But at the end of the day, who will profit from this loss. No one. Its workers, shareholders, suppliers, even the government that collect taxes from this company will face problems. Every single part of the participants will fall victims to this situation. What all this is telling us is that Mongolians are darker than ever when it comes to knowledge and mind-set."

Lack of everything

China leads the world by its number of companies that introduce world standards into their operations because this country knows what the world wants. They comply with the demands of their desired markets. On

contrary, Mongolia expelled investors and project implementers from the country. The country lacks the necessary infrastructure for mining development. It lacks the experienced engineers, researchers and analysts. It lacks the system that shares eve-rything with

everyone. In short, it lacks everything a country needs to develop. "The main reason for such insufficiency is knowledge and recognising what we are missing. As this deepens we also forget how to be responsible for the mis-takes we made so far", said N.Alгаа. ■

Development Policy

For a new Mongolia

BY I.OTGONJARGAL

In recent years, there have been people lamenting that we did not wanted this democracy and this society. A quarter-century ago, it was reflected in the constitution that a "humane and democratic civil society shall be developed." Then, what is the reason for lamenting this unwanted democracy? Are we not living freely? We have private

property, many universities, freedom of speech and press and civil rights. Of course there are many things brought by democracy to be thankful for. However, there are also many things to be asked of the democracy. Many controversial issues – access to healthcare, mother and child mortality, protection of property rights and quality of education – are up ▶



► for debate. Another issue that has created a deep social divide is income inequality. The gap between the rich and poor is widening. According to many studies, the gap will expand even more if things continue as they are. The most worrying thing is that Mongolia barely has a middle class, which presents a specific danger to development and progress. There are many types of rich people in our country. Many of them become rich by working hard and creating wealth. However, there are also many who become rich through less than admirable ways. Some people are questioning why they should work hard while others are getting rich easily and even developing a mentality to teach their children to get rich without going through hardships. On one hand, it seems as though anyone can live happily if they work hard enough, but on the other hand, the conditions for those diligent people are too arduous. Some of those of the younger generations who have experience working in the private sector and learned by going through hardships think that the way to have a good job and a happy life is by working for the government. An approach of deciding everything by

money is increasing, which in turn is helping spread corruption. Looking at this, where the development of Mongolia is heading becomes very unclear.

In order to prevent falling deeper into poverty, we need to work harder and use our heads. The current leaders in government, researchers and scientists cooperated to develop the “Sustainable Development Vision of Mongolia-2030” document, which we may something we can rely on. According to the document, the government elected by the elections of 2016 will bear the high responsibility of building a brand new, responsible Mongolia.

Mongolia has issued sustainable development policies with commendable objectives more than once. For instance, Speaker of Parliament N.Bagabangi started an initiative to create a vision for Mongolian development, which was approved by parliament in 1996. Later on, President N.Enkhbayar in 2008 initiated Comprehensive National Development Strategy of Mongolia, based on the Millennium Development Goals, and got it approved by the parliament. The most recent one is the

“Sustainable Development Vision of Mongolia-2030.” Some criticise that Mongolia would have already reached the pinnacle of development if development were decided by issued policies and documents. However, this most recent policy document is a little different from the previous ones. There is a possibility to see the light at the end of the tunnel if this paper were read and studied carefully.

The state is partly to blame, as it has not given enough importance to evaluating the implementation of goals set in the previous development policies. For example, the government was supposed to evaluate implementation of the Millennium Development Goals as the first phase of the strategy ended last year, but they did not. Mongolian Parliament Resolution No. 26 dated May 3, 1996 on the approval of “Mongolia’s Development Vision” and Resolution No. 12 dated January 31, 2008 on the approval of the “Millennium Development Goals-based Comprehensive National Development Strategy of Mongolia” have both been nullified by the “Sustainable Development Vision of Mongolia-2030” document. Although the government has not evaluated the eight-year implementation of the MDG-based Comprehensive National Development Strategy of Mongolia, researchers who were following the policy assessed the implementation of the policy to be at 50 percent.

Thus, we have focused on whether there is a guarantee for this development policy until 2030 avoiding the same fate as the previous ones. During parliamentary discussions on this policy document, some said that the developmental data indicators are too optimistic and unlikely to be realised. The working group held the stance that with fewer goals, it was more realistic, as the general concept is more focused on agriculture, manufacturing and environmental issues instead of mining.

The recently approved development policy states: “By 2030, Mongolia aspires to be among the leading middle-income countries based on per capita income. It hopes to be a multi-sector stable economy, and a society dominated by middle and upper-middle income classes, which would preserve ecological balance and ensure stable and democratic governance.”

A sound macroeconomic policy will be implemented and the economy ►



► will be diversified in order to meet the objectives of sustainable economic development. The development of agriculture, industry (especially light and food industries), construction materials, copper processing, coal, fuel-chemicals, lead processing plants, tourism, mining and extractive industries will be the top priority, and energy and infrastructure will be developed as the leading sectors. It also says long-term average economic growth must be no less than 6.6 percent. It is divided into three phases: Phase I (2016-2020) Phase II (2021-2025) and Phase III (2026-2030). The objectives of the sustainable social development will be to ensure gender equality, improve the quality of and access to health care services, create a healthy, safe living environment for citizens, improve public awareness on health education, provide equal, high quality education to every citizen, build a national system for lifelong education, end all forms of poverty, and increase the share of middle income classes sustainably and consistently.

You can see the 10 goals and 20 key indicators of the Sustainable Development Vision-2030 from the chart. The main feature of this vision from the previous ones is that it has clarified the indicators to evaluate the set goals.

The next reason why this vision can

be realised is that it was developed by a working group with broad participation from parliamentary parties, coalition groups and a team of researchers. In addition, it was linked to the law on development policy planning, which will ensure its implementation. The vision will be split into five-year plans according to law. In other words, only things included in the plan will be discussed with the budget. The current haughtiness of the members of the parliament during budget discussions will cease. In addition, the UN set the 2030 Sustainable Development Goals in September of last year. It should be noted that this document is the basis of the Sustainable Development Vision of Mongolia-2030.

The government to take power after this year's elections have to play an important role in creating this system. Their responsibility is to understand and implement the ideas reflected in the vision related to social, economic and governance development. In any case, we now have an immovable vision approved by law, which will be adhered to for the next 15 years. The implementation of the Sustainable Development Vision of Mongolia will be monitored and evaluated every two years and presented to the relevant standing committee in parliament.

Sustainable Development Vision of Mongolia – 2030

Macroeconomic policy principles:

- Sustain long-term average economic growth at no less than 6.6 percent;
 - Achieve zero overall budget deficit, and reduce the share of budget deficit exclusive of mining revenue/in GDP to 15 percent by 2020 and 10 percent by 2025;
 - Strictly maintain appropriate budget balances, reduce the share of total budget expenditure in GDP (inclusive of state budget and Development Bank financing) to 35 percent by 2020 and 30 percent in 2030;
 - Strictly comply with the debt-ceiling requirements, maintain an appropriate debt level and implement policies aimed at constantly improving Mongolia's credit rating;
 - Implement policies to hedge the country from international market and commodity price fluctuations and create a sovereign wealth fund and accumulate the funds;
 - Diligently accumulate foreign exchange reserves at the proper amount;
 - Keep the external trade/balance free of deficits; maintain the stability of the tugrug; and maintain the inflation stable and at low levels;
 - Ensure long-term sustainability, credibility and accountability in the banking and financial sectors, and implement proper credit and interest rate policies coherent with the development policy goals;
 - Cooperate with international economic cooperation organizations, join their initiatives, sign agreements on economic cooperation and free trade, and implement major regional projects;
 - Promote public private partnership, utilize international cooperation funds and long-term concessional loans, cooperate with international financial organizations, and coordinate policies in order to implement the sustainable development Vision.
- Principles for sector development:
- Adopt advanced technologies with high productivity in each sector, and encourage new products, production and services adopting innovations;
 - Encourage production methods that is natural resource-efficient, i.e. low in green house emissions and pollution;
 - Strictly comply with the principles of efficiency and effectiveness in all economic and social sectors. ►

Mongolia would achieve the following through implementation of the Sustainable Development Vision - 2030:

1. Increase its GNI per capita to USD 17,500 and become an upper middle-income country based on its income per capita.
2. Ensure average annual economic growth of not less than 6.6 percent through 2016-2030.
3. End poverty in all its forms.
4. Reduce income inequality and have 80 percent of the population in the middle and upper-middle income class.
5. Increase the enrollment rate in primary and vocational education to 100 percent, and establish lifelong learning system.
6. Improve the living environment of the Mongolian people to lead a healthy and long life; increase life expectancy at birth to 78 years.
7. Be placed among first 70 countries on the ranking of countries by the human development index.
8. Preserve ecological balance and to be placed among first 30 countries on the rankings of the countries by the Green economy index in the world.
9. Be ranked among the first 40 countries by the Doing Business Index and among the first 70 countries by the Global Competitiveness Index in the world.
10. Build professional, stable and participative governance, free of corruption that is adept at implementing development policies at all levels.

INDICATORS FOR SUSTAINABLE DEVELOPMENT VISION OF MONGOLIA-2030

The following 20 key results indicators will be used to assess the performance and implementation of Sustainable Development Vision of Mongolia – 2030.

No	Indicator	Measuring unit	Base level (2014)	Target level (2030)
1	Annual average economic growth	percent	7.8 6.	61
2	Gross national income per capita	USD	4166	17500
3	Human development index	rank	90	70
4	Life expectancy	years	69.57	78
5	Poverty rate	percent	21.6	0
6	Global competitiveness index	rank	104	70
7	Doing business index	rank	56	40
8	Environmental performance index	rank	111	90
9	Share of the population with social insurance coverage in the total economically active population	percent	84.4	99
10	Gini coefficient of inequality	score	36.5	30.0
11	Infant mortality ratio per 1,000 live births	ratio	15.1	8
12	Maternal mortality ratio per 100,000 live births	ratio	30.6	15
13	Number of students in a class at high school (national average)	number	27.3	20
14	Area of the land with disease free status for international trade certified by World Animal Health Organization	percent	0	60
15	Area of decertified land	percent	78.2	68
16	Area of specially protected land	percent	17.4	30
17	Number of foreign tourists travelling in Mongolia	million person	0.392	2.0
18	Share of the households using reliable electricity	percent	89	100
19	Share of the processing sector exports in total exports	percent	17	50
20	Share of main fuel products supplied from domestic production	percent	0	100

PHASE I IMPLEMENTATION OF MILLENNIUM DEVELOPMENT GOALS (MDGS)-BASED COMPREHENSIVE NATIONAL DEVELOPMENT STRATEGY

As of the end of 2015

Goals to be implemented in Phase I

Implementation

1.	As a result of rapid economic growth, a high number of jobs will be created and poverty will be halved;	Although the number of jobs increased, poverty has not decreased enough.
2.	To reach a Human Development Index (HDI) score of 0.83;	HDI reached 0.727, has not reached the goal
3.	To decrease child mortality under the age of 5 by two-thirds and maternal mortality by three quarters from 2000	Goal reached
4.	To consistently reduce the spread of contagious diseases such as HIV and AIDS;	Goal not reached
5.	To make significant improvements in gender equality in all sectors;	Being implemented
6.	To involve all school-age children in primary education and eliminate gender disparity;	Fully covered
7.	To shift general education into a 12-year system, develop and implement multiple plans and programmes of education;	Transitioned to 12yr system
8.	To make the economy grow at an average of no less than 14 percent and to reach GDP per capita of no less than USD 5,000;	Per capita income is at USD 4,200, being implemented.
9.	To significantly increase mineral extraction, increase the industry's share of GDP four times, introduce advanced technology and improve competitiveness of products;	Goal not reached
10.	To established a plant to extract oil and chemical products from coal;	Goal not reached
11.	To satisfy at least 50 percent of domestic demand for oil products through domestic production;	Goal not reached
12.	To develop the tourism sector and receive one million inbound tourists per year;	Goal not reached
13.	To developed intellectual production and services and set the foundation for a knowledge-based economy;	Goal not reached
14.	To establish favourable a environment for SMEs and significantly reduce unemployment;	Unemployment reduced

15. To create an opportunity for software production and exports to develop and increase consumption;	Goal not reached	27. To reach 99.1 percent gross enrollment in primary education, 97.2 percent in middle schools and 98.3 percent in high school;	Goal not fully reached
16. To connect no less than 20-30 thousand households of the ger districts to electrical and engineering networks and improve housing conditions of at least an average of 10,000 households per year;	Goal not fully reached	28. To reach more than 10 public and private general education schools meeting international standards;	Goal reached
17. To improve agricultural production and supply of food products;	Improvement unstable	29. To have no less than two universities closer to the international standards;	Goal not reached
18. To improve livestock breeds and increase yield of crops by introducing biotechnology and genetic engineering methods and to increase average annual production of wheat 4-fold and vegetables 1.5-fold;	Goal not reached	30. To fully mature the system of family medical practice;	Goal not fully reached
19. To reach paved road length of 8,000 km by implementing major goals in the infrastructure sector;	Goal reached	31. To fully equip 60 percent of soum and provincial hospitals and 100 percent of district hospitals with the latest treatment and diagnostic equipment;	Goal not fully reached.
20. To perform up to 60 percent of the work to construct railways in the Gobi and eastern region and implement at least 70 percent of the construction of the second railway.	Goal not reached	32. To fully transfer patient histories to electronic card;	Goal reached.
21. To resolve the issue of electrifying the main railway;	Goal not reached	33. To decrease the number of people coming from countryside for diagnosis and treatment by more than 50 percent;	Being implemented
22. To make all soums of Mongolia to have constant electricity and provide all herder households with wind energy;	Goal reached	34. To establish treatment and diagnostic centres meeting international standards and significantly reduce the number of people going abroad to receive treatment and diagnostic services;	Being implemented
23. To fully meet satisfy energy demand and start exporting electricity;	Goal not reached	35. To make access and quality to health services 75 percent;	Being implemented
24. To accelerate local development, reduce the concentration of population in Ulaanbaatar and make the population of regional centres and some cities at least 50 thousand;	Goal not reached	36. To fully eliminate air pollution of Ulaanbaatar and other major cities and to significantly reduce pollution sources through the implementation of comprehensive waste management activities;	Goal not reached
25. To establish cities with populations of 10-20 thousand based on major strategic deposits such as Tavantolgoi and Oyu Tolgoi;	Being implemented	37. To expand the network of special protected areas in order to ensure balance in ecosystems and cover at least 20 percent of the territory, 30 million hectares, by 2015;	Goal not fully reached
26. To implement comprehensive measures to eliminate domestic violence;	Goal reached	38. To ensure 70 percent of the urban population's drinking water consumption and 60 percent of the rural population.	Goal reached.

To evaluate the implementation of goals at the end of 2015:

In Phase I of implementation of the MDG-based Comprehensive National Development Strategy, eight out of the 38 goals involving all sectors were implemented, 12 are being implemented and 18 are yet to be implemented.

Thus, the implementation of the goals was

at 50-53 percent as of the end of 2015.

The main reasons why goals were not able to be implemented:

a) Did not foresee the arising economic, environmental and governance risks identified in the strategy; did not take risk prevention measures and did not properly conducted risk management.

b) Responsible institutions did not operate the policy in accordance with guidelines, and the stability of the policy was disrupted.

c) Lack of investment opportunities and sources of capital due to changing external economic conditions, shrinking export revenues and a sharp decline in foreign investment. ■

Source: Unofficial researchers



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BY B. ENKHTSETSEG

Our magazine sat down with the Executive Director of Erdenes Mongol LLC, B. Byamba-saikhan. Although many topics were raised during our interview, we have talked about project management and financing in more detail.

Interview

Hoping is not a business strategy

- What lessons are we learning from the economic hardships?

- We are certainly learning a few things. We only have 25 years of experience in conducting business, before which there was no such thing as management of private business. Now, we are talking about it every day. Regardless of the size of a company, the most important thing is management being able to sustain cash flows when the situation gets tough. The time when it was possible to gain large profits from just about anything is in the past, but such a time may come again in the future. It is possible to conduct many years of stable operations with a steady cash flow, just as it is possible to distribute dividends

to shareholders after handling all costs. Jobs are created if there is a constant flow of money, if we look at it from the economic perspective. We need to understand what cash flow is and strive to keep it stable. Certain companies can maintain a stable cash flow in the market. Although deteriorated, the market has not died out. Even though China's rate of growth is slowing, it is still certainly growing. This USD 13 trillion economy with 6-7 percent growth is still high growth by any measure. We will win in that competition if we keep business costs down.

-How is Erdenes Mongol LLC doing in terms of its goal of operating profitably like a private business by introducing new technology and ▶

► **management?**

- Some people say that our company is a state institution which operates on the state budget. This is wrong; this is a limited liability company. Previously, it was not possible to operate profitably, because when we made certain amount of money, it went straight into the Human Development Fund. Recently, legal amendments were enacted that gave us the right to work in accordance with corporate law and finance subsidiaries without transferring profits or international financing to the budget. These are fundamental changes. We need to follow international standards in the same way that other companies throughout the world do and raise capital instead of losing time and money by developing many standards of our own. For instance, financial standards are very important. Who is going to invest or provide funding if your balance sheet is incomprehensible? This is how it is. The efficiency of our company will improve by 10 percent in a year if we introduce good information technology to the company's operations. However, investments will be decided after doing research and feasibility studies in accordance with the rules. We can't just stay "this has broken; let's buy this." The fact that state organisations still require so much paperwork while private companies are available to do all kinds of works and agreements through electronically is absurd. This has got to change. When information technology is making the whole business environment of Mongolia faster and more competitive, state-owned enterprises can't afford not to take advantage of that.

Our first goal is to ensure that our current capital and companies work efficiently. Shareholders will only see returns if businesses are profitable. Since ours is a complex business, we need to understand everything can come crumbling down if one business gets left behind. Some people think that everything will be alright if the technology is updated. More than having the technology, we need to learn how to use it effectively. We are working with the Asian Development Bank to resolve the loan issues and will finance the process of updating the financial management technology, improving the management and developing the major projects.

- What kind of human resource policy is being administered at your company, given that it has characteristics of both state and private businesses?

- Our workforce is enough if we work according to the Mongolian standard. However, since there is the need to work according to international standards, we need people to work in accordance with the latter. We need capable, knowledgeable people who can utilise managerial and technological innovations. We will strive to get such people to work with us. We will have the experienced teach the experienced to hone their skills. We will provide experienced people with an appropriate salary consistent with the conditions of the market. It is unacceptable to tell capable people

to come here and work for a low salary because you must love your country. Earning low wages because it is an SOE is basically theft. If a person gets an appropriate salary and incentives, that person would not steal from the pot from which they eat. Employing incapable people for low salaries is definitely not a good way to cut costs.

- Having worked on quite a few projects, could you please explain why project financing has developed to become a scientific discipline?

- After estimating whether a project can be profitable, things such as financing, equity and debt must be considered. After that, you study potential cash flows required for the project along with the amount of investment necessary and then head to the banks. In some cases, it is not possible to secure all the financing from one bank, so multiple banks cooperate to raise the funds. Work begins after making agreements on total financing with all the banks involved. For example, work will not start even if you have 90 of the necessary 100 tugrugs, but not the remaining ten. This is a major issue of principle, known as financial closure. Continuing a project's construction process without stopping after resolving all the money-related issues is essential for efficient business. If it gets interrupted in the middle, it means costs will increase. We were able to raise USD 4.4 billion for Oyu Tolgoi (OT) from international financial institutions, which means that this project was able to successfully overcome all the previous phases. In other words, they are lending us the money after studying various aspects, such as the quality of ore, management, the Mongolian and Chinese economies and infrastructure. It is only right to make investment decisions by the book after careful scrutiny. There are many examples of projects becoming stuck with nowhere to go as a result of making decisions to invest with no feasibility studies, or projects which started before investments were fully secured. Some even went bankrupt.

Today, OT is the world's largest project being implemented. While people are arguing about whether the contract is good or bad, it is has become a global business employing 6,500 people. The biggest taxpayer has been established in a span of four or five years. Furthermore, Mongolians who worked there have become more specialised, and some are working in respected global companies. On top of this, international standards of business are being internalised. It does not matter what kinds of deep connections you have, it will not hold any influence in doing business with OT. In recent years, Mongolian companies are starting to realise that conducting business and politics separately is possible. With the involvement of international banks, more precise environmental and operational standards are being

We were able to raise USD 4.4 billion for OT from international financial institutions

► implemented at OT.

- The OT financing agreement and some other discussions have been on-going for quite a long time. What is the cause for the delay?

- It is not as though overly strict requirements are being demanded. The banks are setting befitting criteria. Wanting to be sure that they are going to get back the lent money is understandable. To do so, they will use established procedures and standards. Project financing means risk allocation. Agreement and negotiations are conducted by agreeing who can bear the most risk. Money is raised according to the risk allocation.

OT has accurately planned works and is implementing them. The business environment is still caged, hoping and waiting for signs of improvement. When the 2009 OT agreement was signed, things did not change in a day. However, changes were made within three years. Since last August, we have approved certain budgets and are financing the

preparatory works. New jobs have been created. Tenders are taking place before major agreements are signed. In order to implement a megaproject, its agreements will be made by selecting capable companies from domestic and foreign markets. While you and I are sitting here talking, Mongolian and foreign companies are preparing materials required for the tenders day and night, or are making some kinds of contracts and agreements. Now let's stop asking naive questions about when the money is going to come in. The money will come after the contracts are signed. The board

of directors will approve a new budget. We will update the data, calculate the returns, consider how to maintain cash flows and make calculations to repay loan on time.

- Is there any guarantee for OT to move forward without falling under political influence?

- OT is a business, not politics. The main objective of OT is to create wealth for the owner and provide returns. The government made the decision to move forward with the OT project, especially the development of the underground mine. Funding has been found based on this, and the works are on-going. It is going forward according its standards and rules. Oversight institutions are monitoring. Hence, the days when anyone was able to stall this project are over. It has been decided that business is business and that it needs to be separate from politics. In doing so, it will be more efficient and will cooperate with many companies. Today, OT is doing business with a thousand companies and is not stopping there. This time, we are giving priority to one thing: not repeating the mistakes made in the past. Today, USD six billion is going to be spent on the underground mine's development. We made a plan to spend 80

cents of every dollar on Mongolian companies cooperating with OT. We will try to leave most of the financing in Mongolia this way. All of these are related to the issue of avoiding repeats of the past. Previously, cost overruns were created due to poor, rushed calculations. We are working hard preventing any issues due to such things. Two hundred people are working day and night to calculate precise costs from all the places in order to approve the updated budget.

-What is your take on the news that Mongolian Mining Corporation has become unable to pay their debts?

- Every company needs to do precise accounting in order to employ good financial management. Today, not only MMC, but even Peabody is in a difficult situation on the coal market, as many other coal companies being sold here and there. In Mongolia, we are talking because MMC announced their situation. They are working to reduce their expenditures again and are trying to restructure their debts. It is not good that a Mongolian company is in a dire situation. There are lots of jobs at stake. On the other hand, they will revive their operation by overcoming this difficulty. They are probably doing what needs to be done.

- Recently you went to Toronto to attend a major investors' meeting. How was the attitude or mood?

- You earn trust not buy speaking eloquently, but by delivering on what you promised. They believe that OT is moving forward and are waiting for Gatsurt and Khan Resources to follow. In general, what Mongolia has to offer has not changed. We are still residing in the world's fastest-growing economic region, next to the soon-to-be world's largest economy. We have the opportunity to produce the products required for China's growth at the cheapest costs, and we are still a democratic country.

- What is the likelihood of policy changes after the upcoming election, similar to what happened after the previous election?

- Elections will be held so long as Mongolia is a democratic country. In previous cases, policies were changed after each election. People are seeing it as a risk. If we go to foreigners and say everything going to be better after the election, no one will believe it. If the situation really is stable and unchanged after the election, we will start to regain the trust of the international community. As for OT, we have been quarrelling and saying for many years that everything is going to be alright starting tomorrow, and both sides ended up in a difficult situation. By addressing and overcoming such issues, the confidence in each other improved and precise terms were agreed. We calculated the benefits and agreed on how to make agreements in the future. We were able to make an agreement for an additional USD five billion. Confidence on both sides will grow if we work in accordance with what we agreed upon. ■

**You earn trust
not buy speaking
eloquently, but by
delivering on what
you promised.**

Debt

Forward march towards bankruptcy

BY B.UURIINTUYA

South Sudan, Sierra Leone and Ukraine are included in the list of developing countries dependent on natural resources whose economies have fallen sharply from 2013-2015 due to conflicts or spread of contagious diseases. However, it is surprising that Mongolia is also included in the list. Despite there having been no conflicts or disease outbreaks Mongolia, the country is marching with these countries arm-in-arm. As described by former Minister of Foreign Affairs G.Zandanshatar, the economy has been infected by a virus. If the nation were a hu-

man body, it is suffering from cancer and the cancer cells have started to spread to other parts of the body. The World Bank has decreased this year's economic growth forecast for Mongolia to 0.8 percent in its predictions. Two years ago the prediction for 2016 was 7.7 percent. The Wall Street Journal showed that foreign direct investment into Mongolia was very low last year and noted that the total foreign debt has surpassed USD 20 billion, calling Mongolia a land of lost opportunity. (Graph 1)

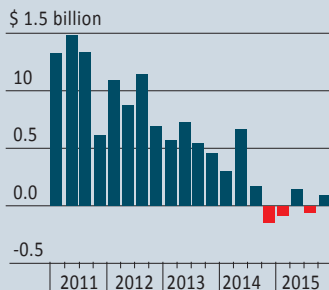
The economy has faded, taking investment and mining with it. The only things growing are debt and corruption.

As of 2015, Mongolia's foreign debt had increased 10-fold over the past six years, bringing the government debt to USD 3.65 billion. According to today's data, Mongolia's foreign debt is nearing USD 22 billion, and there are still loans to repaying next year. However, Mongolia's increasing amount of debt is a justification to be anxious and worried, said German economists Hans-Werner Sinn and Beatrice Di Mauro during their speeches for people who represent the intellectual part of the society. However, recently, Prime Minister Ch.Saikhanbileg announced that the government received a USD 250 million loan from Credit Suisse. Minister of Finance B.Bolor noted "It is a loan, not a debt" and said that the government did not take the loan to cover the budget deficit. According to the Minister of Finance, this USD 250 million loan will be used to finance domestic bonds with high interest rates. This USD 250 million is may be an injection of life, but long-term treatment is required after it.

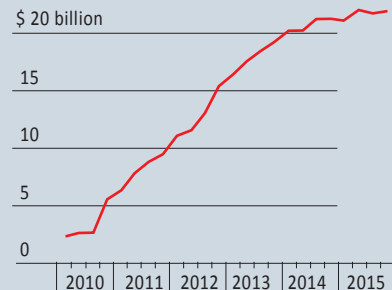
False Steppe

Mongolia's economy has foundered amid the sharp downturn in world commodity markets.

Net foreign direct investment inflows



Gross external debt

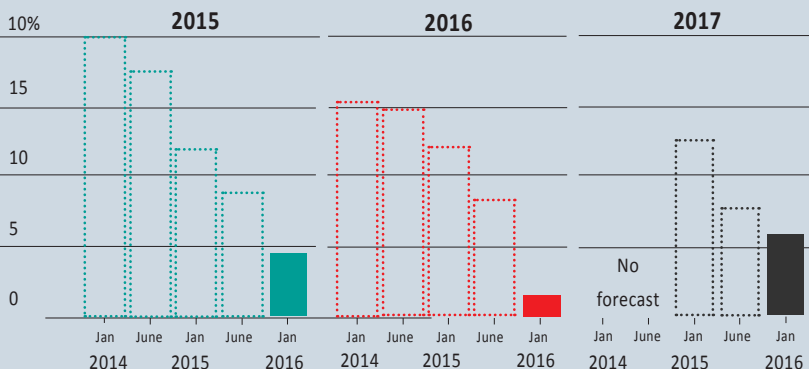


Mozambique, Niger, Latin America and Mongolia

Although a country in Asia, the economic indices of Mongolia are worsening to become more similar to the ones of underdeveloped African countries. In particular, Mongolia and Mozambique are high on the list comparing GDP to external debt. As for corruption levels, we are brothers in arms with Niger. In terms of probability of a debt crisis, Mongolia ranks eighth in a list of 14 countries with the highest risk of default. In this sense, we have some similarities with Argentina and Chile.

You can call it a loan if have the ability to pay for what you begged. However, if the loan is spent without benefits or returns, you can call it debt. We squandered the opportunity when the economy was expanding based on mining, which is what got us in this current state. Many people lament about how the situation would have different had we established a sovereign wealth fund and saved the incoming capital. Since we talked about it but did not do anything about it, we have no right to wonder about what-ifs. In addition, one example of wasteful spending without benefit is covering the budget deficit with foreign currency. The above-mentioned economist Beatrice Di Mauro advised that repaying debt with another debt is not a wise choice. Researcher L.Gangerel also concludes that

Forecast for annual GDP growth



Sources: Bank of Mongolia (FDI, debt); World Bank (GDP); The Wall Street Journal

▶ it is the most unpromising solution. “Repaying a debt with another debt means borrowing at an interest rate higher than the previous one,” he said. “And when we compare USD to MNT, it ends up much more expensive. The loan costs increase significantly once we convert to MNT.” Moreover, L.Gangerel criticised the government for having no definite plans to tackle the debt issue.

Today, only public debt is being highlighted. The private sector’s share of total debt is not too often talked about. Some believe that private sector debt is not an issue, since firms bear debt risks of external loans on their own. But when a country becomes debt-ridden, the private sector’s foreign debt imposes a real danger. News regarding the Mongolian Mining Corporation’s insolvency and imminent bankruptcy has made headlines in recent days. Moody’s believed this company, a leading coking coal producer in Mongolia, had a high chance of bankruptcy next year in lowering its credit rating. Examples of Latin American countries that declared bankruptcy in 1970s and 1980s show what happens when companies that have importance to their national economy go bankrupt in this way. The debt crises of Latin American countries, Greece and Spain showed that the foreign debt of private sector needs to be emphasised and limited if needed. Although capital controls may have a negative impact on the economy, management of private sector foreign debt is mandatory policy coordination. However, this issue is rarely taken into account in our country. G.Zandanshatar mentioned in an interview with our magazine that there are no real data available on the amount of private sector debt and that the current debt indicators are incomplete. Specifically, estimates and calculations of world’s largest research institutions differ from the figures estimated domestically, as the debt ceiling method is determined by current value. In addition, a poor legal system is one of the most significant issues affecting the rise in debt. Foreign and domestic economists have said more than enough times that adopting a law is not enough, as implementation is more important. However, the issue of turning loans into longer-term debt is being decided by a few people. It seems same as though we are marching towards bankruptcy. Not only that, while the inflow channel is narrowing, outflow is expanding.

Mongolia was issuing government bonds when commodity prices were at their

peak of the cycle. However, while emerging markets are becoming only distracted at the moment, Mongolia is already breaking down. Major world funds headed by Pacific Investment Management Co. and Schroder Investment Management were investing in Mongolia. Today, foreigner investors are thinking of how quickly vanish, taking their invested shares. Over the past few years, government bond yields have increased by 9.4 percent, which has become the worst performance in Asia. According to the latest information, bond yields have fallen to eight percent.

Although China’s economic slowdown and the decline of commodity prices impacted Mongolia’s economic descent, we are the main perpetrators at fault in reaching where we are today. The government acted with a mentality of not thinking about tomorrow if we are satisfied today. The people did not save what the government threw at them, but ate it instead. According to the World Bank, life and poverty is worsening in tandem with the economy. Unemployment has increased and reached 8.3 percent in the last quarter of 2015. ■



BY B. ENKHTSETSEG

On the one hand, the banking sector is developing quite actively. On the other hand, the insurance sector and capital markets are still immature. Getting various services from banks is common routine and knowledge for Mongolians today. In the meantime buying insurance or stocks seems a bit more distant in the minds of people. Tesla or Apple, which pay hundreds of million dollars in tax every year, became the business giants that they are because of opportunities afforded by financial market.

“Financial markets are the infrastructure of money. World history proves that development comes when money flows freely in the right way,” says economist U.Ganzorig.

Investment withdrawal from China circulating to other countries such as South Africa and North American countries has been undermining mining-based economies severely large scale. The US economy is picking up, and Europe is also doing better. It seems like the so-called “Asian Century” may not last a century. Instead, the flow of money has returned to less risky, more developed economies. Experts predict that competition for investment will become even more intense. What can we do in this case to develop and produce domestically? Financing is essential. Mongolia needs foreign currency to drive business forward. At the same time, we could improve and multiply domestic financing opportunities. Making economic growth ▶

- ▶ inclusive, distributing wealth fairly and developing the financial and insurance sectors is the way forward.

Banking

Banking loans issued in 2015 decreased by five percent compared to the same period of last year according to a Financial Regulatory Commission report released recently. The report also says that bad loans reached 1.6 trillion MNT, an increase of 2.6 percent. On top of this, savings decreased. The increase in bad loans increase is predicted to be caused by the performance in the mining and construction sector. Currently, banks are reducing their loans. That is something banks are strongly advised to do when an economic situation worsens. However, the five percent mortgage programme is expected to drive housing loans further. Also, the Oyu Tolgoi project's second phase is seen as leverage for the banking sector.

"For banks, there is a lot to learn and do. We were accustomed to financing the aspects of mining related to trade and services. This has relatively low risk. Now we need to learn to finance more risky and long-term projects in industry and infrastructure, which are essential to this country," says O.Orkhon, CEO of TDB.

Central banks, commercial banks and international institutions collaborated to take financial system to whole new level. Mongolia's commercial banks began setting criteria for project loans based on their social impact and green development according the TOC initiative. Banks will demand certain requirements from industries related to the environment, society, mining, construction, agriculture and manufacturing, to help foster a better society.

Capital markets

"Companies started tumbling to meet bank loan requirements as economy has been going through difficulties. However, there is this second option they are seeking out: capital markets. There are two choices in the current Mongolian market: bonds and stocks. The Erchim bond was issued recently and shares of the Mongol Post were offered. There are basic economic reasons to pay attention," says G.Munk-Erdene, an analyst at Gauli Investment Securities.

According to the FRC report, the Mongolian Stock Exchange's market capitalisation decreased by 12.5 percent as a result of mining, construction and service stocks falling. On the other side, industry, agriculture and property have seen growth in their market cap. The TOP-20 index fell by 13.1 percent lower in 2015. However, in the financial year of the FRC report's calculations, four companies issued IPOs, the highest number since 2008. Somehow, the market managed to get almost every needed market participant that developed capital markets usually have. According to Munkh-Erdene, the market is not developing fast enough because it does not have an organ that works to develop and make policy specifically for the market.

When the Mongol Post, a state-owned enterprise, offered 34 percent of its shares through the MSE, orders came out to double the expected amount. Only nine companies are set to be privatised through capital market out of the 22 SOEs included in the privatisation list. Capital market experts want all 22 companies to engage in the capital market whether they are in good or bad shape. State officials say that they are trying to sell good companies through the Mongolian capital market.

Insurance sector

There are 15 companies running ordinary insurance activities, but only five of them have taken over half of the market. The FRC report concludes that it shows that the insurance market competition is an oligopoly. The FRC sees it as a need to adopt tariff regulations and renew calculations on loss and spending ratios.

"Insurance companies, for every 100 MNT made, lose 150 MNT. At the end of the day, top managers don't think about profit, but rather how to grow faster and how to gain the market share," said Oybek N. Khalilov, CEO of Tenger Insurance, to Bloomberg TV Mongolia.

Last year, 17 companies offered 23 kinds of insurance products, and 2.1 million insurance contracts were made. However, Mongolian Insurance companies for the most part have not been handling the insurance themselves, but are acting as a front for foreign players. As a result, companies have been concentrating not on developing their own expertise, but doing what foreign players tell them to do.

"For us, great opportunities are in banking insurance. So, we have to use this opportunity as a distribution channel to expand insurance culture, but again, we have to do it the right way," said Khalilov.

If we look into insurance companies' savings rate, their savings increased by 62.5 percent. The Erchim bond, which was issued at the Mongolian Stock Exchange, was insured by a Mongolian company. This was pretty good practice of connecting the capital market and insurance. For the past few years, at the reinsurance market, security-backed insurance products and services have risen sharply and reached 25 billion USD in 2015.

To increase insurance's role in economy, the FRC says that it needs to introduce more compulsory insurance products. However, some experts warn that it is not a good idea to make to many things compulsory.

When vehicle driver responsibility insurance was introduced, insurance brokers increased. There are 35 brokers with a special licence. Many complain that they do not even explain what it says in the insurance contract. Usually, brokers work their own clients as companies do not have any obligation to work for insurance buyers.

"The Mongolian insurance sector is an insurer-led market, but the international insurance sector is broker-led. Insurance contracts are not as easy as buying bread. To buy the right insurance, brokers help. This is the long rooted supply model that survived through market development. However, in Mongolia, brokers are nothing more than an insurance typewriter or another channel to sell insurance of companies. Generally, sector regulations focus on insurance's need to improve regulations and to clarify operational standards," says, G.Enkhtaivan, who is an insurance consultant.

When economy gets bigger, people have more revenues. Then they take out loans. The capital market provides long term financing, banks provide short term ones more. If there are more developments and projects, there will be more to be covered by insurance. Insurance companies can buy stocks from local and international capital markets with their reserve funds. A lot can happen simultaneously. In the long run, these three pillar institutions support each other and develop together. ■

Innovation

Business trends need realignment

BY TS.ELBEGSAIKHAN

How much longer would humanity have had to burn candles and kerosene, had Thomas Edison not met with J.P. Morgan after successfully inventing the light bulb after a thousand failed attempts?

Today, Mongolians are primarily engaged in one type of business: the supply of raw materials. The weakness of this is felt by all. Hence, the state is transitioning to a policy of supporting industrialisation and production of value-added final products. An issue talked about for many years, it is finally being reflected in state policies. However, looming behind the surface are questions that need answers. What should we produce and how?

It has been four years since the “Law on Innovation” was approved. Currently, a global brand has yet to be seen. Innovation cannot be inspired by just approving a bill. People have not shaken off this idea that innovation means new, creative ideas and reform. The law states that “innovation is a complex process of converting new knowledge into wealth.” What we are missing now is a stage to convert creative potential into wealth.

Human capital

The situation has changed in many ways, though the goal is still quite far away. Compared to today, there used to be a real lack of laboratories and equipment that scientists and engineers can use to experiment with their ideas. There has been some progress in this regard. Major national universities are running innovation laboratories. Mongolia has established a science park. The number of companies engaged in start-ups is growing. Various creativity- and knowledge-based products are coming out of such places. There is indeed evidence



which indicates the intellectual capacity of Mongolians is not lagging that far behind. Take for example the “NaNyam-AX12” – a device, invented by state prize-winning engineer N.Natsagnyam and being further developed by NUM professor B.Ganbat, which shows images in mid-air from many angles. Unprecedented technology has already been developed. Moreover, it was recently in the news that middle school students from Govisumber province created a hologram screen (which turns 2D images into 3D via light refraction).

Things borne out of a person’s creativity and labour have now become finished products. However, these have yet to translate into real wealth. “The state policy must have broader considerations than only the conditions of Mongolia if it is to support innovation,” stated L.Luvsanjants, Head of the Advanced Technology and Innovation Department of the Ministry of Education, Culture and Science (MECS). In his view, such products will not be capable of competing on international markets since the profit from Mongolia’s small market cannot be that high. He holds that the state must implement a policy to support products that meet global standards.

Invention does not have to mean some type of physical equipment, software or medicine. There are many cases of intellectual property making its owner rich. Even Mongolian scientists publish

more than 200 scientific studies protected by intellectual property per year. It should be the goal of university laboratories and tech incubators to develop and introduce the best know-how. However, this requires a certain amount of time.

Policy

Today, the responsibility of implementing the state policy on innovation belongs to the MECS after changing hands between many ministries. The state policy on innovation is only just now going to be discussed by the government, four years after the initial policy was instituted.

Infrastructure for innovation (technology incubators, experimental factories, technology transfer centres, licensing office, catalyst companies, and a national centre for exchange of innovative products) will be created and the state will be responsible for the costs. The draft also states: “Entities which have invested in intellectual, technology-added production and introduced advanced technologies will be supported via tax and credit policies.” From this, it can be concluded that significant consideration has been given to issues concerning financing and capital. That is because it focuses on establishing more start-ups and supporting their operations, since it can be rather difficult for start-ups to find their footing. New inventions do not come onto the market already perfected. It must prove itself, satisfying consumers and going through phases of re-design and redevelopment, which requires time and money. According to the experts of the Advanced Technology and Innovation Department, venture investment and hedge funds are the main areas of insufficiency in terms of support for start-ups.

However, the government has not been consistently loyal to this policy. An entire chapter (Chapter V) was devoted to regulation of venture investment companies’ rights, obligations and relations when the law on innovation was adopted. Yet, after just a year, the entire chapter and all of its provisions were annulled (on October 3, 2013). ▶

► Market space

What the state needs to do now is connect inventors with investors. Even domestic investors need to spend their capital on research in this field and find those Edison-esque inventors who can multiply their wealth a hundred-fold.

To put it literally, we need to change the current method where one takes from someone else without any processing and

sells something to another. We need to anticipate where the market and science are headed by recognising trends such as the fourth industrial revolution, green economics and accessible growth when talking about new business.

For years we have been talking the fact that Mongolia has enormous agricultural and mining resources and potential. However, potential will not translate to realisation without scientific development,

good management and knowledge. Skilled personnel were required when the demand for raw materials was skyrocketing. They were giving grants to technical schools, providing scholarships to students and involved talented students in paid internships to develop skilled staff. Similarly, focusing on innovation projects and investing them at a time when the commodities market is in a downturn and expenses are exceeding incomes is a wise decision. ■

Construction

If we just let them be

G.ORKHON

Glut in supply met with weak demand

This year will not be less flexible for the construction sector compared to the past year. There are some who have not received a salary since November of last year, as the economic difficulties in Mongolia

resulted in a downturn in the sector. One proof of this is the establishment of a construction barter exchange, which the Ministry of Construction and Urban Development explained is a measure to support businesses. The advent of money made obsolete the system of exchanging goods for other goods. However, it has

recently become more and more popular in Mongolia. Indeed, the capital of this sector has been locked in a cage.

Many people hold that the government got it wrong, estimating that everyone living in ger districts will move into apartments. Incomplete buildings resembling a losing game of Tetris throughout the city are a testament to this. Although most people living in ger districts would like to move into an apartment, it is simply financially infeasible for many. At the end of last year, Ulaanbaatar had 18,800 excess buildings, and 26 thousand residential apartments, 50 percent of which is currently completed, are going to be ►



► added to the market this year.

Although there is plenty being supplied, sales have virtually stopped because of insufficient demand and weak purchasing power. Currently, there are approximately 20 thousand households wishing to get apartments, but only 8,700 of them are able to meet the terms and conditions of loans. In addition, the monthly income of households decreased by 14.6 percent, further weakening demand. The average monthly income of households was MNT 1.1 million in December of 2015, while it was MNT 848 thousand as of the 21st of January this year.

The President of the National Development Corporation, B.Jugder, explained that the current excess supply in the market is related to money being tight in the overall economy. “Companies that built things using their own resources are handling engineering networks and purchasing lands themselves,” stated

Jugder as reasons why prices are not going down. “This means prices will go up. In addition, some buildings have excellent interior design, location and surrounding infrastructure.” According to him, difficulties are becoming unmanageable for the construction sector, especially for contractors.

According to estimates made in 2015 by the Ministry of Construction and Urban Development, demand can be satisfied to a certain extent if 15,900 apartments were purchased per year. However, the sector has had surpluses of 7-8 thousand apartments per year for the past several years, which ministry hopes to address by supporting sales.

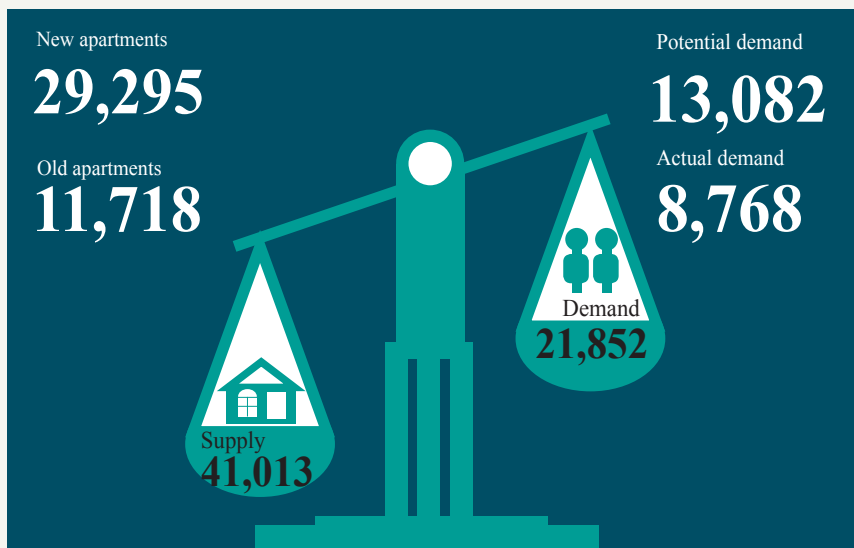
Yet, independent experts and some specialists in the sector criticise the government for its interference in the sector and believe that the sector needs to operate according to market principles. Director of the Mongolia Economic Forum B.Lakshmi stated:

“The government was involved in every aspect of this sector, as they provided mortgages to citizens and soft loans to construction companies. This market has not been allowed to engage in free competition. There is no fair competition in both the supply and demand side, as regulations were made covering both sides.”

The loan portfolio of the construction sector has increased significantly due to the government support in the past. At the end of last year, real estate and construction loans accounted for 41 percent of the total loans. In addition, some say that there is a construction price bubble due to the excess involvement of the state. It is true that the per-square-metre prices of apartments in some parts of Ulaanbaatar have become similar to prices in developed cities such as New York. However, the Mongolian real estate market is far from the development levels of such places.

The Head of the Strategy and Policy Development Department of the Ministry of Construction and Urban Development, Kh.Batbold, said: “State participation and regulations cover every aspect of policy, supply and demand. We will work according to current principles. Besides the rental housing programme, we will add sales networks to follow.” In order to revamp the stagnant sales, the government reduced the mortgage loan interest rate to five percent and made the duration to 30 years.

Companies engaged in the construction sector had been waiting for the switch to the five percent mortgage loan programme, but the results are a bit different than they had expected. Apartments were sold en masse. It remains unclear how many of the approximately 200 thousand households will be able to exchange their money and land for apartments. The restrictions of the five percent interest rate mortgage are indeed the real issue. Although the planned spectacle of the Democratic Party was not perfect, it was still something for them to show. As for the Mongolian People’s Party, they are maintaining their position that it is possible to reduce the down payment to 10 percent. Whether this sector bounces back or not depends on whether the broader economy improves. Only then will the sector start to be more economically efficient. ►



As of 2016, 40,490 apartments from 253 projects were sold. About 83 percent of the people seeking to purchase an apartment are seeking mortgage loans. The average per-square-metre price of apartments announced on the market is MNT two million. The most expensive apartment is in Khan-Uul district at MNT 4.8 million per square metre, while the cheapest is in Bayanzurkh district at MNT 1.05 million per square metre.

According to a study which analysed the discrepancy between supply and demand for 2015, 70 percent of households have the ability to purchase an apartment costing under MNT 1.8 million per square metre, while supply is at 18 percent for this level, indicating the weak market.

Source: *barilga.mn*, research department
Source: *Master Properties*

Brief news:

Most of the new apartments commissioned in the past two years have been financed by mortgage loans. In 2014, about 23 thousand apartments were commissioned and citizens bought 18 thousand of them through mortgage loans. As of March 15 of this year, 698 citizens received mortgage loans. In addition, the mortgage interest rates of 3,085 citizens with loans amounting to MNT 125.3 billion were reduced to five percent.

In general, the government would not be facing the current troubles of trying to think up ways to regulate the sector's demand and supply had the sector been allowed to operate according to market principles. As for ordinary people, they are waiting for the bubble to burst, so that the corrected market prices of apartments would begin to be reflected. The average price of housing was MNT 2.6 million per square metre at the end of last year, while it has fallen to MNT 1.9 million today. Those in real estate predict that the price will further drop. Prices will not increase, since demand cannot keep up with the current provision by suppliers. However, the situation might change if the government starts to get involved. There are some in the sector who say that the sector's capital will start to circulate and the market will be revived through loan support from the state. In any case, the five percent interest rate mortgage is not enough to reduce the per-square-metre price due to its restrictions on some locations. On the other hand, researchers note that companies need to do what they can to reduce the price of apartments and put the capital into circulation, as there is a supply glut in the construction sector this year. ■

Opinion

The competitiveness of Mongolian lawyers

BY B. BATZAYA

Senior Partner at Anand Advocates

Mongolian lawyers' influence on socioeconomic development is high. While working for various state and private firms in different positions and specialisations, lawyers have become an engine for development.

Currently, there is the bias which does not view the lawyers as an engine for development. This is an integral part of our competitiveness as lawyers.

The implementation of reforms in the legal environment and judicial system is commendable; however, there is an urgent need to make the competitiveness of the lawyers a priority.

Matters regarding higher education for lawyers, universities' accreditation, requirements for recent graduates, bar examinations, continuing training, foreign language fluency, law firm development, arbitration and specialised courts will be discussed in detail.

An economy grows rapidly as legal reforms are enacted and stability is ensured.

The Law of Mongolia on Legal Status of Lawyers adopted in 2013 and the Mongolian Bar Association consists of representatives of attorneys, prosecutors and judges and has been operating for three years now. If the Bar Association fully exercises its rights and obligations permitted by law, the competitiveness of Mongolian lawyers can be improved.

Trainings conducted by the Mongolian Bar Association are improving year by year in terms of content and quality, and new training policies have been developed. However, lawyers do not acquire work experience and success only through training. In practice, lawyers' hard work brings professionalism, experience and success. This is the uniqueness of the legal sector. There is a need to discover such skilled and loyal lawyers through the bar examination.

For their human resources and financing, Mongolian law firms must be powerful and skilled. Mongolian law firms can compete with international law firms by rendering quality professional services on a regular basis.

On the other hand, specialised courts can be established in Mongolia. The legal environment is open for the establishment of specialised courts that review and resolve business-related disputes including sales, trades, concessions, minerals and taxes.

The issue concerning establishment of the specialised courts, which was discussed at the judicial reform meeting of 2014 World Economic Forum should be taken into action.

According to the Global Competitiveness Report issued by the World Economic Forum in 2016, Mongolia ranked 104th out of 140 countries. In 2015, Mongolia ranked 98th place which means it climbed six positions. One of the most important parts of this assessment is judicial independence, specialisation and appointment and it must be noted that Mongolia remained comparably lacklustre in this regard.

We, lawyers, understand the need to create opportunity for Mongolian lawyers to implement megaprojects with the support of foreign lawyers, and to expand cooperation with foreign lawyers and law firms.

Furthermore, we will bring to attention and discuss legislation which will serve as the main tool of lawyers in practice and the lack of surveys on judicial practices.

Experienced professionals representing the Judicial General Council of Mongolia, Mongolian Bar Association, Law School of the Mongolian National University, foreign law firms operating in Mongolia and lawyers currently practicing will be invited to the meeting which will discuss the aforementioned issues, other topics such as where legal trends of the global economy, specialised sectors and whether we are in line with development.

This year's Mongolia Economic Forum's motto is lessons, challenges and solutions. Given that "solutions" is part of the motto, we are planning to submit the outcomes of the discussions to parliament, other lawmakers, the cabinet and relevant agencies for review, implementation and monitoring. ■

Ethics

Ensuring journalistic quality and ethics

BY TS.ELBEG

The award for Best Picture at the 88th Academy Awards went to *Spotlight*, the film depicting the true story of how the Boston Globe uncovered the massive scandal of child molestation and cover-up by the local Catholic Archdiocese. Journalists can learn much from this film and the different practices captured in it. Although the journalists depicted collected lots of undeniable evidence, they waited half year before publishing the revelatory article. What happened to expediency and quality in journalism?

Spotlight is not about ethics of journalists, but the film is about unveiling the wicked in the society with no room for escape. The Boston Globe's editorial team in this film does not hurry to publish materials and articles on the next issue, as they meet with a number of victims for proof. Ts.Chimeddongog, a member of the Ethics Council of the Media Council of Mongolia, said the gravest ethical mistakes journalists are making today is that they publish articles without checking them thoroughly, write according to rumours and reflect their own opinions.

In journalism, ethics has always been crucial. In general, ethics is a concept related to human relations and concerns the philosophy of "customs, habits and ideas." As journalism is public relations covering the widest ranges of society, professional ethics in this sector should be the top priority. However, this sector is losing its position in political discourse to social media.

Mongolian journalists began to take journalism seriously since 1980s. Perhaps you could say that anyone who has a college degree knows what it means to be ethical. Since the start of the 1990s, the Confederation of Mongolian Journalists has been approving the ethical norms for the journalism sector and has revised it several times. In

addition, each journalistic organisation develops and complies with their own ethical rules consistent with their internal characteristics and purpose. However, last year it was decided that all journalists and editorial teams would comply with one set of ethical rules. An NGO called the Media Council of Mongolia was established, and Mongolian journalists, professional

made mistakes to the public. However, the council does not discuss and judge all the articles and news published by organisations. They take measures only after looking into cases of complaints. Two committees have 15 members each, consisting of owners of press and media organisations, journalists, researchers and lawyers.

Ts.Chimeddongog said that currently



associations and representatives of media organisations united to redevelop the ethical norms.

The Media Council is forming into an independent body that takes measures on ethical failures. The measures are not some kind of administrative penalties; instead, measures are taken by announcing the editorial team which

no organisation or editorial team has tried to fight in defence of their mistakes. The majority of media organisations have ethical guidelines to accept their mistakes. In general, the first ones to discuss ethical issues are the editorial teams. All publications and programmes need to reach the public after going through the judgment of an editor. ▶

► Therefore, the editorial teams must be responsible for their own unethical products.

On the other hand, professional ethics should also be separate from personal ethics. It is inappropriate to intertwine personal behaviour and deficiencies with editorial activities. However, if insulting, slandering, illogical conclusions and baseless information are reflected in television and radio programmes or in newspaper and magazine articles, this is a question of ethics.

Another thing that cannot be left without being mentioned is the issue of distinguishing journalistic products from other media products. Not every interview, show and programme on air or on the internet is a journalistic product. Some programmes and shows are similar to films, as its single objective is to attract viewers and entertain them. In addition,

need to apply a code of ethics, as they are participating in mass communication. The thing is, non-professional people lack this kind of knowledge.

Even professionals sometimes make mistakes. Universities teach professional ethics in order to prepare journalists. Unethical errors sometimes occur due to negligence, but cases of deliberate and serious unethical mistakes occur often. For example, cases of rushed closing of contracts and sponsored content are increasing in recent years. In addition, unethical acts such as extorting money for not publishing obtained information are increasing. An article titled “Ulaanbaatar Buyan company is treating the deceased improperly” on mongolcomment.mn can be viewed as an example of ethical errors. First off, the article attacks the reputation of the company based on un-reviewed evidence. On top of this,

But in the end, it is important to recognise that ethics also means improving the skills of journalists and allowing them to protect themselves, rather than monitoring or harassing. Today, the bad side of editorial teams is that they impose all the wrongdoings and responsibilities on the journalist. If complainant files a libel lawsuit similar to the above mentioned case, the journalist will be found guilty. The significance of the Media Council is that it provides opportunities for journalists to keep their job by mediating issues between a victim and the journalist, before the victim reaches goes to the courts.

It can be seen from Spotlight that reviewing documents and evidence to produce a verified and guaranteed product by being aware of responsibility and ethics will bring more success for the journalist and more benefits to society.

The Media Council of Mongolia is a new organisation which is just beginning to mature. In that sense, they have a need to stabilise operations. In particular, they need to improve their relationship with media and press organisations, raise awareness of their code of ethics and distribute that information to the public. In addition, they have to overcome financial issues in order to be independent. According to international experience, such organisations are funded by contributions from media organisations or from the state budget. Governments support media and press councils because they reduce judicial expenditures and promote free press. The third source of funding is public donations. The Media Council of Mongolia has been managing their expenses with contributions from their members in the past, while they address the issue of improving their members its ethics council through foreign projects and grants. For example, Deutsche Welle, the Friedrich Ebert Foundation and the OSCE have implemented various types of projects and programmes in which the members of the ethics council participated. They even attended a one-day meeting of the German Media Council to study experience. Deputy Director of the organisation U.Tamir stated there is a need to increase the sources of funding in the future. The Media Council of Mongolia is going to bring a consultant from the UK in order to develop their financial plans of this year. ■



not ever presenter and broadcaster is a journalist. As the amount of press and media has become plenty today, it is common to have many unprofessional staff. It is not a phenomenon occurring solely in Mongolia. A person does not have to be a professional journalist to prepare some talk shows and entertainment programmes. However, there is still a

the website demanded MNT 20 million from the company, saying they would not publish the article if the company gives them the demanded ransom. The Media Council of Mongolia named and shamed the media organisation to the public, as the complainant Ulaanbaatar Buyan company had enough evidence to disprove the libel.

ASEM and tests

The ASEM test



The moment when Mongolia will to host the biannual Asia-Europe Meeting (ASEM) is nearing. By successfully organising the summit, Mongolia will improve its global reputation. As it marks its 20th anniversary this year, it is a big responsibility for Mongolia. Heads of more than 50 states, 4,000 delegates and 1,000 journalists will attend the event.

Ten major conferences will be held in Ulaanbaatar before the summit. The 9th Asia-Europe Parliamentary Partnership Meeting will take place April 21-22, and nine events, including the ASEM Senior Officials' Meeting, ASEM Finance Ministers' Meeting, ASEM Food Safety Seminar: Training of Farmers and Model ASEM Conference will take place soon afterwards.

According to the National Committee responsible for the first meeting to take place, the ASEM Parliamentary Partnership Meeting, about 20 countries and one international organisation's delegates announced their intention to participate in the meeting as the preparatory works of the meeting are nearly finished. During the meeting, the delegates will discuss two topics. The first is about how to make multilateral cooperation effective while the second one is under the theme "Partnership for the Future". Heads and deputies of several countries' parliaments will come to this meeting and issue a declaration to present at the summit.

ASEM is not a decision-making

institution as it is not a body with a permanent staff and structure. To put it simply, it is a discussion platform at the international level. It is one of the main forms that discuss relationships between international organisations. Therefore, it provides an opportunity to openly discuss issues faced.

Mongolia established relations with ASEM in 1996 and became a member in 2008. The body selected Mongolia to host the summit this year, which is an indication that Mongolia has had a stable, open and pragmatic foreign policy for the last 25 years. The initial ASEM partnership in 1996 consisted of 15 EU member states and 7 ASEAN member states plus China, Japan, Korea and the European Commission. There are countries interested in joining, including Turkey, Ukraine and Serbia.

ASEM will bring significant political, economic, social and cultural importance to Mongolia. The most important significance is that it can demonstrate to the world that Mongolia is capable of organising such large-scale events and meetings. Thus, it is considered that it could be the foot-in-the-door to regularly organise international meetings. Countries compete with each other in order to be selected as the host of such events. For example, Singapore, Bangkok, Doha, Geneva, New York and Nairobi can be mentioned, as such cities specialise in this regard. As officials are involved in such types of meetings, it is considered expensive tourism.

As heads of more than 50 countries meet once in two years, this meeting has significant political and economic importance according to our experienced members of the parliament and senior diplomats. In addition, it is an opportunity to save on expenditures for visiting foreign countries to attend meetings. How many opportunities to organise a summit will we have? Some people say that the summit gives a huge advantage not only in improving multilateral cooperation, but also bilateral cooperation.

Senior diplomat Ts.Gombosuren noted: "From the foreign policy perspective, it is said that Mongolia's reputation is strengthening internationally. ASEM's approval being given to our country is an indication. In other words, the world has great faith in our country." He also said that this is a big test and we need to do well on it. Since the days of old, Mongolia has been a bridge connecting the continents of Europe and Asia. Mongolia is serving that role even now. If we can successfully perform this task, in return it will give significant advantages to our country.

If it were not the 20th anniversary of ASEM, the chair's statement which includes the issue to be discussed and stances should have been issued. However, a document called the "Ulaanbaatar Declaration" will be issued as it is overlapping with the 20th anniversary of the summit. It will be a brief document reviewing the past

▶ 20 years and looking forward to the next ten. Another interesting thing is that the 53 heads of states will openly discuss global issues informally without official filters. The ASEM preparatory works also have its features as it is coinciding with an election year and the Naadam festival. The prime minister made a decision to hold provincial and soum Naadam festivals after July 15 due to the preparatory works. The government is planning to organise many public cultural events near the city in cooperation with the Youth Association. Many works are being done regarding the security and safety of the guests. Forty-six hotels were selected for ASEM and soft loans were provided to them, giving an opportunity for maintenance and improvement of service. The works related to hotels are going smoothly. As for the human resources preparation, the state is mobilising the resources of the administration. The Ministry of Foreign Affairs and other state bodies are also being fully mobilised. For example, military personnel of the Ministry of Defence and State Special Security Department are being mobilised for the training of ASEM summit chauffeurs. On top of this, young people are volunteering. They are greatly needed as young people will work as guides accompanying journalists during the youth meeting and business meeting. In addition, the Ministry of Labour and Mongolian Tourism Association is cooperating to train young people as guides. It is planned to involve more than 1,000 volunteers. Although Mongolia is globally known for its natural resources, many countries visualise us as the country of Genghis Khan and horse-back warriors. Therefore, we will show the modern Mongolia during the ASEM summit.

Furthermore, Mongolia plans to compete in UN Security Council elections in 2022. Therefore, we can gain the confidence of the international community by successfully organising global summits such as ASEM.

ASEM member countries account for half of global GDP, about 60 percent of the world's population and 60 percent of trade volume. ASEM comprises a large region of geopolitical interest. It is clear that the successful hosting of this meeting will be one of the most important events of the near future. ■



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Health

The unbelievable wonder drug

G.ORKHON

It is believed that 15 percent of the population of Mongolia carries the hepatitis C and 10 percent the hepatitis B virus. In other words, a quarter of the nation is afflicted by some kind of liver virus. However, not everyone knows that they have the virus and many find out too late. People with advanced-stage liver diseases, searching for the best doctors and hospitals, can be found not too far from us.

One of them is resident of Bayanzurkh district D.Enkhtuvshin, who found out five years ago that he has hepatitis C, which has since progressed to stage four – end stage liver cirrhosis. “If I were able to find out a few years earlier, I would have at least quit smoking,” he said woefully. “I would like to carry on for a few more years.” The current

scarred part of his liver will not recover, even if the virus were to be eliminated from his body. At least the healthy part of the liver can recover. However, he is still not getting the necessary treatment, and without treatment, he will need a transplant. In order to use a medicine called Harvoni, which came into Mongolia at on discount, he has to pay at least MNT seven million. In Mongolia, there are many people in a similar situation, worrying more about food for the day, much less medicine. Some people try to obtain discounts on certain amounts of hepatitis treatment costs through the state health insurance fund. However, the legal environment for this has not yet been established in Mongolia. Enkhtuvshin has paid into the national health insurance continuously

for 21 years, but is unable to get treatment or discounts. Representative of the City Citizens’ Council and Head of the Standing Committee on Health and Food Safety J.Amarsanaa provided an answer on this issue: “We submitted a request to the Ministry of Health and the Ministry of Population Development and Social Welfare to include Harvoni in the list of essential medicines to be covered by insurance. They said that a working group is addressing the issue; however, we have not received a clear answer about the discount percentage.”

It has been just three months since Mongolia brought in this medicine called Harvoni, which is known as a killer of the hepatitis C virus. During this period, this medicine has shown unbelievable results. ▶





► From three million to 30

Photo: Her name is O. Bayarmaa. She lives in Sukhbaatar district with her husband and son. She is currently 30 years old and in the prime of her life, but found out she has hepatitis C two years ago. When she first gave tests and saw a viral load of one million, she immediately wanted to take action and had herself admitted to a hospital. There was no medication or treatment for hepatitis C in Mongolia back then, and doctor told her that her viral load figure rose to three million when she gave another test one year after initially finding out. She started taking Harvoni starting on the 4th of this month. After she took one box of pills, 28 capsules, her virus load plummeted from three million to 30. In other words, the doctor told her that 90 percent of the virus in her liver had been destroyed.

Her monthly drug expense amounts to USD 400, which the three-month

prescription will end up costing USD 1,200 in total. The cost of the medication significantly exceeds her monthly wages, and she said she took two months' advance on her salary in order to buy the drugs. She had to dip into her child's savings in order to buy this month's pills. "The most important thing I am being cured, so there is nothing to regret about the money," she said. "As a young person, I want to be cured of the disease early and live happily." Before taking the medicine, large spots had appeared on her left shoulder, but now the spots have faded significantly, and even her mood has become more stable. Now she has no negative symptoms other than a little fatigue. Bayarmaa is thinking of getting a hepatitis C vaccination further on after taking the medicines.

Even from 90 million to 30

Like Bayarmaa, another individual benefitting from the medicine is resident of Bayanzurkh district L. Battulga. However, his hepatitis C viral load in his liver was 90 million in 2003, whereas it has fallen also to 30, which is the most inactive level of the virus. Battulga said he could not believe his eyes when he saw the test results. He started taking Harvoni on New Year's Day and is now ending the third and final month of treatment. When he found about his condition 13 years ago, he went to all the doctors and hospitals like the others. He even went to Japan in 2012 to get tested. Back then, his lives had been inflamed significantly but had not become cancerous yet according to tests. He said "Back then, I heard about Harvoni," he said. "Now I am feeling its results myself after patiently waiting for it." Before he started using the medication, he used to be easily fatigued and his eyes were

jaundiced. "Now my eyes have become clear, and I was even able to gain three kilos," he said. He is not very worried about the drug's costs, since he runs a private business.

Many others in similar situations are feeling the amazing results of this medicine. The drug supplier Ombol LLC is importing the medicine into Mongolia and so far has imported 4,800 units for the first 1,600 patients. One box of pills is being imported for USD 400 and people are buying the medicine with the exchange rate of the particular day. The next batch for 2,000 patients will be received in April, and an employee of Ombol said the medicine will begin to be sold starting April 15. The medicine is sold for USD 96 thousand in the United States and around EUR 50-60 thousand in Europe, while it is USD 1,200 for the three-month course in Mongolia.

More than 1,200 people die per year due to liver cirrhosis. About 62.5 percent of cases are caused by the hepatitis C virus. J. Amarsanaa said the lives of 750 people can be saved in a year by eliminating the virus, and 15 thousand over the span of two decades. About 1,400 people per year pass away due to liver cancer, and it is estimated that at least 40 percent of cases are due to hepatitis C. This means an additional 11 thousand people can be saved from death due to liver cancer in a span of 20 years. These add up to 26 thousand lives that can be saved over the next two decades.

The majority of the people currently receiving treatments have chosen the three-month treatment. Some people who did not see results from interferon treatment are being treated over a six-month period. For the people getting hepatitis C virus treatment for the first time, they will complete treatment in just the three months. ■



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