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MONGOLIAN ECONOMY



The Other Budget

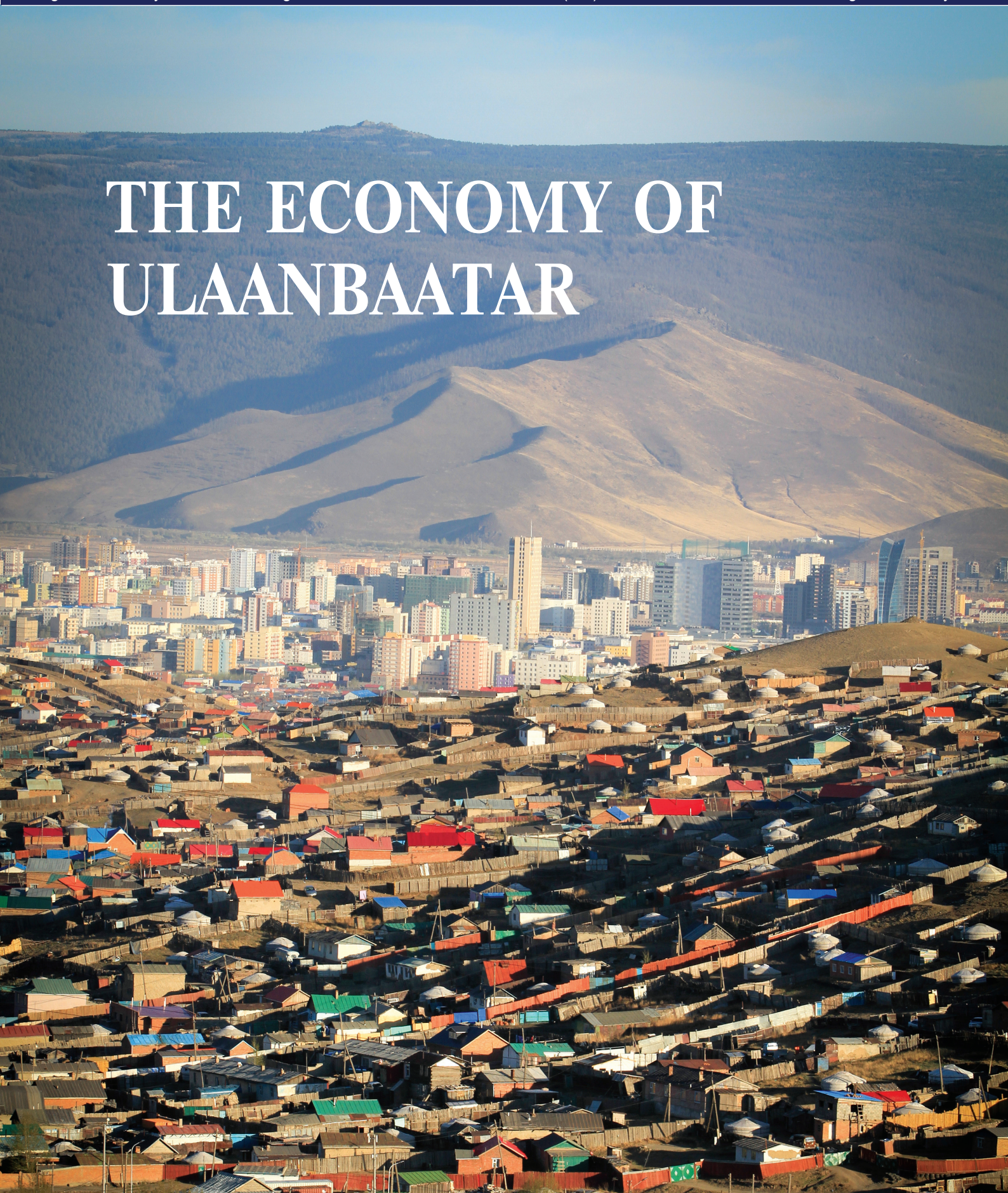
Ulaanbaatar in 2030

Mongolia's Economy and Business Magazine

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THE ECONOMY OF ULAANBAATAR



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"Bileg" store
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MIR BOOKSTORE:

"Grand plaza"
"Metro mall"
"Sky" supermarket
"Ulaanbaatar" store
"Max mall"

MONGOLIA :

WASTE:



Last winter Ulaanbaatar produced 1,237.2 tonnes of wastes a day, of which 145.7 tonnes came from apartments, 690.8 tonnes was

from the ger districts, and 159.9 tonnes was from companies. Japan International Cooperation Agency (JICA) is planning to enact a project to increase Ulaanbaatar's waste management capacities that includes the construction of recycling plants at the east and west of Ulaanbaatar by 2015.

ULAANBAATAR BUDGET

Ulaanbaatar surveyed 318,000 households from 152 sub-districts in the first-ever survey concentrating on Ulaanbaatar's denizens. The survey concerned the issues of society, infrastructure, public transport, landscaping and security, asking citizens to rank them in order of importance. Surveyors hope the survey will help prioritise the infrastructure projects expected for 2014.

ULAANBAATAR'S GER DISTRICTS

A preliminary map of Ulaanbaatar has been developed, covering parts of 11 sub-districts. Urban developers hope to use the map to assist in their objective to improve public services delivery to residents of the ger districts. The map shows the locations of residencies, wells, kindergartens, schools and healthcare centres located in

each of the sub-districts. Ulaanbaatar Mayor Erdeniin Bat-Uul said that this work should be given high priority and ordered the mapping of all 87 sub-districts in the city. In addition to the urban development for the next five years, policy makers expect the map will be useful for discussions concerning the 2014 budget.

DEVELOPMENT OF ULAANBAATAR

Urban development plans for Ulaanbaatar up to the year 2030 will follow six guiding principles:

- Develop a healthy and safe "green city" that will address climate change concerns and disaster response
- Create adequate living condition with the reorganisation of land, infrastructure and apartments
- Create good governance and an improved legal environment that will involve participation from citizens, communities and the private sector
- Establish satellite cities for a targeted population size
- Make Ulaabaatar a tourism hub of Asia
- Make the city more competitive and meet the standards of international business centres and the capital cities of developed countries



POPULATION

According to an estimate by the Economic Development Agency of Ulaanbaatar, the city's population is expected to

reach 1.7 million by 2030. Amendments have been made to the 2020 General Development Plan for Ulaanbaatar for the development of satellite cities that would reduce the centralisation of the population (see Figure 1 and Figure 2).

The 2030 Projection of population growth

| City | 2010 (Statistics Office of Ulaanbaatar City) | | Expected population | | | |
|----------------|--|-----------|---------------------|-------|--------|------|
| | Population | Household | 2020 | % | 2030 | % |
| Ulaanbaatar | 1058.129 | 264.311 | 1235.5 | 80.55 | 1400.0 | 79.4 |
| Satellite city | 103.656 | 30.106 | 298.5 | 19.45 | 363.0 | 20.6 |
| Total | 1161.785 | 294.416 | 1534.0 | 100.0 | 1763.0 | 100 |

THE WORLD'S "SMARTEST" CITIES

The following is the list of the world's "smartest" cities as compiled by Forbes. A smart city often refers to a place with a green sustainable agenda. But this narrow definition ignores many other factors that have characterized successful cities in the past. Forbes determined the smartest cities not only by looking at infrastructure and livability, but also economic fundamentals.

SINGAPORE



Singapore Airport is Asia's fifth-largest, and the city's port ranks as the largest container entrepot in the world. Over 6,000 multinational corporations, including

3,600 regional headquarters, are located there, and it was recently ranked number one for ease of doing business.

HONG KONG



As the center of the world economy continues to shift from West to East, Hong Kong is certainly reaping the benefits. Hong Kong Shanghai Bank's chief

executive recently relocated there from London. Its per-capita GDP is ranked 15th in the world. The Heritage Foundation and The Wall Street Journal have ranked Hong Kong the freest economy in the world.

CURITIBA, BRAZIL



This well-run metropolis in southern Brazil is famous for its rapid bus-based transit, used by 70 percent of its residents, and its balanced, diverse

economic development strategy. The city's programme of building "lighthouses"—essentially electronic libraries for poorer residents—has become a model for developing cities worldwide. Environmental website Grist.org recently ranked Curitiba the third "greenest" city in the world.

MONTERREY, MEXICO



Over the past few decades, Monterrey has emerged from relative obscurity into a major industrial and engineering center. The city of 3.5 million has 57 industrial parks, specializing in

everything from chemicals and cement to telecommunications and industrial machinery. Monterrey and its surrounding state, Nuevo Leon, boast a per-capita GDP roughly twice that of the rest of Mexico.

AMSTERDAM, NETHERLANDS



This longstanding financial and trading capital is home to seven of the world's top 500 companies, including Philips and ING. Relatively low corporate taxes and income taxes on foreign

workers attract companies and individuals. Amsterdam's advantages include a well-educated, multilingual population and a lack of political corruption, as well as its location—in the heart of Europe, close to a major international airport and a short train trip to Rotterdam, the continent's dominant port.

SEATTLE, WASHINGTON, USA



Seattle's location close to the Pacific Ocean has nurtured trade with Asia, and its proximity to Washington state's vast hydro-power generation station assures access to affordable, stable clean electricity.

The area also serves as the conduit for many of the exportable agricultural and industrial products produced both in the Pacific Northwest and in the vast, resource-rich northern Great Plains, closely linked to the region by highways and freight trains. ■



A NEW ULAANBAATAR

I. OTGON

Ulaanbaatar's citizens may know that the coming winter is going to be very tough and full of smoke. Obviously, it is not enough to tell them to just wait for next spring. But the sudden changes in Ulaanbaatar's appearance since last spring have been one cause for rejoice. The measures taken for traffic are another. For Ulaanbaatar next year, many are expecting big change in the ways of renovations to the roads and new four-way intersections.

This edition sees *Mongolian Economy* raising its voice on the development of infrastructure for Ulaanbaatar, just as the harsh winter season comes upon us all.

About 40 percent of Mongolia's population lives in Ulaanbaatar, with the total population projected to grow from today's 1.3 million to over 1.5 million by 2020. In the meantime, the city will have to deal with challenges such as decentralising the city, managing the over-crowded neighbourhoods, and thinning out traffic and air pollution. It will also have to try and make investing into the city easier and create incentives to do so.

The development strategy for the Mayor's Office of Ulaanbaatar is to address the issue quickly by learning from the mistakes of cities before it. The mayor has formed a team that says they are ready to take on the challenges ahead.

"While I am in charge of this office, I will make Ulaanbaatar the best city", said Mayor Erdeniin Bat-Uul.

Initial impressions of their work are positive. The mayor's team has successfully dealt with the real nail-biting issues that have kept residents on edge. That includes the three months set aside to focus solely on the re-planning of the ger districts.

The Fiscal Stability Law that took effect last year made it clear that citizens would be called upon to participate more in city expenditures. In order to have a new and cleaner city, with better infrastructure, every citizen of Ulaanbaatar will have to take on a role to further the city's development.

This edition of *Mongolian Economy* includes some thought-provoking articles on economic development, urban planning, investment, infrastructure work, megaprojects and the future of Ulaanbaatar. ■

DEVELOPMENT

THE ECONOMY OF ULAANBAATAR

BY B. BAYARTOGTOKH

Ulaanbaatar became Asia's 107th city with more than one million, announced the mayor's office proudly in 2007. Today, Ulaanbaatar is the source of 65 percent of Mongolia's GDP, 85 percent of total energy production and 50 percent of national investment. It is also where about 44 percent of the population lives.

Ulaanbaatar has 1.3 million residents, of which 220,000 are unemployed. Unemployed citizens comprise 20 percent of the city's population, the source of much of the city's woes.

Employment for citizens, a supply of modern apartments, and connections to central infrastructure for heat, water and electricity are all priorities for the city. There is also a need for the construction of infrastructure such as hospitals, schools and kindergartens. For the economy, the city needs to become a financial hub with manufacturing and services.

According to the Economic Development Authority, the average salary of Ulaanbaatar's citizens is 3.5 times lower than the average of foreign cities. In Ulaanbaatar, air pollution is 10 times higher than the standard it should be. Also the size of available green space per capita is 10 times lower than the size it should be. Some 30 percent of Ulaanbaatar residents are living in apartment buildings while 70 percent living in ger districts.

According to the Russian text *Economy of Large Cities*, Ulaanbaatar could expand its tourism services in-

dustry and become a business and financial centre. The development of a population is usually tied with the quality of education and healthcare, putting great importance on the social services available.

Ulaanbaatar could be a centre for social and economic innovations. Cities are usually the headquarters for large companies. Toronto, for instance, has become a leading city for Canada because so many large companies set their base of operations there. Meanwhile in some large cities, tourism prevails over all other services.

The Mayor's Office of Ulaanbaatar has introduced an action plan that aims to organise a new set of rules to transform the capital, and the State Great Khural approved a development plan for the city on February 9. The city promises that the reforms will drive rapid cultural development, remove red tape, and clear out the traffic jam s congesting the roads. The Mayor's Office will also continue its long-running battle to reorganise the ger districts and provide alternative housing. Under consideration by Ulaanbaatar are new taxes to help fund the city's growth and also manage the exploding population.

Rush hour traffic jams have become a nightmare. The daily commute reminds some that a metro would be quite useful. One way to better manage the ever-growing number of cars on the road would be to tax motorists for the use of the streets. Singapore has such a tax in place.

Transportation is a problem every-

where. It hampers the development of infrastructure and is the cause for a number of financial challenges. Delivering electricity to the city's 1.3 million citizens is another heavy problem to tackle.

"The increasing number of migrants from countryside is not a bad thing", said Mayor Erdeniin Bat-Uul.

"The reason why China's economy grew strong, for instance, is because of its big population. The market for any city with a big population can develop more rapidly", he said.

In 1911, Ulaanbaatar had just 40,000 residents compared with 1.3 million today, of which half the population is migrants from the countryside. The mayor and his team are working on a plan to make the city like other cities in the world, with an independent economy and to function as a centre for development. The plan aims to renovate the existing road network in the city, lay down new pavement for the walk paths in every district, and build road tunnels and car parks underground. The plan also expands the size of green space in the city 20 percent, by 1,200 hectares.

To ensure continued, stable growth, however, the city will also need to branch off into new industries. Municipal bond and soft loans will be other avenues to help fund the growth of those industries.

Many cities have redirected their development, enforcing better working practices and cleaner technology. Ulaanbaatar can learn from that example. ■

GUEST

WRITING THE RULES FOR URBAN DEVELOPMENT

BY B. BAYARAA

Dashjamtsyn Battulga, chairman of the Citizens' Khural of Ulaanbaatar, discusses development in Ulaanbaatar.

Has Ulaanbaatar become more free economically?

It would be too early to say that the capital city has economic freedom. But more positive results are being brought to the city as it is developing and its revenue is increasing. In this sense, the amount of personal income tax, which is the economic basis of the city, has grown. The growth has a good impact on the city budget. It can be understood that the economic power is now more beneficial to the citizens rather than the growth in the city budget.

How would you describe the criteria constituting a city?

There are a number of criteria for cities, but the priority is the development of the city. It means that infrastructure will be created by building more constructions. The city centre also needs to be decentralised.

We have discussed this issue for years. Unfortunately we have not achieved any concrete results. Thus, it was included in the 2030 general plan as a part of re-planning for Ulaanbaatar. In the city, constructions comprise a mere 30 percent of the city's total area. The city centre is located



within Baga Toiruu and 1.3 million people are going there to get services. Baga Toiruu is the central area where a number of culture and science centres and public organisations are concentrated. It needs to be decentralised.

Also, rules are needed for the city. There have not been any rules for 374 years, since it was founded. A city with no rules is like a lawless state. Do we know what rules are being enforced today while there are a number of services in the city? Unfortunately, there are no rules to regulate them. What should traffic and address things be like, what would be the role of a citizen? These all should be addressed by rules—one of the important issues to becoming a

city.

Citizens are the main pillars of development for Ulaanbaatar. When citizens develop, the city develops. What measures are being taken up by the Citizens' Khural to allow for greater participation by Ulaanbaatar's citizens for the city's development?

Regarding the citizens' involvement, some work is being done. Ulaanbaatar has 152 khoros [sub-districts], of which some 34 have established their own citizens' halls. The citizens' hall operates on a regular basis as it employs an officer who is in charge of some particular issues.

Citizens could be gathered together ►

▶ at the citizens' hall to discuss how to spend their Local Development Fund. And some other issues can also be discussed. Besides that, now it has become common that their feedback is received at the hall and sent to the council, duureg [district], or khoroo. This is an example of how citizens are involved in what we do. It is going to be further expanded and a citizens' hall will be established in all sub-districts.

What do you think will be the legacy left behind from the initiative to develop the ger districts?

It could be historic. This is enormous infrastructure, but this is just the beginning. Any problem is seen easily when we are not involved in it. When the problem occurs, there are always a number of scenarios.

Humans are one big family and deserve a happy life. One is not only responsible for himself or herself, but for his or her family. But we are responsible for the city. It would not be easy to reach a deal with the one who is responsible for the family. Building a development is an easy thing. The problem is how to resolve infrastructure for that development. Ulaanbaatar lacks energy sources. And we are doing everything possible to deal with the issues by any means.

A large portion of the city's population are children and young people. How have development plans kept them in mind?

Ulaanbaatar should be beneficial to its citizens, including the elderly, youths and disabled citizens. These all need to be essential.

Paving only running and bicycle paths would be biased because it would be beneficial for young people. If the developments are built for only the elderly, it would also be biased. These all need to be focused on equally—including bicycle and running paths for young people, gardens for the elderly and smarter solutions for the disabled; they need to be resolved altogether.

Most importantly, these all need to be planned before development. For us, what we must approve a partial plan for specific infrastructure work.

How much would it cost to renew the outdated pipeline network?

The existing pipeline was installed in 1957 and the heat pipeline in 1960s, but these pipelines are still being used. Maintenance and renovation, which would cost MNT 2.7 trillion in total, is desperately needed. This amount is ten times larger than the current city budget.

Getting all the funds from the state budget would hamper development. Mongolia needs to develop continuously. In order to deal with the issue, there should be two solutions: engineering and investment. Engineering solutions could be handled by Mongolian engineers. But we still need the investment solution. Thus, we have submitted our proposal to the State Great Khural in order to impose the city tax.

The tax would be just one percent of your purchase. It means that the purchase of one bread loaf costing MNT 1,000 would be deducted by MNT 10.

We think that this is not going to be a burden on the citizens. Accordingly, we see that those taxes collected could be spent to address the issues in the city and improve the quality of the lives of the citizens.

Of course, it would not make sense if we spend taxes to increase the salaries of the heads and directors of the city council. The spending should be more transparent and open for citizens. If we could do that, Ulaanbaatar's citizens will not avoid the city tax and they would be up for paying the tax.

Tax payment is one big culture. ■

SOCIAL ISSUE

PROBLEMS WORSEN IN ULAANBAATAR

BY E. ZORIGT

The City Architecture and Design Institute has projected that Ulaanbaatar's population will grow to 1.7 million people by the year 2030. Population growth is putting a strain on city infrastructure, causing societal disparities. Health services and schools are overloaded, while unemployment and poverty grow worse. The city is also trying to wrestle with the worsening air pollution and a society growing more unruly as living conditions fail to improve.

"Uncontrolled population growth in the city is the reason for the majority of social issues we're facing today", said Ulaanbaatar Deputy Mayor Ts. Enkhtsengel, "The city's infrastructure was designed for 600,000 people, but now

we have half of the country's population concentrated in the capital city. The overcrowded city is creating many social obstacles".

Years in the making

The issues currently facing the city began half a century and five different development plans ago. The first plan developed in Moscow's Gipragor Institute in 1954. According to this plan, the city population was estimated to grow to 125,000 people between 1954 and 1974. The Baga Toiruu and Ikh Toiruu roads were expanded upon, but it was not enough once the population reached 180,000 in 1960. Most of the city infrastructure today remains unchanged from that of 50 years ago. Not ▶

► much room was left to widen the roads as the number of vehicles on the road exceeded expectations 110 percent.

A second urban development plan for Ulaanbaatar was approved in 1961, based on projections of a total population of 250,000, for the next 20 to 25 years. Also planned for was 3,900 hectares of residential and commercial space. But by 1975 the population of the city hit its maximum capacity of 348,700, exceeding growth projections for a second time.

Demographers had underestimated the number of herders that would settle in the city over the years.

A third urban development plan was drafted by the same Russian institute in 1975, but for a fourth time it had misjudged growth. This time planners worked with the expectation that the population would reach 400,000 by 2000, but it ended up growing to 492,200 in 1986. In response, planners extended the number of residential districts from 21 to 30 to better manage growth.

Then, in 1990, the democratic revolution occurred, bringing with it major social and economic change. For years to follow there was disorganisation, without any planning whatsoever.

Inadequate Services

One major concern for city residents was the shortfalls in social services. Health and education have still yet to recover since the transition to a capitalist economy and democracy, and workers in those sectors are operating with outdated methods and resources. For

Population of Ulaanbaatar (As of Jan 1, 2013)

| | |
|---|---------|
| Number of permanent residents | 1226991 |
| Male | 580981 |
| Female | 646010 |
| Number of migrants from countryside | 19887 |
| Number of people moved from Ulaanbaatar | 7024 |
| Mechanic growth | 12863 |
| Normal growth | 25770 |



healthcare, citizens are always left waiting while their health deteriorates. As a result, many Mongolians are forced to seek more expensive foreign medical care abroad.

Education has also failed to catch up with the times.

“There are over 31,000 children in the city not enrolled in kindergarten”, said Sorogjoogiin Ochirbat, acting chief of investment and infrastructure for Ulaanbaatar. “Access to education is also proving to be a serious problem”.

He noted that 31 of the 43 sub-districts of Ulaanbaatar lacked their own schools and 14 had no kindergartens. The inability of public services to meet the city’s needs can be seen in the lack of assistance provided to Ulaanbaatar’s disabled, including noise alerts at traffic cross walks for the blind and access to public transport for people in wheelchairs. Even the Ministry of Health lacks wheelchair ramps.

Poverty

Although Mongolia successfully reduced poverty somewhat, it remains a serious problem. According to a study by the National Statistical Office, 30 percent of the population lives in poverty, which is a strong sign that the wealth coming from the mining industry is not being evenly distributed among the populace. Comparatively, Norway, which instilled strong social welfare policies to combat the ills resource extraction brought to its own economy, has just 3 percent of its population in poverty.

“Poverty levels are different depend-

ing on the person, family and the economics of the society”, said Sharavyn Munkhtseren, a domestic consultant for the Millennium Challenge Account. “For instance, if new jobs opened up, the majority of the people in poverty would not be qualified for those jobs”.

The latest study labelled 29 percent of the people below the poverty line as extremely poor. It also drew a direct link between poor urban planning and the poor quality of life they could afford, as well as the subsequent overpopulation.

“There are many cases where rural residents moved to Ulaanbaatar in search of a better life and, in turn, increase the number of people in poverty”, said Davaasuren, who researches poverty in Mongolia. “The origin of this issue is the shortage of services in the city. Investment in city services is very low at this time”.

The New Plan

The urban development plan for Ulaanbaatar, which plans for up to 2020, was approved in 2002. This plan is distinctive from its predecessors in that it is the first city plan developed with Mongolian participants.

After the Democratic Party took control last year, Mayor Erdeniin Bat-Uul’s government decided to extend the 2002 city plan, along with some adjustments, until 2030. The core strategy of the amended plan focuses on social care and services. This includes better treatment for incoming residents from outside the city and helping them as- ►

▶ simulate to Ulaanbaatar society. The plan further prioritises on making the capital an economic centre for the country. The plan aims to, among other things, build satellite cities throughout the country and provide better support to the healthcare system.

“The source of the problems we have in the city today is its residents”, said Enkhtsengel of the mayor’s office. “To build an efficient, financially competent Ulaanbaatar, we must begin by preparing its residents”.

Enkhtsengel said it was important

that the city work to pull up the poor segment of the population into a vibrant middle class while providing social services to change the situation or else “We might spend the next hundreds years in this state”.

Today, the well-educated and high-income residents of Ulaanbaatar desire higher standards of living. Although direct results from improved healthcare and the education systems may not be apparent at first, many will agree that it will have a great impact on both the economy and society for the future Ulaanbaatar. ■

Controls, D. Tserenjav, has warned that spending by the city has grown too much. The process for funding projects, such as the construction of schools and hospitals, is slow, he said, and the controls are weak. Budgetary spending is largely inefficient as well, he said.

Operating costs in the city budgets have doubled while asset values have grown six times. This year the city will receive MNT 1.1 trillion of investment, including MNT 2.5 billion from the Local Development Fund, which is used to create green spaces.

According to a preliminary estimate by the city council, the 2014 budget will be worth MNT 443.3 billion, of which MNT 416.7 billion will come from taxes. About nine of Ulaanbaatar’s districts and 43 agencies have requested a total MNT 354.1 billion for costs in 2014.

For instance, MNT 40.6 billion was spent on landscaping in Ulaanbaatar this year, and that figure is expected to grow to MNT 112.4 billion next year. A budget proposal for 2014 is expected to be submitted to the Citizens’ Khural for approval by November 28.

The city has numerous sources for additional capital, including through the sale of municipal bonds, a four-year government loan, or grants from organisations such as the Asian Development Bank or World Bank.

“Approximately 80 percent of Ulaanbaatar’s total revenue came from its own resources while 21 percent of financial support has come from the state budget”, reported the World Bank in its report “City Finances of Ulaanbaatar” from this year.

Total expenditures for Ulaanbaatar in 2008 was MNT 39 billion and grew to to MNT 141 billion in 2011. The majority of costs were for transport subsidies for students and the elderly, representing 49 percent of the total city budget and 25 percent of administrative cost.

For most, the state budget is of greater concern to Ulaanbaatar’s citizens than the city budget. Although some people may choose to skip news on the local budget, it means more to them than they might first realise. ▶

BUDGET

THE OTHER BUDGET

BY B. ALTAI

The budget for Ulaanbaatar has long suffered from a lack of transparency, according to the 2011 “Budget Transparency Rating of Local Governments in Mongolia” report by the Open Society Forum, which describes the budget drafting process in Mongolia as “undisclosed”. This year, however, the budget is being discussed openly as part of a new initiative to gather the opinions of citizens. Yet, if any difference is to be made people will have to take an interest.

In the past, Ulaanbaatar’s citizens were kept in the dark on the budget. Some were not interested in the intricacies of how the construction of schools or hospitals would be financed, while others may not see the significance of building up infrastructure all together. But the truth is all these issues are significant to the taxpayers who finance them.

Budgetary controls and the system for accountability have been little more than symbolic in the past, and the budgets of those years were largely squandered. The development of Ulaanbaatar has been significantly

hampered by the lack of accountability in government. There are not enough gardens or green spaces left in the city to walk among any longer—they have all been traded for tall buildings. Although skyscrapers are indeed one indication of development for a city, the absence of green spaces is a sign of poor management.

City officials used to complain that they had no money to spend on the city, but now they say there is no land left for new construction. Thus, they have decided that investment will not be permitted unless there is resolution over land disputes. That means no new school or kindergartens for any districts where such disputes exist.

This year at least six public works projects were delayed in Ulaanbaatar due to a lack of available land.

Urban growth is underway in Ulaanbaatar and the population is likely to exceed two million by 2030, according to the Ulaanbaatar Citizens’ Khural. The population has doubled over the last decade, along with dramatic rises in revenue to the city and investments made.

But the head of the non-government organization Citizens for Budget

A NEW IMAGE OF ULAANBAATAR



National Park spans an area of 30 hectares



The city centre is cleaned by street cleaner trucks after 11.00 PM



A new four-way intersection as a part of Gudajm (Street) project





Flower gardens were established in areas of 5,000 square metres in 24 locations in Ulaanbaatar.



In spring this year, 200 people became a gardener



Salt truck



Renovation of the traffic checkpoint in the west of Ulaanbaatar



Public Day To Plant Trees has been organised and 46,000 trees and 130,000 bushes were planted in Ulaanbaatar.

FUTURE DEVELOPMENT

ULAANBAATAR IN 2030

BY E.ZORIGT

Mongolian Economy spoke with Ulaanbaatar's denizens to learn their opinions on the 2020 and 2030 development plans, and future of their city.

G. Zolboosaikhan, resident of Khan-Uul district:

Green areas are rare in Ulaanbaatar. Thus, several green areas and gardens need to be established in the city centre. On the one hand, this could encourage citizens. On the other hand, this would be an improvement to the city's appearance.

As an agronomist, I would say that wild nature brings good energy for everyone. In this sense, the green areas are the main way for reducing environmental degradation and the stress put on by the centralisation of the population.

Many countries have made green development a high priority, and Ulaanbaatar needs to follow suit to ensure a positive future for its people.

"Green areas will be established in the city of Ulaanbaatar in order to limit the current expansion of the city, to ensure places for amusement and leisure time, to create healthy, safe and convenient living conditions, to conserve nature, and to maintain agricultural areas for food supply for the population", reads the development plan.

The following objectives have

been listed to achieve these goals:

- Improve water management
- Develop the ger districts through the use of green development methods and reduce air and soil pollution
- Introduce a more efficient, sustainable waste management system

Ch. Enkhtur, resident of Chingeltei district:

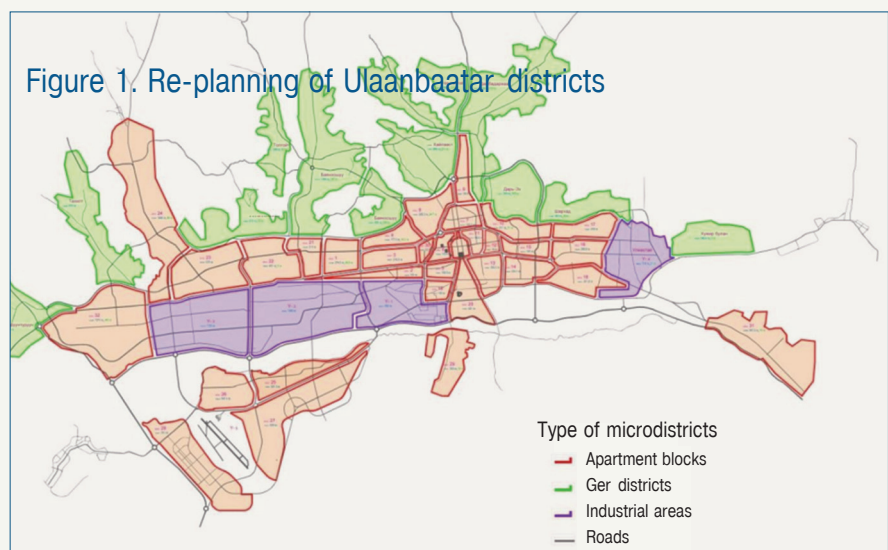
I am a resident of a ger district. I think that the urban development needs to be focused on the ger districts because some 70 percent of the Ulaanbaatar population is living in the ger districts. But today the general public tends to think that Ulaanbaatar's citizens should live

in apartments, drive fancy cars, and not burn fuel.

Thus, when making the plans for the future these differences in thought really need to be addressed.

Director of Ger District Redevelopment Project A. Lkhagvadorj said that redevelopment of the ger districts is necessary and the wrong trends currently seen must be rectified. According to the 2030 Ulaanbaatar Development Plan, ger districts will be developed by dividing them into three parts: a central area, the area that surrounds the center and the outlying suburbs.

Initiatives for the reorganisation of the ger districts include construction of buildings and connecting the areas removed from the city center to the central pipeline network. The ▶▶



▶ central area is also to undergo re-planning and see the construction of new apartment buildings.

The majority of infrastructure work will be take place around the middle part, including construction of systems for sewage, water, electricity and heat as well as a solid waste centre. Expansion of the suburbs will be limited and some families will have to be relocated.

Planners are also looking into establishing towns outside the immediate area of the city.

G. Ganchimeg, resident of Bayangol district:

I want Ulaanbaatar to become a smart city that will be economically profitable using sounder management. My request from the city's officials is that they give us the opportunity to live freely, to move throughout the country rather than in the central areas of Ulaanbaatar.

I am interested in living outside the city, but my workplace is located in the city centre. Commuting a long way between home and work would take too much time. A metro would be a good solution for those who want to live outside the city, like me. It would also decentralise the population and reduce air pollution.

Many gave similar remarks to that of Gachimeg. The development plans for Mongolia include several initiatives for the creation of an integrated and optimised road network to improve road traffic management. They include:

- Construction of a 216-kilometre paved road and the renovation of seven intersections throughout the city by 2016
- Construction of 3,000 kilometres of paved road by 2030
- Reconstruction of the railway surrounding Bogd Khan Mountain and use of railway in the city for public transportation
- Construction of bus rapid transit and light rail transit networks
- Development of a high-capacity public transport system (see Figure 1)

A. Tumennomin, resident of Sukhbaatar district:

A city should be developed regionally, according to foreign countries' standard. For instance, there should be districts for students, workers and industry, and some developed cities even have neighbourhoods for Chinese, Japanese and Mexicans. Ulaanbaatar could be developed regionally in the future,

Table 1. Activities of Urban Development

| Region | Dedication | Area (hectare) | Percent |
|---------------------------------|---|----------------|---------|
| Construction | Area where construction is prohibited | 1604.63 | 4.55 |
| Area to build construction | Area to build new construction | 2169.97 | 6.16 |
| Area to undergo re-planning | Mainly ger area to build construction | 4263.61 | 12.11 |
| Improved ger | Ger districts where living condition are to be improved | 5488.55 | 155.58 |
| Construction in industrial area | Area not to undergo development | 1039.67 | 2.95 |
| Other | - | 19,340.15 | 54.96 |
| Total | - | 35,206 | 100 |

Table 2. Projected Population Growth in Ulaanbaatar

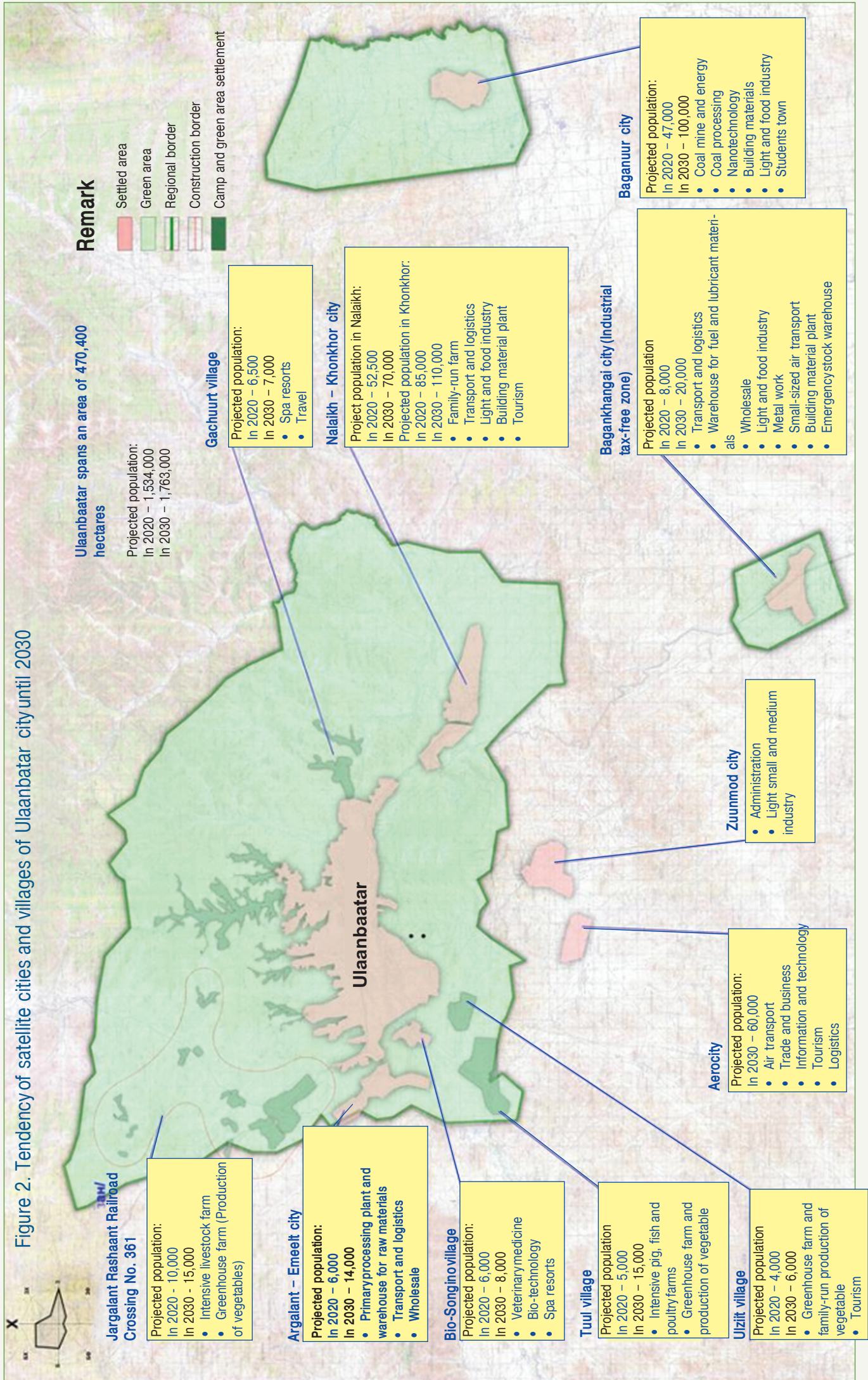
| Planned Region | Area (hectare/s) | 2010 | | 2020 | | 2030 | |
|----------------------|------------------|------------|-----------|--------------------|-------------------|--------------------|-------------------|
| | | Population | Household | Population (thous) | Household (thous) | Population (thous) | Household (thous) |
| Central region | 2025.0 | 59805 | 228809 | 71.1 | 263.0 | 74.9 | 269.6 |
| Eastern region | 3642.0 | 42181 | 159683 | 51.5 | 190.5 | 59.8 | 215.1 |
| Norther region | 4233.0 | 41327 | 155323 | 53.9 | 199.5 | 59.4 | 213.7 |
| North-western region | 2819.0 | 31557 | 127284 | 33.0 | 122.0 | 33.3 | 120.0 |
| West-1 region | 2035.0 | 58770 | 239899 | 65.2 | 241.2 | 66.2 | 238.4 |
| West-2 region | 3414.0 | 15428 | 60706 | 24.1 | 89.3 | 28.9 | 104.0 |
| South-western region | 3288.8 | 12421 | 49041 | 20.4 | 75.6 | 47.4 | 170.6 |
| New region | 4791.0 | 3968 | 19619 | 14.7 | 54.4 | 19.1 | 68.6 |

according to this standard. Developing the city in this way would bring the potential to develop better-organised districts, I think.

Another thing is the suburban districts also need to be developed to attract residents. In the large cities of foreign countries, wealthy people are likely to live outside the city. I wish that this standard will be adopted for the growth policy for Ulaanbaatar.

According to the 2030 Ulaanbaatar Development Plan, the districts outside the immediate vicinity of Ulaanbaatar, including, Baganuur, Bagakhangai and Nalaikh, will be developed as satellite cities. Those cities would have a number of industrial plants. Generally, the plan aims to increase the populations of those districts more than four times by 2030, to 60,000 each. The satellite cities will have tax exemptions. (See Figure 2). ■

Figure 2. Tendency of satellite cities and villages of Ulaanbaatar city until 2030



URBAN PLANNING



Photo by E. Zorigt

S. OCHIRBAT:

DECENTRALISING THE CITY

Sorogjoogiin Ochirbat is a member of the Democratic Party and sector head for the Ulaanbaatar City Planning, Research Institute.

The State Great Khural recently approved the 2020 General Development Plan for Ulaanbaatar.

What challenges will be faced when trying to implement this plan?

In 1954, the General Development Plan for Ulaanbaatar city was first approved, which was a cornerstone of development for Ulaanbaatar. In the meantime, there have been some six plans for the city. Most recently, the 2002-2020 General Development Plan was developed and approved by parliament [the State Great Khural], but the plan's implementation was very slow. This is due to the vague statements made in the plan.

The government had to approve the plan and submit it to the parliament for approval. We had no idea where the mistakes were made during the implementation. We, therefore, requested that the JICA [Japan International Cooperation Agency] identify the mistakes.

According to JICA's professional research team, the plan was not detailed, but very general. Its implementation was not precise and no money was allocated in the budget or approved by parliament.

Another factor was that tough economic situation at that time. They concluded that the plan lacked initiative from the city, and that conclusion was submitted to the government for discussion and some amendments were made to the 2020 General Development Plan for Ulaanbaatar.

Investment issues have also been tackled for funding from the state budget. The Ulaanbaatar City Planning, Research and Development Institute and JICA's research team worked together on re-development of the 2020 General Development Plan and had it approved by the parliament. In 2008, a revised version of the Law on Urban Planning was submitted to parliament raising important policy-related issue that the parliament should approve the plan.

According to the approved plan by parliament, MNT 25.4 trillion was set to be funded from the annual budget,

the city budget, international donations and other sources during the initial phase, which will be implemented until 2020. It was quite realistic figure.

Approval of the General Development Plan was seen as progress for development of Ulaanbaatar. What do you expect for its implementation?

This is absolutely great progress which has created the opportunity for tackling centralisation and the densely-populated city centre. Ulaanbaatar is not expanding towards the suburbs because all the administrative services, universities, art and cultural organisations, shopping and business centres are located in the city centre. Thus, everybody goes to the city centre, which is an "A" zone for obtaining those services.

It needs to be decentralised. The plan aims at decen- ▶▶



▶ tralising the city by developing some eight city sub-centres [undeveloped regions of Ulaanbaatar] along with the related satellite cities, including Bayankhoshuu, Selbe, Amgalan, Uliastai and Songino. We are taking an immediate measure towards the implementation of the General Development Plan.

At the initial stage is a request to ADB [Asian Development Bank] for getting financial support for the development of Bayankhoshuu and Selbe. ADB has proposed USD 1.5 million of technical assistance. That technical assistance was used for the development of a feasibility study and design. We have just submitted it to the government for approval and it has been backed by the government. The government is entitled to have it discussed by the relevant Standing Committees and to enter into an agreement with ADB.

I would also like to emphasise one thing. We have received a proposal from South Korea's Economic Development Cooperation Fund (EDCF) to finance re-development of ger districts and development of the city's sub-centres. Accordingly, I visited South Korea last week.

This work needs to be prepared soon and be launched from the second quarter of next year. None of the MNT 25.4 trillion in financing has been withdrawn from the state budget. Some will be withdrawn from international donors as well as from the city budget.

It is encouraging to see such rapid development of the city, but much of it is in disarray. How will this be addressed?

I had a chance to get involved in the development of two General Development Plans for Ulaanbaatar. We are the ones who make the plan.

As I mentioned, JICA's experts evaluated our general plan to some extent. The only problem is the plan's implementation. In the past twenty years, the granting of land has been chaotic. Ulaanbaatar's citizens are aware of what happened. As we are a new team, our first measure since taking office was the abolishment of the arbitrary grants for land. We have submitted this issue to the city council [the Ulaanbaatar Citizens' Representatives Khural] for approval and the city council has made a resolution. According to the resolution, land is no longer granted within the 1,300 hectares of the city centre for the purpose of construction. If any public construction is deemed necessary, the construction project proposal needs to be submitted to the council.

According to the Law of Mongolia on Land, land should be granted through a bidding process or auction. In reality, land has been granted illegally. It seems that these unlawful actions have been abolished.

How should the economy change with the growth in population?

Ulaanbaatar has become a metropolis, which is considered to be more important in terms of market capacity and economic performance. We have to see every economy-related issue from a new aspect. Then, how should we address the economic structure and other related issues?

In the 1990s, total investment for Ulaanbaatar was MNT 40 billion, while the investment today is trillions of tugrugs. It leads us to the question of how to deal with this growing economy. We need to see everything with a new perspective on what should be the structure and institutions of the economic sectors.

Ulaanbaatar represents 65.4 percent of national GDP. In turn, it is supposed to get the same amount of investment, but the city gets less than 10 percent of that investment. This is the wrong system which exists nowhere else in the world. We must change it. I think that the city is already on its way towards rapid development.

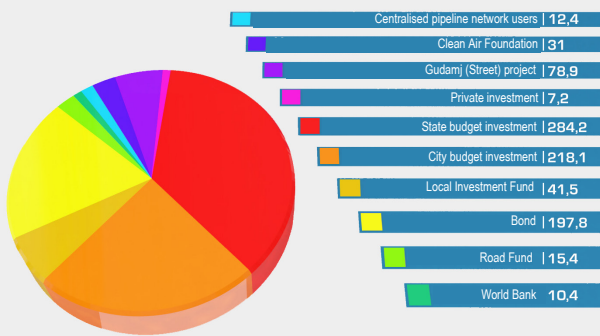
It means that we currently have a rough estimate for the General Development Plan as we have the plan approved by parliament. There are some international donors that are willing to contribute to the city. At the initial stage, the only choice for us is to receive long-term loans with low-interest for establishing the backbone of our basic infrastructure. This should be the most important policy for investment.

For the next stage, we have to establish a partnership with the private sector. We need to understand that the time when we used to compete for small investment is gone.

Trillions of tugrugs for infrastructure is needed. How transparent is the tender procurement process and budgetary spending?

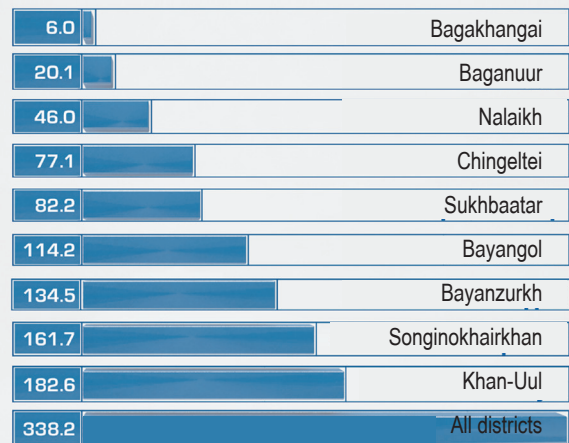
All work is transparent. Upon approval of the city budget, we make sure to announce any official statements publicly on our website within three days from the date of approval. If the statement is not announced publicly on the website, it has been discarded. This is our principle. Everyone has access to the website and can get detailed information on the ongoing activities in Ulaanbaatar. ■

Investment source for Ulaanbaatar city in 2013 (billion/s of MNT)

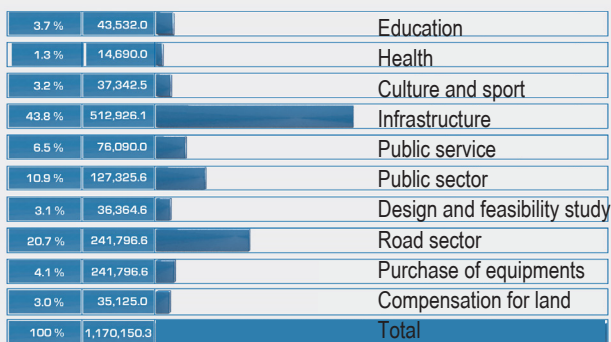


MNT 897 billion of investment for infrastructure development was funded in 2013

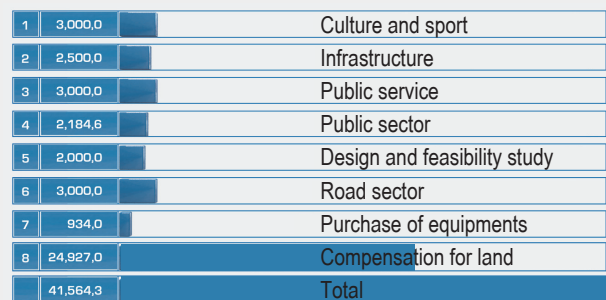
Investment for districts in Ulaanbaatar city (billion/s of MNT)



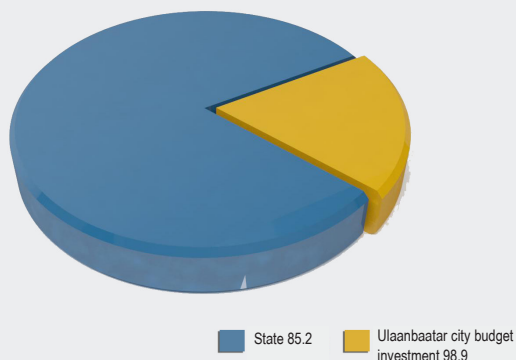
Total investment for economic sectors in 2013 (million/s of MNT)



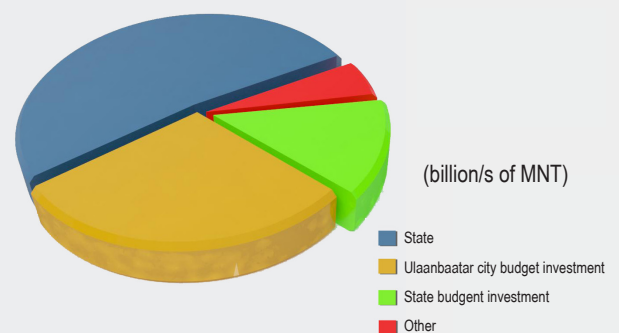
Investment for sectors in Ulaanbaatar in 2013



Ongoing infrastructure work (by number of projects)

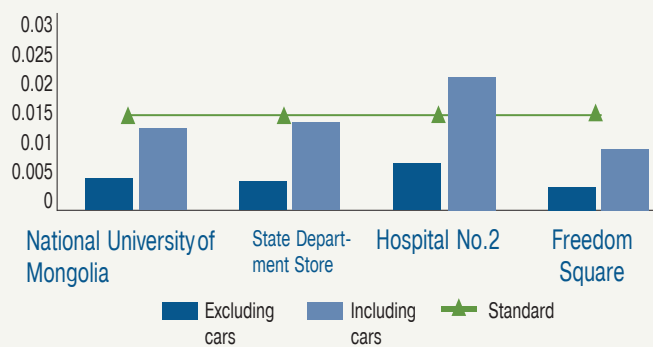


Funding sources for ongoing infrastructure development (by number of projects)

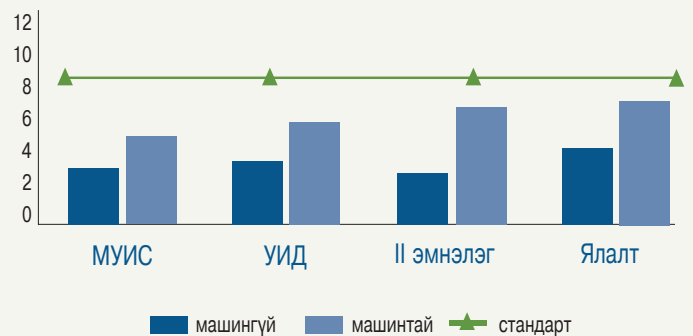




Component of SO2 in the air (mg per square metre)



Component of CO in the air (mg per square metre)



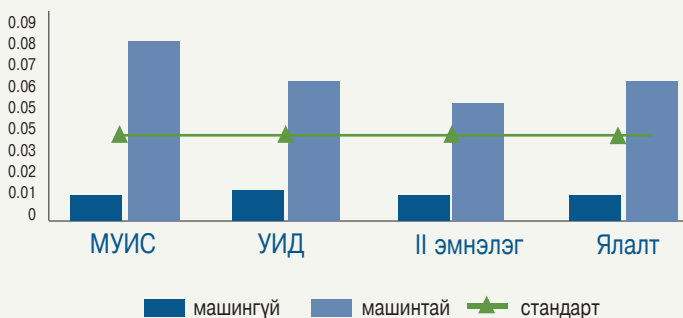
HOLD YOUR BREATH: THE SMOKE IS HERE



Photo by B. Byamba-Ochir

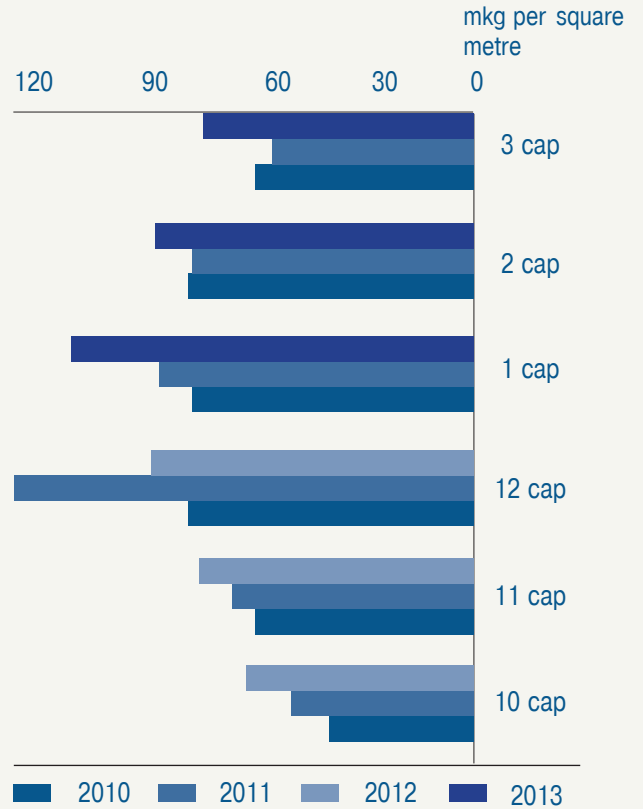
Chinggis Square. 2.30 PM Nov 14, 2013

Component of NO₂ in the air (mg per square metre)



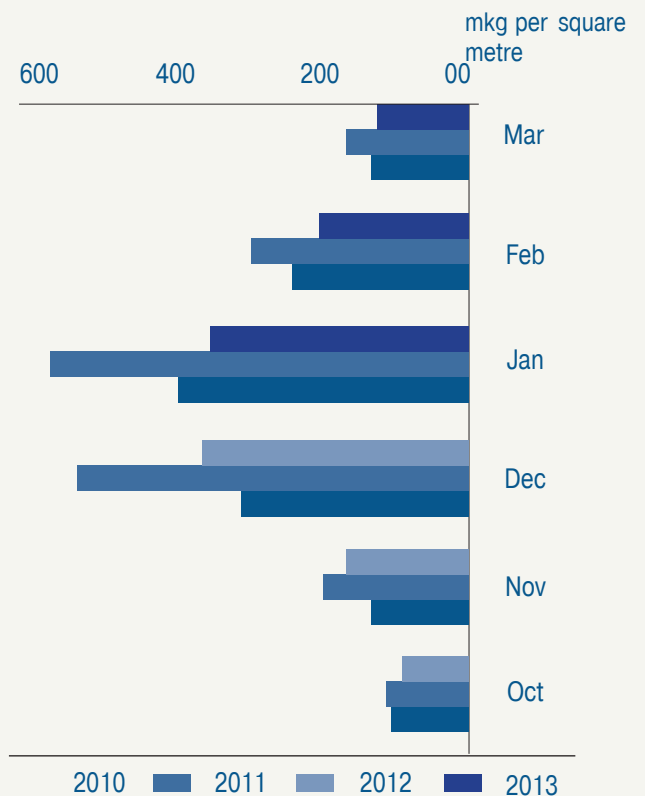
Monthly average component of NO₂ in the air (mg per square metre)

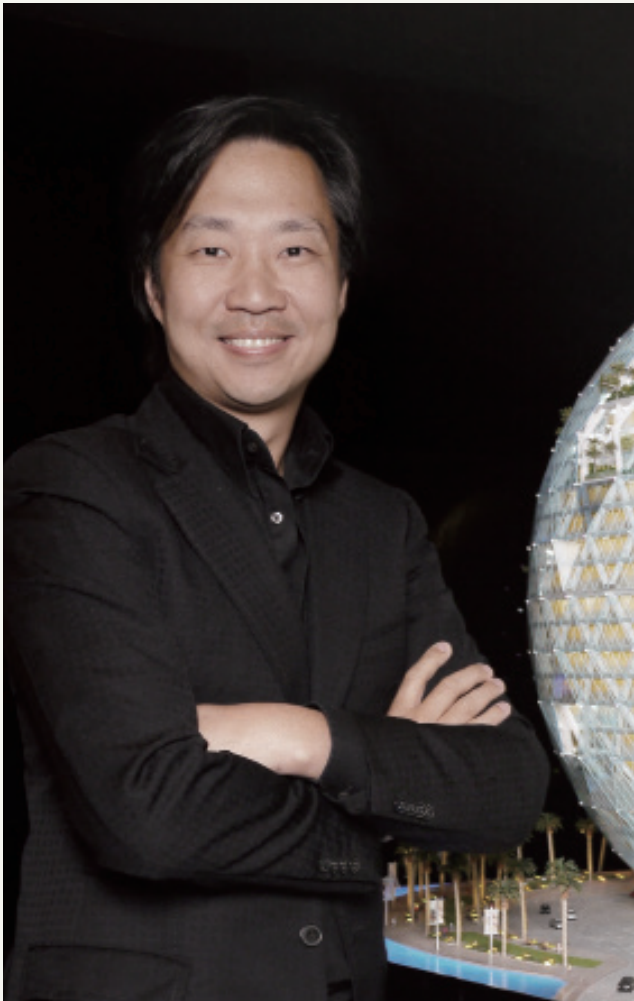
(From Oct to Dec 2010, 2011 and 2012 and, from Jan to Mar 2011, 2012 and 2013)



Monthly average component of coarse dust

(From Oct to Dec 2010, 2011 and 2012 and, from Jan to Mar 2011, 2012 and 2013)





YOUNG GLOBAL LEADER

BUILDING AN INTELLIGENT CITY

BY KH. KHULAN

James Law is the founder and chairman of James Law Cyber-architecture International, founded in 2001. He earned his degree in architecture from the University College London in 1992. His career goal is to merge cyber technology with modern architecture. James was elected as a Young Global Leader (YGL) by the World Economic Forum in 2010. He is a renowned architect and a member of the Royal Institute of British Architects. Mongolian Economy met Law during his visit to Mongolia with YGL in 2011 and recently caught up with him at Terelj National Park to discuss the implementation of the urban development plan for Ulaanbaatar.

We have heard you would like to cooperate on the city planning of Ulaanbaatar. Do you have any plans?

First of all, I would like to say that a city is a very important part of a country, especially for Mongolia, which has such huge potential for transformation. It is very important that we design a city for the future, not for the past. When we look at how to design your capital for the future, we must look not at the next 10, 20, or even 50 years, but for the next hundreds of years to see how Mongolians live in the future. Having been to your capital and stayed there, I can see all of the legacy problems of the past. The infrastructure is not so good, and the city is going to grow very fast.

We need to lay down the intelligent city network for growth in the coming years. How I would approach the design is with an intelligent system with different zones for activity. We would have a zone for business, residency, culture, science and technology, information, and energy. Each zone would grow organically and improve over time. It is a little bit like a computer, when you update software to make a computer more applicable to today. These new intelligent cities, which we call cybertech cities, are able to upload improved software as they grow with the nation, its communities, and its people.

I think we also need to address the fact that the city needs to be more sustainable than before. We need to develop it in way where energy and resources are recycled in new ways. We can make some of those fundamental differences.

So today when we plan the city we should plan for the electric cars of the future. We should think of mass transit railways for moving thousands of people who live and work in this city, and don't pollute or create traffic. We should think of the homes and buildings we need to build for people to live in that cater to the growth of families and allows them to live in a harmonious and green way. We should create business districts that meet the highest international standards to facilitate trade and commerce with the rest of the world. All of these need to be planned today because it will take 10, 20, or 30 years to realise. And we must have these new concepts, not the old ones. I call it the "cybertecture" concept because of my belief that we are not limited to building the city from concrete, steel and glass. We need to build from concrete, steel and glass, as well as the technology and innovations of tomorrow in order to create something that will be long lasting for Mongolia.

When you saw our city for the first time, what did you think of it from your perspective an architect?

I think my first impression was that Ulaanbaatar is like an infant. During the flight I could see lots of small stones dropped and spread out among all of the mountains and countryside. No organisation, no boundary, no clustering, no management. When I drove into the city, I saw some pockets of development, which is coming very fast. Some of the new buildings are coming up, but they don't form very far apart from the whole framework, they are only at the one part of the city where people are building towers for offices.

I didn't see any style of architecture or kind of design ▶

intended for residencies. Some people live in gers, others in small houses, and some in apartment buildings. There wasn't a clear system for doing anything or how to create some quality. And then when you see the traffic—the problem is not the roads but rather traffic management. I was looking for traffic lights. Sometimes there were no lights, or people ignored them. And sometimes the timing of a traffic light was inaccurate.

Managing city traffic is not one junction, it includes thousands of junctions. A computer can actually direct people around the streets in the most efficient way. In a modern city, the timing systems must be tight. Currently there is no such system here, so you have rush hour traffic that goes unchecked. When looking at the city as if it was an infant, you understand that you have to educate it, and give this infant some new toys and tools for it to grow. That means giving skills to the young men who live there, until there are enough skills for the city to become an adult. All of this needs to be applied now because if the city keeps growing like this the problems will get worse. We as visionaries must advise the government on urban planning so that it becomes a sustainable, modern, intelligent city that will live a long life.

Can you explain what you mean by an intelligent city a little more? What are some examples?

Before we try and understand what it means to be intelligent, we must think about what a city really is: A community transforms into a city because of the strategic importance of the people who work and live together there for many social and economic reasons. The big companies, the government, the schools, hospitals, airports, and industry are there, so everyone comes together there. When you put all these people together, they are not so good at managing themselves. People are very creative but selfish. They often don't help each other. In the old days, old cities were not intelligent because people just used to work arbitrarily towards development. Sometimes the government or the economy made the decisions for everyone. But this is not intelligent.

What is an intelligent city? It is a framework that allows you to programme the city; to operate at a much higher level of efficiency. It is something that is able to deal with risks. For example, look at the amount of water and energy lost in this city. The amount of water lost in the pipes is huge. We are losing a lot of energy in the buildings, etcetera. In an intelligent city, one district is used for offices during the day and uses a lot of energy then. Another district could share some of that energy, and on the weekends, when less energy is

used in the commercial district, it can share even more energy. Or maybe the city doesn't need that much energy. That is the kind of thinking needed in many aspects regarding the city, including energy, resources, communications, and human resources. This area is residential, and this is a commercial area. People travel from one place to another to reach their offices for work. Why can't a new city live and work in the same place? When we save a lot of energy, we also save a lot of time and put that resource towards improving people's lives. Giving people a better life, education, entertainment, and health is what I mean by an intelligent city.

To build this city, we need new infrastructure, ideas, and building designs. You also need to educate people and tell them the benefits of living in this way. That is an intelligent city.

How long would it take for Ulaanbaatar to become a new, intelligent city?

It cannot be done over night. But I can say Mongolia has a big advantage because it would be too difficult for a city like London or Hong Kong. There is already too much infrastructure. If I wanted to make an intelligent city from one that is at a mid stage level of growth, such as Shanghai or Beijing, they would still be clutching to the old ways.

Because Ulaanbaatar is young, people have not yet arrived. There is no wireless system nor pipes put in place. We can do this now. The city could be ready to grow. I think it would take about five years for the first stage, but it needs to be done very carefully and should not focus on simply building a glamorous city with many skyscrapers. We need to think in the long term because we are thinking about our grandchildren, and our great grandchildren. You need to plan for that.

What would you like to say to young Mongolians?

I met some young children and students here. I could feel a sense of optimism. People don't live for today, they live for tomorrow. That is very good motivation for this country. Any country that has a chance to renew itself is at an absolutely crucial time to find the right path, and must have the leadership it needs to create that destiny. Who knows, maybe in 15 years time Mongolia might become a top-tier country in the world, a global leader. We as young global leaders can see the power of change, optimism, and dreams in every different issue a young global leader is responsible for. And when you come to Mongolia, you feel this opportunity to change the lives of millions of people, and that is a real opportunity. We should not waste it but instead embrace it, and come up with some really good ideas, a strategy, and a vision for the future. ■

PPP

STUDENTS' STREET TEACHES URBAN DEVELOPMENT

BY B. BAYAR

Some would call Ulaanbaatar a city of young people. Children and young people comprise some 67 percent of the population of Mongolia's capital city, 30 percent of whom are under the age of 16. That makes targeting youth a main priority for raising the standards of living and improving the environment of Ulaanbaatar.

Oyu Tolgoi this year signed a memorandum of understanding that included a commitment to finance infrastructure work in Ulaanbaatar. This includes USD 400,000 for the renovation of Students' Street located between the Mongolian State University of Education and the Central Sports Palace.

An opening ceremony for the reno-

vated street, which was led by the Mongolian Association for Urban Centres, was held on October 15. Attending the ceremony were representatives of the Mayor's Office of Ulaanbaatar.

The street now has a modern look, with LED lights illuminating the repaved walk paths. The street also sports new benches, trash cans and free Wi-Fi for the public.

The Streets Projects has thus far been the largest infrastructure project undertaken in Ulaanbaatar. The project, which receives funding from the proceeds of last year's USD 1.5 billion Chinggis bond, has brought significant improvements to city, especially in its appearance. The project employed maintenance and repairs to the four-way intersections found within the city

as well as the construction of numerous new roads.

"This is one of the main streets, where 30,000 to 40,000 students walk every day. It was important infrastructure work for the students to improve their surrounding environment", said L. Amarzaya, deputy governor of Sukhbaatar district.

Ulaanbaatar is the heart of Mongolia, and it is where most people prefer to live in. The city faces a number challenges that are common in many cities of the world. Some people say that the number of migrants from the countryside is growing too large. Sometimes problems related to the city can grow to issues of the national scale. Tackling these issues will mean commitment from government and its private partners—as well as the residents who walk the streets of the city. ■



HISTORY

The city of Ulaanbaatar is an honoured symbol for all Mongolian citizens and is the largest political, economic, religious and cultural centre in Mongolia.

The capital was founded in 1639 as a nomadic Buddhist monastic centre. The city this year celebrated its 374th anniversary on 29 October. In 1778, it settled permanently at

its present location, the junction where the Tuul and Selbe rivers meet. Before that it changed locations 28 times, with each location chosen through ceremonial traditions. Ulaanbaatar has been called some five different names during its history.

Urgoo (1639-1651)

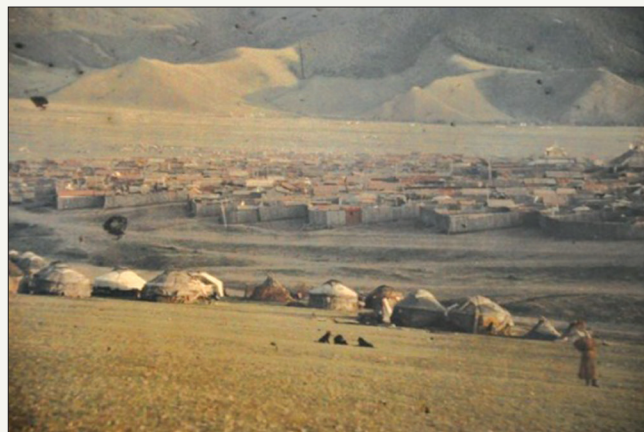
In 1639, Zanabazar was appointed as a Buddhist leader at Tsagaan Nuur, what is now Burd soum, Uvurkhangai. Urgoo was a centre for Buddhism and politics for the Khalkha Mongol state, the largest ethnic group of the Mongol people. From 1651 to 1706, the city had the name Nomyn Khuree (Book Camp).



Ikh Khuree (1706-1911)

When the city took on the name Ikh Khuree (great camp) it found its permanent location, where Ulaanbaatar stands today. Khuree was built combining traditional craftsmanship from China and Tibet. In the 19th century, Ikh Khuree was not only a religious centre, but it became Mongolia's political, administrative, cultural and trade centre. The population is believed to have been between 15,000 and 20,000 then. From 1780 to 1870, more than 70 monasteries and temples were built, including the Gandantegchilen Monastery in 1809. The Embassy of Russia was founded in 1861.

Ikh Khuree's population was over 50,000 by 1910. Then, in 1912, its name was changed to Niislel Khuree (capital camp), and then to Bogdyn Khuree (saint's camp) in 1912.



Ulaanbaatar (from 1924-present)

The city officially took the name Ulaanbaatar (red hero) in 1924, as decided by a majority of delegates of the Great People's Khuraldaan—the name for the parliament at that time—on October 29. In 1954, the first-ever general development plan was approved, laying out plans for the next 20 years.

The city is surrounded by four mountains: Bogd in the south, Bayanzurkh in the east, Chingeltei in the north and Songinokhairkhan in the west. It is located in the valley between the Tuul and Selbe rivers. The city lies at an elevation of 1,350 metres above sea level and spans 4,704.4 square metres, or 0.3 percent of Mongolia's total territory. ■





OYU TOLGOI

THE FIVE PERCENT

BY B. TOGTOKH

Oyu Tolgoi's new board of directors met with Rio Tinto officials in London last September to resolve project financing and other disputes stalling the expansion of their USD 6.5 billion Oyu Tolgoi copper mine. Negotiations resumed again October 7 and are ongoing. ►



► Successful negotiations would mean an end to the dispute over the USD 4 billion in project financing meant to fund the development of the underground mine at the deposit. In 2011, the School of Economic Studies at the National University of Mongolia conducted an economic impact assessment for Oyu Tolgoi that found that GDP would grow to MNT 63.w3 trillion by 2043. For next year, Oyu Tolgoi is expected to drive growth of MNT 20.4 trillion, essentially doubling the size of today's economy.

Mongolia has experienced rapid growth since 2010, but has failed to achieve much for job creation. The mining industry, unfortunately, does not really require a large workforce. During the years of the economic boom, employment rose just 11 percent.

According to research group BAEconomics, Oyu Tolgoi will be directly responsible for 36.4 percent of the growth in Mongolia by 2019 and 25 percent in 2020. Rio Tinto has made a projection to produce 430,000 tonnes of copper concentrate and 425,000 ounces of gold from both the open pit and underground mine shafts for the next two decades. And Oyu Tolgoi is a decisive factor on whether or not Mongolia can meet its projected revenue targets as well.

The launch of the Entree gold mine would allow Oyu Tolgoi to export 24.9 million tonnes of gold concentrate in 2014, according to a projection by the Ministry of Finance. The total volume of gold production is projected to reach 31.6 million tonnes next year. In 2014, the government expects to generate MNT 104.2 billion in royalties.

The mining industry has contributed a third of government income, via taxes and royalties. By 2016, the mining industry is expected to represent more than half of GDP. According to the Bank of Mongolia, Oyu Tolgoi this year will produce 93,200 tonnes of copper concentrate, of which 57,200 tonnes is expected to be exported. For gold, Oyu Tolgoi plans to mine 9.9 tonnes, of which four tonnes will be exported. This would mean 10 percent growth in annual total exports and 5.7 percent growth in annual GDP growth.

More than 700,000 tonnes of copper concentrate in 2014 from Oyu Tolgoi would mean 26 percent of taxes from the mining sector and 5 percent of total tax revenue. The underground mine's financing would not be much for concern for international markets if it were not for the decline for markets at home and abroad. Oyu Tolgoi's investors, therefore, are demanding a single stance by the Mongolian government and its private partners for Oyu Tolgoi.

"As a result of the negotiation, the two sides have reached a deal on some five issues so far", said Chuluuntserengyn Otgochuluu, a board member of directors at Oyu Tolgoi.

Those five issues include advance fees for water use and tax and the establishment of a copper smelting plant. During the first half of this year, Oyu Tolgoi paid MNT 168 billion in taxes and fees, and it has paid more than MNT 1 trillion since 2009, Oyu Tolgoi's vice president, T. Munkhbat, said.

Munkhbat said Oyu Tolgoi produced 12.5 million tonnes of iron ore between January and September this year. In the meantime, it has produced 43,000 tonnes of copper concentrate. According to a preliminary estimate from Oyu Tolgoi, production of copper concentrate is expected at 85,000 tonnes by the end of this year, he added. Currently, the processing plant processes 100,000 tonnes of copper ore a day. ■



NEWSWIRE HIGHLIGHTS

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

BUSINESS

AREVA FORMS A JOINT VENTURE WITH MONGOLIA'S MON-ATOM

Areva SA has signed an agreement to develop uranium mines in Mongolia and form a new joint venture with state-owned Mon-Atom. The joint venture is for Areva Mines LLC, 66 percent owned by Areva and 34 percent owned by Mon-Atom. An agreement for Mitsubishi Corporation to take an equity interest has also been signed. The signing ceremony took place in the presence of Luvsanvandan Bold, minister for foreign affairs, Laurent Fabius, French minister of foreign affairs, Luc Oursel, president and chief execu-

tive officer of Areva, and Ken Kobayashi, president and chief executive officer of Mitsubishi Corporation. "This collaboration, which also involves our partner, Mitsubishi Corporation, is strategic on two levels. It will enable us to develop the uranium sector in Mongolia and to pursue the geographic diversification of Areva's mining activities", said Luc Oursel.

Present in the country since 1997, Areva has carried out exploration work resulting in the discovery of two uranium deposits in the province of Dornogobi, Dulaan Uul and Zoovch Ovoo, whose resources are estimated at 60,000 tons.\

Source: Areva SA

APU ORDERED TO CEASE USE OF CHINGGIS KHAAN'S NAME FOR ITS BEER

The Fair Competition and Consumer Protection Authority Mongolia have delivered a claim notice to alcohol producer APU to cease the use of Chinggis Khaan for its beer products.

The note reported that consumers had complained of the company's use of the

same name for the beer product as well as its vodka. APU has accepted the claim and announced the company would no longer provide a beer called Chinggis Khan. Separately, parliament has been in continued discussions about legislation that would ban the usage of Chinggis Khaan's name and image for the marketing of alcohol and tobacco products

Source: News.mn

ECONOMY

WORLD BANK URGES TIGHTENED ECONOMIC POLICIES

The World Bank said that the persistent large balance of payments imbalance is a key challenge to the Mongolian economy, in its newly released semi-annual Mongolia Economic Update.

The recent amendment of the 2013 budget shows the government's commitment to keep the official budget deficit within the ceiling of the Fiscal Stability Law. Yet, the fiscal policy will remain highly expansionary in 2013 and 2014 as a large portion of the Chinggis bond is used to finance public investment

projects outside the budget. The budget deficit is expected to reach over 12 percent of GDP in 2013 even though the official budget deficit is contained at 2 percent of GDP. Monetary policy has been expansionary as well, with outstanding bank loans increased 62 percent in one year in September. Credit expansion is largely due to lending programs introduced by the Bank of Mongolia. The rapid credit growth has been reflected in volatile exchange rate movement and rising inflation in recent months.

Growth-oriented economic policies need to be tightened toward economic stability, and fiscal policy should be tightened further and the off-budget spending should be included in the budget and controlled under the fiscal discipline of the Fiscal Stability Law. The Bank of Mongolia should curb the rapid growth of credit and phase out policy lending programs.

"By slowing down the expansion of investments and by focusing on those investments that will have the greatest economic impact, the government will be able to address progressively ►

► the development needs of the country while maintaining economic stability”, said Coralie Gevers, the World Bank Country Manager in Mongolia. “If one stimulates the economy too much in a global environment that is uncertain, it runs the risk of generating economic volatility which will hurt poor people and will make it hard for businesses to plan and finance their operations”. The World Bank expects Mongolia’s economy to grow at 12.5 percent for 2013, a downward revision from its previous forecast of 13 percent. The revised forecast reflects the facts that economic growth in China and the recovery of the minerals market have been slower than expected.

Source: World Bank

MONGOLIA’S NEW INVESTMENT RULES TO SPUR MINING SECTOR DEVELOPMENT: MINERS

Mongolia’s new legislation that removes distinction between domestic and foreign companies when it comes to investing in the country will help attract more investment, miners with projects in the region said Friday.

From 1 November, foreign companies will not need to seek government or parliamentary approval before investing in Mongolia. There will be no restrictions on the amount of investment if the company is not 50 percent or more owned by a foreign government. If the company is state-owned with more

than 50 percent share held by a foreign government, it cannot buy more than 33 percent of a project in Mongolia, without government approvals.

The new law also provides a stable tax structure as the rates cannot be amended by future legislation unless those changes benefit the investor. It also removes all restrictions on the movement of assets in or out of the country and also provides protection against nationalization of the investors’ assets.

“We believe that this will improve sentiment towards Mongolia-related investment stories”, Australia’s Aspire Mining Ltd. said in a note to stakeholders.

“While the investment law has become effective recently and further regulations are to be issued, it is certainly a welcome development which should promote domestic and foreign investment in Mongolia”, an official from SouthGobi Resources Ltd. said.

“Reports also suggest that the law is a first step in streamlining the investment environment and creating more favorable investment conditions by simplifying the registration process and removing some approval requirements”, he added.

Source: Platts

POLITICS

MONGOLIA WILL NEVER BURY NUCLEAR WASTE, SAYS ELBEGDORJ

President Tsakhia Elbegdorj refuted suspicions that Mongolia was being targeted as a destination for nuclear waste disposal on Twitter 13 November following widespread rumors within the public and a protest against yellow cake production by young members of the Mongolian People’s Party.

“Mongolia still stands on its nuclear-free status. I assure you again the rumor about nuclear waste burial in Mongolia is not the policy of Mongolia”, said Elbegdorj in a tweet.

The government issued an official statement 12 November on nuclear waste, refuting claims that plans existed where nuclear waste would be buried und Mongolian soil

“Some political parties and public organizations released a note claiming Mongolia is allowing the burial of nuclear waste from Japan in Mongolia”, reads the note. “The note claimed that the Prime Minister signed a nuclear waste agreement during his visit to Japan and the Foreign Minister signed a uranium deal with France. Mongolia has declared its policy on nuclear energy and uranium exploration. The reform Government takes this responsibility seriously announcing that Mongolia has neither buried nuclear waste nor will bury nuclear waste in the future”.

Source: News.mn

AMARJARGAL RESIGNS FROM PARLIAMENT

Democratic Party parliamentarian R. Amarjargal presented a resignation letter to the parliament speaker during a session of parliament.

Amarjargal presented his resignation during a discussion on the state budget. In an address he noted the need from parliamentarians for strong principles, honor and penchants for speaking truth, giving independent member Sainkhuu Ganbaatar as an example. He gave no reason for his resignation, but criticized government saying that it needed people like him who are clean as well as economists such as Ts. Oyunbaatar.

Source: Unuudur

MONGOLIA TO OPEN INVESTMENT AGENCY

The Cabinet of Ministers approved the creation of an Investment Agency on 9 November.

The agency will be under the authority of the Ministry of Economic Development and will be tasked with attracting foreign investors, sustaining the stability of the legal and business environments, promoting the country’s investment environment, and issuing stability certificates for eligible investors.

The agency will also be responsible for coordinating with the State Registration Authority and enforcing the terms of the Investment Law. ■

Source: Business-Mongolia.com