

For green development

MONGOLIAN ECONOMY



JUNE, 2014, ISSUE №12 (070)

ECONOMY
THE SECOND PHASE OF TAX
REFORM

MINING
INVESTMENT OPPORTUNITIES
FOR THE OIL INDUSTRY



OPEN FOR BUSINESS



Wolf Petroleum
Mongolian Oil Exploration Company

www.wolfpetroleum.net

ASX: **WOF, WOFO, WOFOA**

Hunting for Mongolia's Multi Billion Barrel Oil Fields >>>





XacBank

winner of the

BEST CORPORATE GOVERNANCE-2014

Mongolia



For a green development

MONGOLIAN ECONOMY

The "Best Magazine of 2013" as
awarded by the Mongolian Journalists
Association

FOUNDER, EDITOR-IN-CHIEF:

D. Bekhbayar / 9999-4248

FOUNDER, DEPUTY EDITOR:

I. Otgonjargal / 8800-6228

ENGLISH EDITOR:

Terrence Edwards

MEDIA CONSULTANT:

Lizzy Hoo

TRANSLATOR:

R. Gantulga

WEB EDITOR:

B. Enkhtsetseg

JOURNALISTS:

B. Bayartogtokh

E. Zorigt

B. Uuriintuya

S. Batzaya

DESIGNER:

Sh. Oyundari

MARKETING MANAGER:

D. Bariantjav / 9409-2904

M. Khishigtogtokh / 9409-2906

ECONOMY TV STUDIO

JOURNALIST:

Ts. Soyolmaa

CAMERAWOMAN:

Sh. Gantuul

GRAPHIC DESIGNER:

T. Bayarsaikhan

ADDRESS:

AB centre-503 Ikh surguulyn Street

6th Khoroo Sukhbaatar District

Ulaanbaatar, Mongolia

Central Post Office, P.O.B 2762, 15160

Ulaanbaatar, Mongolia

URL: www.mongolianeconomy.mn

E-mail: info@mongolianeconomy.mn

Tel/Fax: 976 - 7011 5476

Printed at Ulaanbaatar Print Co., LTD

www.ubprint.mn



ENJOY THE
LATEST ECONOMIC
AND BUSINESS NEWS
DELIVERED TO YOUR
DOOR EVERY TWO
WEEKS



MONGOLIAN ECONOMY
SUBSCRIBE ONLINE
mongolianeconomy.imedia.mn

CONTENTS

ECONOMY

- 8 Is Mongolia back on track?
- 10 Luring Back Mr Dollar
- 11 Measures for the 100-Day Action Plan
- 14 Success without truth and integrity isn't success
- 16 The Second Phase of Tax Reform
- 17 Robert Friedland – An Optimist

“ P11



MINING

- 20 Mongolia's Strategically Important Deposits
- 21 Investment Opportunities for the Oil Industry
- 23 Welcome Back
- 24 A Dark Life in Tsagaan Khad
- 26 A Secure Journey To Oyu Tolgoi
- 29 Marvellous Mongolia
- 30 BCM's NewsWire Highlights

MONGOLIAN ECONOMY'S PROFESSIONAL COUNCIL

B. Byambasaikhan, Chairman at the Business Council of Mongolia, Chairman of the Professional Council at Mongolian Economy

B. Bold, President of Copper International at RioTinto

S. Bekhbat, Director General of Innovation and PPP Department at the Ministry of Economic Development

D. Jargalsaikhan, President atMIH Group

Ts. Batsukh, PhD, Professor and Dean of the Economic Faculty at the Institute of Finance and Economics

J. Sunjidmaa, Manager for Corporate and Public Affairs at Peabody Energy Mongolia

B. Tuvshintugs, PhD and Dean of the Economic Research Institute

Selling points:

Internom bookstore
Flower center
Minj plaza
Altantulkhuur bookstore
Nomin supermarkets
Max supermarkets
Fresko supermarket
BTSI supermarket
Zig zag autoservice
Az orchlon bookstore
Bileg store
Grand Plaza supermarket
Mir bookstore:
Grand plaza
Metro mall
Sky supermarket
Ulaanbaatar store
Max mall

 facebook.com/Mongolian.Economy

 twitter.com/Economy-Mongolia

 youtube.com/user/MongolianEconomy

MONGOLIA

Diplomacy

Prime Minister Norovyn Altankhuyag paid an official visit to Russia to attend an international economic forum held in St. Petersburg on May 23 to 25. Altankhuyag met Russian President Vladimir Putin during the forum, where they exchanged opinions on how to accelerate the political, economic and trade cooperation between their two countries.

The prime minister also discussed cooperation opportunities with V. I. Yakunin, president of the state-owned Russian Railways, S. V. Chemezov, chief executive of Rostec Corporation, and S. V. Kiriyenko, head of Russia's state-owned nuclear company Rosatom. Parties agreed that it is important to accelerate economic cooperation between Mongolia and Russia.

Law

Mongolia must help coordinate, ease, support and develop trade, as well as regulate relations related to foreign and national trade, according to the World Trade Organisation. The government is prepared to submit legislation on this issue to the State Great Khural. Mongolia has traded with 135 countries, although integrated state policy regarding trade and legal coordination is still unclear.

The government has also

prepared legislations for economic transparency and economic amnesty to help cut away at the so-called black economy that operates from outside the tax regime. In addition to tax and social insurance fees, the submitted legislation would also regulate issues including real estate, company registration, accounting, and financial statements.

Road

Ulaanbaatar plans to repair 12 intersections this year compared to last year's 18. Repairs are scheduled for Enebish Avenue and Flower Centre. Officials hope that reconstruction will reduce traffic congestion to a certain extent.

A feasibility study and environmental impact analysis have been carried out as part of the project dealing with the construction of a new highway along the Tuul and Selbe rivers. Roadwork is expected to begin on June 16 after contracts with construction companies are made.

Agriculture

MNT 27 billion from the proceeds of the Chinggis bond will be used to fund construction of winter greenhouses. Banks have approved 16 out of 80 companies that sent proposals for greenhouses. Government aims to increase domestic production of vegetables such as cucumber, tomato, pepper

and kale.

Mongolia's annual consumption of such vegetables is around 40,000 tonnes compared with just 4,600 tonnes produced locally.

Crop Production

Mongolia this year plans to grow crops in an area totalling 373,500 hectares. That includes 304,500 hectares of wheat, 15,500 hectares of potatoes, 8,300 hectares of various other vegetables, 10,300 hectares of fodder, and 24,100 hectares of oil seed.

The Crop Production Support Fund of Mongolia has set the price of wheat to MNT 830 and the price of grain to MNT 680. It has also issued loans to crop producers who provide a 20 percent down payment to help boost agricultural production.

Land Ownership

The Ulaanbaatar City Council on May 30 passed a resolution to identify more locations for land privatisation for Ulaanbaatar citizens. Urban growth plans limit land ownership to 160,000 citizens, setting aside land for schools, kindergartens, hospitals, roads and green areas. Applicants will have to submit requests online. Ulaanbaatar's Property Relations Department has submitted to the Ulaanbaatar City Council plans for online regulation of land ownership, and is expected to pass this month.

WORLD

United States

US car makers reported strong sales figures for May due to five sunny weekends in parts of the nation, according to BBC. Chrysler said sales were up 17 percent, driven by its Jeep brand which saw sales jump 58 percent after it introduced new models. General Motors reported a 12.6 percent rise in sales compared to the same period last year. Ford posted a better-than-expected 3 percent increase in sales assisted by an increasing demand for sports utility vehicles (SUVs) as well as its Fusion sedan.

Europe

Inflation in the euro zone fell from 0.7 percent in April to 0.5 percent in May, reported the Financial Times, despite expectations of a 0.6 percent decrease. The figure missed forecasts of a 0.7 percent decrease, which increased pressure on the European Central Bank to ease its monetary policy during its crucial monetary policy vote on Thursday. The reduction in inflation was partly due to lower food prices.

China

China's service sector grew at its fastest pace in six months in May, reported BBC, helping allay fears of a sharp slowdown in its economy. The non-manufacturing Purchasing Managers' Index (PMI) rose to 55.5 percent in May from 54.8 percent in April. It comes just days after China reported that the manufacturing sector grew.

China's service sector, which includes construction and aviation, accounts for nearly 43 percent of its overall economy. The PMI is a key indicator of the health of the sector and a reading above 50 percent indicates expansion.

Japan

Consumer prices in Japan rose at their fastest pace in 23 years in April, rising 3.2 percent from a year earlier, following an increase in sales taxes, according to BBC. The government raised its sales tax rate from 5 to 8 percent on April 1. Japan has been battling deflation, or falling prices, for a major portion of the past two decades. Policymakers have stated that ending this downward cycle is important to revive the country's economy.

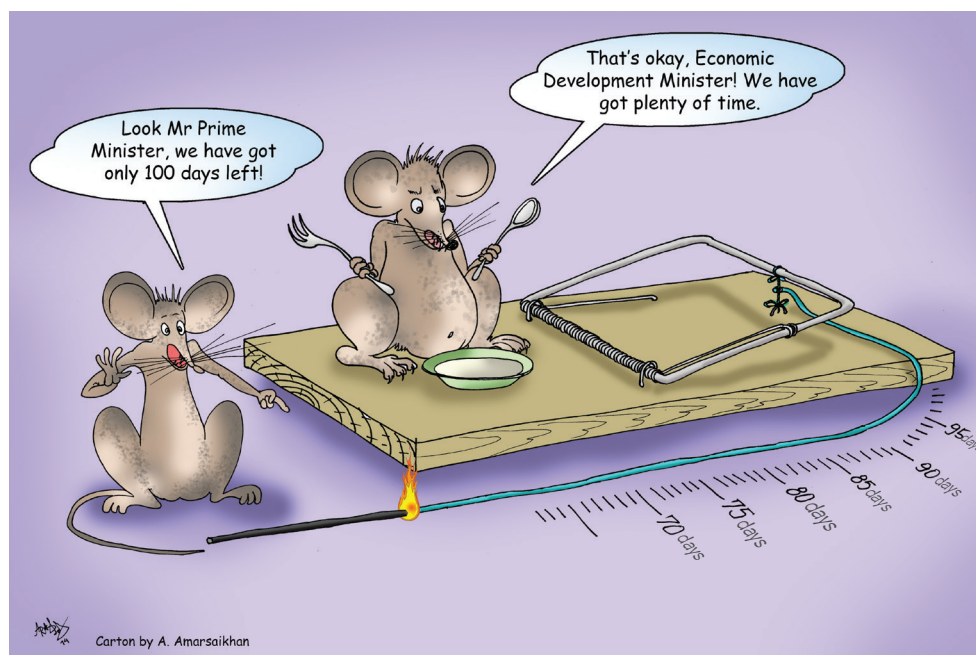
Russia'

Russia's GDP growth in 2015 may accelerate to a level of more than 2 percent, after a 0.5 percent growth in 2014, BBC reported the Minister of Economic Development Aleksey Ulyukaye as saying. Next year, GDP growth is expected to be more than 2 percent. From 2015 to 2017, it is expected to be at 2.5 percent, according to Interfax quoting him in Baku, Azerbaijan.

Russia's gas contract with China, signed in late May 2014, may add 0.3 to 0.4 percent to GDP growth in 2015, Ulyukayev said, as cited by Itar-Tass. He expects the deal to attract USD 55 billion worth of investment.

Australia

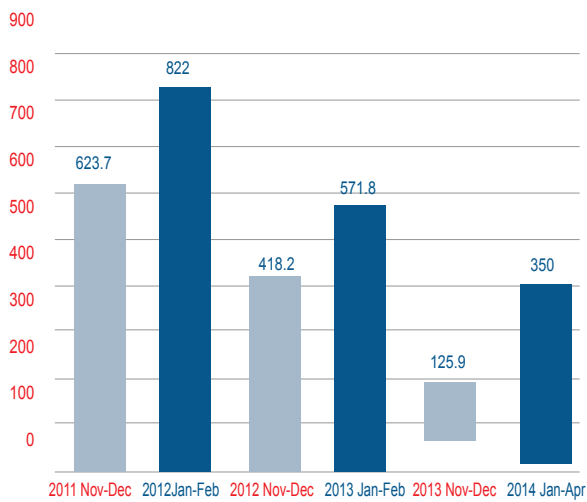
Australia's economy grew more than forecasted in the first three months of the year, boosted by a rise in exports and domestic consumption, reported BBC. There was a growth of 1.1 percent in the January-to-March period, from the previous quarter. Most analysts had forecasted a growth of 0.9 percent. The annual growth rate was 3.5 percent – the highest in nearly two years. However, some analysts said the figures indicated that Australia's economy was still too heavily reliant on the mining sector – which has been a concern. According to the figures by the Australian Bureau of Statistics, mining accounted for around 80 percent of growth in the quarter. ■



FEATURE

IS MONGOLIA BACK ON TRACK?

FDI First half/2014 (US\$ in million)



Source: ЭЗХЯ

FDI in the first two months of 2014, compared to previous years, (2013 Jan-Feb) decreased by 31.7%, however in comparison to last two months of 2013, FDI increased by 3.1%.



BY B. ENKHTSETSEG

Given the current economic reality, Mongolia does not look too good to international investors. But hopes are high that the vulnerabilities of the economy are now being addressed.

A new Investment Law was ratified last November largely because of falling foreign investment figures. Foreign investment in the first four months of this year was USD 350 million for a 64 percent decrease year-on-year, according to the Bank of Mongolia last week. Following the passage of the Investment Law, a 3.1 percent increase was recorded for the last two months of 2013. That uptick was short lived, however, as foreign investment during the first two months of 2014 fell 31.7 percent compared with the same period the year before.

The 2013 Investment Law is good news for investors for a number of reasons, including the removal of investment restrictions for private companies, eased investment restrictions for state-owned enterprises, and stability in the tax scheme for investors entering ventures for especially large projects.

That may be why Mongolia registered 82 new foreign companies in the first quarter of this year. Two of those companies received approval from the Investment Assessment Council to qualify for a Tax Stabilization Certificate.

"We are seeing increased interest in Mongolia from potential new investors, and there is no longer an additional approval hurdle for investments in current projects in strategic sectors," said, Chris Melville, a partner at the Hogan Lovells law office in Ulaanbaatar. "Most interest is being generated by the proposed lifting of the moratorium on new exploration licences in the mining sector."

Melville added that the main issues remaining included the detailed implementation of the law, with regulations lagging behind the passage of the law itself. However, for foreign small- and medium-sized investors one challenge is the capital burden. The initial capital necessary to register a company has been raised from an aggregated USD 100,000 to USD 100,000 per foreign partner. »

2014 first three months

FDI in US\$	<ul style="list-style-type: none"> • FDI USD 350 million, 64% decrease • Foreign Indirect investment USD342 million increase
New FDI companies	82
Estimated number of projects receive Tax Stabilization Certificate	2 companies pre-approved by the investment assessment council to bear TSC in first half of 2014 (as such service recently launched), and expects more application

- Dembereliin Irmuun, director of the division for the promotion and consulting services at the Invest Mongolia Agency, said that the advantage of the new law is that it matches with international standards. Yet some criticise that the Investment Law is too general compared with previous regulations.

Irmuun also admitted that he does not see the law as beneficial enough for small- and medium-sized businesses so they too can attract investment. But despite this shortfall, SMEs are eligible for a variety financing opportunities. For instance, Ulaanbaatar allotted MNT 15.2 billion in the city budget to support small businesses. SMEs are also being offered more tax exemptions than larger companies.

Large companies are being denied tax incentives, however. Ventures being led by large businesses have the option to either make partial tax payments or pay taxes owed in full after two years have passed.

Ease of Doing Business

Mongolia ranked 76th out of 189 economies in the World Bank's 2014 Doing Business report – four places up from the previous year. Mongolia's 24.6 percent tax on profits is 10 to 15 times lower than the dominant economies of the world, and construction permits cost only 7.6 percent of income, which is 344 percent of costs in China and 172 percent of those in Spain.

Importing products is slow and expensive in Mongolia because it is landlocked. Having to import products can

cost up to USD 2,950 for just one shipping container and can take 50 days.

The 2014 Baseline Profitability ranked Mongolia at 10th place out of 189 because although Mongolia may not be such a big market, its friendly climate for business can make it a more attractive place to invest. China, for instance, is well known for the enormous growth of its over USD 8 trillion economy, but the difficulties of doing business there can cut into a foreign investors' returns.

Investor Diversification

China and the United States have historically provided the bulk of Mongolia's foreign investment. Today, however, East Asian and European countries are paying more attention to Mongolia. S. Javkhlanbaatar, the director of the Invest Mongolia Agency, said that the new Investment Law said that he has noticed during recent investment summits growing interest in agriculture and the green economy from such investors – rather than exclusively mining.

Europeans are trying to broaden their exposure to Asian economies. Austrian investors have come to Ulaanbaatar to look at the energy sector, while a recent forum held for Spanish investors revealed interest in collaborating with Mongolia in areas such as green technology, energy infrastructure, water recycling, and electricity. From the East, Taiwan has come to Mongolia to measure interest Mongolia might have in cooperating with the Export Import Bank of Taiwan.

"This time, we've come to learn more about Mongolia," said a business development manager from Spanish energy company Isolux Corsan.

"Our main interest is to partner in terms of roads and railroad projects. If we make everything clear in Mongolia, we can plan to start business here."

Ulaanbaatar is expected to host multiple investor forums this summer for investors from places such as India and Inner Mongolia. Interest is picking up in Mongolia's ventures outside of mining, too, and investor activity this summer may signal renewed confidence in Mongolia.

Mongolia may have stumbled, but officials seem set not to repeat those mistakes. ■

Doing business in Mongolia

Country	Total Tax Rate (% profit)	Labour Redundancy (weeks of salary*)	Investor Protection (world rank)	Construction Permits		Contract Enforcement		Trade (Import)		Corruption (world rank)
				Time (days)	Cost (% of income)	Time (days)	Cost (% claim)	Time (days)	Cost (US\$)	
Russia	50.7	8.7	115	297	89.0	270	13.4	21	2810	127
China	63.7	23.1	98	270	344.7	406	11.1	24	615	80
Mongolia	24.6	4.3	22	186	7.6	314	30.6	50	2950	83
United Kingdom	34.0	3.1	10	88	66.0	437	39.9	6	1050	14

FOREIGN INVESTMENT

LURING BACK MR DOLLAR

BY E. ZORIGT

Increasing the number of national manufacturers and decreasing imports is one of the main aims for Prime Minister Norovyn Altankhuyag's 100-day push to revive the economy. There are two imperative factors influencing these outcomes: a large amount of money and a stable legal setting.

The government plans to fund MNT 1 trillion to projects that intend to contribute to Mongolia's export economy as well as provide alternatives to commonly imported goods. The fund aims to position the country as a producer rather than as a consumer. The Development Bank currently has 888 projects selected for funding.

The remaining balance of the proceeds from the 2012 Chinggis bonds now stands at MNT 1.267 trillion, of which MNT 394 billion will be used to fund home-grown projects. The proceeds of the JPY 24 billion (USD 234.2 million) Samurai bond issued last year will also be spent to encourage wealth creation. Around 66 percent of these projects fall under the scope of the Ministry of Industry and Agriculture.

"In recent years, farmers have focused on increasing the production of dairy products. They have not focused on creating asset guarantees for getting loan from banks," said R. Tsogtbuyan, president of Mongolian Union of Dairy Farmers. "Thus, we often suffer from the absence of asset guarantees. There is the same concern among the projects to be funded from the proceeds. So, farmers and their products would not need to fall under the requirements of banks."

The implementation of the 888 projects in domestic production is expected to have a huge impact on economic growth. But the leaders of start-ups are sceptical about whether or not they can get funding. They also lack the upfront deposits required by commercial banks, which may make it difficult for these business to get off the ground.

Attracting Foreign Investment

Attracting foreign direct investment back to Mongolia will help boost the slumping economy. In order to do so, Mongolia's investment and business setting needs to be set so that it can compete with

other developing markets while reducing risk. Risk is important to investors looking at new markets, so a stable, clear, transparent and predictable business environment is key. Government has strategised to pull in investment again with the 2013 Investment Law, the prime minister's 100 Day Action Plan and overturning last year's cancellation of more than 100 mining licenses, among other actions taken.

"Mongolia has approved several laws in order to support the business environment and attract foreign investors as a part of its law reforms," said Bayanjargalyn Byambasaikhan, chief executive at NovaTerra and a member of the prime minister's Policy Council that exists to engage the private sector. "The government started focusing on improving the business environment and the initiative to have smart government was introduced. Such ideas are expected to show results within this year."

An Open Door for Business

Mongolia's business community is pleading with investors to return, but this time it wants investors to look at sectors other than mining. It is said that the level of confidence of foreign investors, the macro economy and the foreign currency balance are reflected in the foreign exchange rate.

The tugrug's exchange rate against the US dollar has crept above MNT 1,800 compared to about MNT 1,630 last December. The push for foreign investment comes as the country continues to feel the effects of the weak tugrug and disinterest from investors. The only way to slow down the depreciation of the tugrug against Mr Dollar is to manufacture value-added products domestically. Relying on mineral exports alone will not secure the future of the economy. ▶▶



▸ Those choosing to invest in Mongolia this time around will likely experience a shift in approach and attitude. Mongolia soon expects to produce a range of imported products, including construction materials and factory equipment. This will allow Mongolian companies to produce goods such as smart phones and low-emission busses for the first time.

Byambasaikhan sees Mongolia as a

small country with big resources but whose geographical position puts it with a market of three billion people from Russia, China and India.

There are also a number of internationally competitive products considered attractive to foreign investors. This includes wind power, cashmere, ethically produced meats, leather goods, and new rail lines to bring Russian and Chinese

tourists to Mongolia.

Mongolia is still in the early stages of its development, so there are a number of opportunities and sectors to explore. Mongolia serves as a key platform for markets in China and Russia. An opportunistic eye, coupled with ease of doing business, may help investors realise the potential of this growing economy for a second time. ■

GOVERNMENT



Photo by B. Byamba-Ochir

MEASURES FOR THE 100-DAY ACTION PLAN

The State Great Khural last month passed a resolution for an action plan to revitalise Mongolia's economy. The government has forecasted that the economy could accelerate within 100 days. Prime Minister Norovyn Altankhuyag announced that the 100 Day Action Plan was launched on May 10 this year.

Over these 100 days, around 70 measures are planned. The measures are divided into six categories listed below.

Some of the general public believes that the government cannot make much progress in only 100 days, while others think that it is manageable. ►►

▸ 1. Contributions to businesspeople

- Encourage Mongolians to buy domestic products, reduce the consumption of unnecessary imported products and create smarter consumption choices;
- Create a leasing service for the purchase of required equipment and machineries as a part of the contribution to domestic manufacturing;
- Stabilise and further accelerate the operation of the Mongolian Stock Exchange;
- Increase a swap deal between the local and Chinese currencies by CNY 20 billion;
- Amend the Procurement Law (bidding) to benefit businesspeople and improve the quality of construction;
- Launch a framework to create a value-added tax system that will incentivise purchases by citizens;
- Formulate a programme for privatisation of large state-owned enterprises and submit the programme to the State Great Khural;
- Cut through the red tape and advise businesspeople;
- Create the conditions to privatise land;
- Reduce the complexity of licence issuances for companies;
- Establish a National Credit Insurance Corporation;
- Formulate draft legislation on the rights of privatisation and submit it to the State Great Khural;
- Stabilise the operations of national manufacturers and companies, reduce factors that increase their operating costs, get them involved in loan issuances and credit insurance, and support their engagement in the stock market;
- Reset the quota for the foreign workforce and initiate the appropriate classifications;
- Formulate a mid-term programme to create the conditions for reducing interest on loans; make a plan for the preparation of opening branches and units of foreign banks in Mongolia; and issue a limited number of banking licences beginning 2016;
- Cast a light over the black economy by introducing greater transparency into the market and drafting legislation for economic amnesty for submission to the State Great Khural.

2. Increase the production from

- Amend the Minerals Law to allow licence issuance;
- Launch the mining operation at the “Asगतын Мунгуний Орд” silver deposit;
- Address the issue related to some disputed licences;
- Take complete measures to increase coal export, increase efficient activities in terms of providing foreign and national investors’ engagement in the Tavan Tolgoi mine, and improve Mongolia’s competitiveness in international markets;
- Contribute to gold mining;
- Launch the operation of an oil refining plant;
- Prepare for the launch of a coal gasification plant in collaboration with China;
- Establish a working group for the Prime Minister aimed at accelerating the economy and bring the group to regular operations;
- Accelerate the underground mining operation of Oyu Tolgoi and provide policy support from the government for Oyu Tolgoi;
- Establish the Minerals Policy Council;
- Provide policy support for projects for refining conventional and unconventional oil, coal liquefaction and gasification, and energy export;
- Remove obstacles within the uranium industry;
- Deal with issues such as the railway-gauge standard to improve the competitiveness of exported goods.

3. Accelerate construction, manufacturing and infrastructure development

- Create incentives from customs and value-added taxes for imported industrial equipment and machinery;
- Assist in the completion of facilities for industry;
- Build factories that will increase exports and replace imports;
- Increase the production of wool and cashmere;
- Raise the total value of loan issued by Mongolia’s SME Development Fund up to MNT 100 billion ▸

- ▶ and increase its financial resources;
- Accelerate the construction of a railway link between the Tavan Tolgoi mine and the Gashuun Sukhait port;
- Finish construction of railway on the border within 2014;
- Develop a pricing programme that reflects market prices for fuel and energy, improve the investment setting for this sector, and lead the transition to new energy sources by utilizing public private partnership (PPP); and submit the programme to the parliament;
- Negotiate with the neighbouring countries of Russia and China on initiating mutually beneficial cooperation for the construction of rails and roads, oil refining, natural gas supply and energy infrastructure;
- Launch the construction of a road from Baruun Urt to the Bichigt border points and improve the infrastructure of Bichigt;
- Launch the construction of a highway along the Tuul River in 2014.

4. Improve the infrastructure and economic capacity of provinces and rural areas;

- Rebuild 16 county centres under the “New Soum” programme;
- Build a dairy processing plants;
- Connect six provincial centres (Dornod, Khuvsgul, South Gobi, Sukhbaatar, Gobi-Altai and Zavkhan) with Ulaanbaatar via paved road;
- Change the current status of Gashuun Sukhait and the Shivee Khuren customs depots to international status;
- Reduce the interest on mortgage loans for apartment buildings in provincial centres to 7 percent a year.

5. Increase foreign investment

- Attract investment for a free economic zone;
- Introduce a new debt management system;
- Provide tax exemptions for a non-banking finan-

cial institute that is able to attract investment of more than USD 100,000;

- Improve tourism infrastructure: establish recreational areas, business centres and tax-free trade service;
- Create investment funds: enforce the Investment Law;
- Provide tax exemptions on foreign investment to banks;
- Launch concession works: make the state more responsible for the Concession Law and amend the law over the protection of and privileges to national companies;
- Increase the promotion and revenue of the tourism industry as a part of the ITB summit;
- Attract investment from foreign investment funds;
- Set up partial meetings for investment with large international banks and financial institutes and countries;
- Increase the number of countries where Mongolians can visit without a visa and create the conditions for eased visa processing for foreign investors.

6. Budget and monetary policy

- Reduce the operating cost of the state budget by 20 percent and transition to savings;
- Provide transparency for the spending of the proceeds of the international government bond;
- Develop a bill for the planning of the development policy and that bill to the State Great Khural;
- Expand the operational scope of the Development Bank of Mongolia and improve its governance: increase its independence and amend the relevant law so that investment is more appropriate;
- Calculate the rate of the local currency to be used in the state budget against foreign currencies based on fixed methodology and sources;
- Provide transparency for the budget and create a condition in which taxpayers and non-governmental organisations can monitor budget performance;
- Carry out an analysis on the Mid-term Programme on Stabilising the Prices of Consumers Goods in Mongolia and identify whether or not to continue the programme in the future.

Source: the Government of Mongolia ■

GUEST

The uncontrollable use of drugs, money, power and his very own sales technique led fraudster Jordan Belfort's life to spiral out of control. Having served 22 months in jail for securities fraud between 2004 and 2006, the so-called "Wolf of Wall Street" now uses this same sales technique – dubbed Straight Line – to turn his life around.

Jordan made millions in the 1990s through his investment company Stratton Oakmont, but at the expense of his investors. The 51-year-old admits the 2013 Oscar-nominated Martin Scorsese film based on his memoir gives a fair representation of his once life of excess. In an opening quote in the film, Jordan's character, played by Leonardo DiCaprio, lets viewers in on just how much money he was dealing with:

"The year I turned 26 I made USD 49 million, which really pissed me off because it was three shy of a million a week."

Driving helicopters drunk, taping money on women to smuggle through Switzerland and the excessive drug use – it's all true. Now sober, he likens himself to a benevolent wolf, much kinder and gentler.

Jordan recently visited Mongolia on his world tour, which was well attended by politicians and business people (at USD 150 a ticket) to discuss the art of persuasion and how Mongolia should sell its story.



Photo by E. Zorigt

SUCCESS WITHOUT TRUTH AND INTEGRITY ISN'T SUCCESS

What contributed to your successes and failures?

At the heart of my success was a system that I've been using for many, many years. It started when I was eight years old, believe it or not, by putting in different puzzle pieces together for entrepreneurship. When I was 24 years old, I hit on this idea and invented a system on training salespeople. That came to be known as the straight-line. It was incredibly easy to learn, very powerful. It turned average people into world-class closers. That was behind the massive success of my firm and ultimately, I lost my ethical leg. Behind the disaster, I grew too fast. I should have slowed down the growth. Once I had the ability to train all these people, I needed to slow down and wait for my investment bank activities to catch up to my sales activities.

On top of that, as the years went on, I started using that same system straight-

line in other aspects of business from marketing, to entrepreneurship, to operations. It's really that idea that there are certain elements that line up in success that you need to essentially apply to every business that you go into and every job that you have. That's what's been behind my success.

The failure in my younger days is really based on instant gratification. I went too fast, and not slowing down and understanding at the highest level what business really is. It is about monetizing value. Unless you can give value, you can't keep selling and selling because you're a great salesperson. You have to be selling something that's actually helping people and making money.

Looking back, what was your greatest regret?

My biggest regret was that when I figured out the system for training salespeople, was to not slow down the growth of my

company long enough to allow investment banking to find better companies to focus on compliance. I just grew so fast that it spiraled out of control. That was definitely the big mistake.

When conducting business, is there a certain point that people can cross and partake in unethical activities?

My belief is that there is always this line of morality and ethics. Most people who were raised right by their parents know what it is. They get that uncomfortable feeling in their stomach when they're about to cross over it and the reason that some people cross over it is because they start rationalising. They start telling themselves stories that it's not so bad. They say that they can do it this one time, but the truth is that it is not a recipe for long-term success. Once you take the first step over the line, the line of morality moves. Each time you cross it, it moves further and further. Before you know it, ▶

▶ you're starting to do things you thought you'd never do. It seems okay.

Are there any warning signs of fraudulent activity that businesspeople should be aware of?

Well, clearly anytime when someone offers you an opportunity that seems like it's too good to be true, it usually is. It almost always is. That's one aspect. Secondly – I call this the gut check – if it doesn't feel right in your gut, it is probably not right. In that case consult a lawyer, consult an expert that knows the industry. Don't just gloss over it and say that I'll do it just this one time. The warning signs are typically there.

How can Mongolian businesspeople learn from your mistakes? In what ways can the Mongolian Stock Exchange improve?

The biggest lesson in my life is, number one, the power and sales of influence. I really think that Mongolia needs to address the issue that they are not able to tell their story in the right way. That's a huge issue. From failures, you usually have your crash and your boom-and-bust here and there. Things get ahead of themselves and people speculate too much. In my life, I allowed my business to run ahead of myself essentially.

What do you think of the Mongolian stock market?

I think that the problems in the Mongolia stock market right now are not so solely based on the Mongolian stock market. You're still in the wake of the crash that happened here when the government changed the laws and foreign investors pulled out. Then the London Stock Exchange came in and changed some settlement rules. There are some rules in there that need to be addressed. More than anything, there has to be a fundamental shift in philosophy of the average Mongolian citizen about what it means to be successful. You have to have some belief in your own economy and your own stock market. Without that it is very difficult to succeed.

What is your life goal now?

I'm one of those fortunate people. I love what I do. I love speaking and going out and mentoring and training people. I had some goals and I pretty much hit all those goals. Now, the vision for my

future – what I really see myself doing – is really going around the world for the next three to five years and sharing the system I've created with a lot of people and focusing on charity work. I also want to take more time off with family. I was very fortunate. I was given a second chance and a lot of people don't get a second chance. I'm grateful for that. It's almost like a rebirth for me. I got this chance to really do what I was put on this Earth to do. Everyone has their natural talents. Everyone has their short-comings. My greatest talent is going out there and mentoring and teaching people and motivating people. That's what I'm doing now and I love doing it.

As you said earlier, Mongolia needs an icebreaker to start the economy again. What kind of icebreakers?

A catalyst. For example, it might be some minerals – that's going to be so outlandishly great that one of the big companies is going to come in and the story is going to be told to outsiders and that will start the charging. That's one possibility. Another possibility is that it could happen from within when people here start telling the story and start attracting capital. So it could come intrinsically or extrinsically, but it's going to come.

Right now Mongolia is trying hard to attract investors back. They're participating in many meetings and investment summits. Do you think this is the right way? What other methods can we use?

Absolutely. I think that it's the right thing to do. One of the most important things you want to do is to be bringing in joint ventures with big foreign companies. You want to make it easy for foreigners to invest capital in Mongolia and to also make sure that they are not just raping and pillaging the countryside. You want to make sure that the deal works for both sides. Given what Mongolia has in the ground here and the resource spectrum it has, eventually it's going to happen. You're making a lot of progress, more than you realise. It takes time until the catalyst actually hits. You're making progress right now by doing what you're doing.

Investors see opportunity, potential, and long-term benefits, but when you come across obstacles such as the inability to predict governmental

action, how can we sell our country without being guinea pigs to outside investors?

You want to make sure the deal is sustainable for both sides. You don't want people coming in and tearing up the countryside. It is like the issue in China and Zambia where the Zambians were getting upset because they thought the Chinese were coming in there. They didn't have a long-term horizon that was going to empower Zambians. They were coming and stripping the natural resources and leaving. You don't want that situation, right?

There is a happy medium in terms of legislation. What scares companies is not empowering the people. They don't want to have 68 percent taxes. They don't want to all of a sudden have profit taxes. I think it's very easy for the government to come up with a framework by which big companies and outside investors will feel comfortable to invest here and the Mongolian populace will be protected. I don't think it's a difficult balance to strike nor do I think these big companies want to rape the countryside. What they don't want is these huge swings in taxes.

You will attract outside investment especially with the entire infrastructure and plays with China right now that brings rail into the country, which allows some of the bulk resources such as iron ore and coking coal to turn the iron ore into beneficiaries. You have so much going for you right now. But again, what typically happens is not just in country stories – but in every individual story – you have some place where you want to get a vision for your future and you're working very hard to get there, but you're not making progress. You're not seeing the result, but you actually are making progress. It's just that the progress is invisible. It takes time until it breaks through and you see the fruits of your labour.

I wouldn't worry so much about the outcome right now. If you do the right thing and make the right moves and the government stands behind you, foreign investment will come back. Whether it comes back in six months, a year, or three years, it's going to come back. It's just a matter of time. ■

TAX

THE SECOND PHASE OF TAX REFORM

BY I. OTGONJARGAL

The first phase of tax reform took place between 2007 and 2012. Its Four 10s Tax Policy (value-added tax, corporate income tax, personal income tax and social insurance tax) helps make Mongolia one of the least taxed nations, not only in Asia but in the world. The government is launching the second phase of tax reform this year through to 2017.

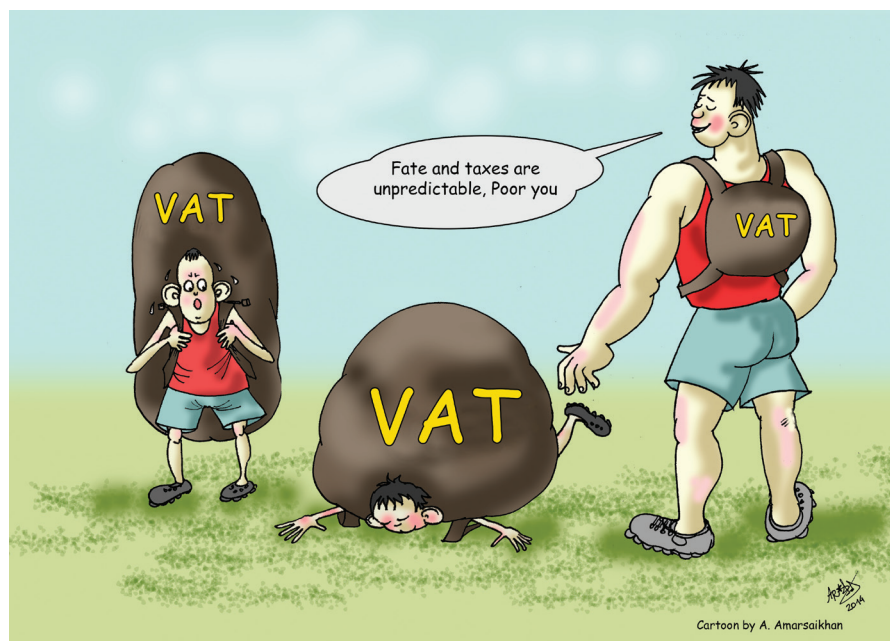
Two discussions were held on May 30 and June 10 this year, involving representatives from the State Great Khural, government and private sector. The former took place at the Citizens' Hall in the Government Palace under the theme of "Value-added Tax and Commercial Tax." That event was moderated by S. Bayartsogt, a member of parliament and the head of the working group for tax reform. The latter was themed "Let Us Decide Through Reform" and was organised by the government.

The bill on raising the value-added tax threshold to MNT 50 million is now in active discussion. But it is not clear if the bill is going to be passed by the Khural before the spring session is wrapped up.

According to the government's main action plan, the current tax reform aims to create a stable tax setting in which tax would meet the principles that are expected to be simple, clear, equal and fair while contributing to the economy and meeting international standards.

Under the 100 Day Action Plan, initiated by the government on May 10 this year, the second phase of tax reform follows laws that have been approved by the State Great Khural on June 6 this year. For example:

- The Law on Exempting Imported



Equipment from Customs and Value-Added Taxes aims to support SMEs,

- The Law on Delaying Customs and Value-Added Taxes for two years aims to reduce costs during the period of increasing investment, supporting infrastructure work and removing hindrances caused by delays in equipment supply

These laws took immediate effect.

As a part of the tax reform, the following legislations have been submitted to the Khural for approval:

- Legislation on Refunding 90 percent of Corporate Income Tax paid by companies with revenue of up to MNT 1.5 billion a year, according to the main action plan by the government.
- An updated version of the Value-Added Tax Law that is expected to be consistent with international standards. The updated version includes raising the VAT threshold to MNT 50 million, clear definitions of some ambiguous legal terms in the current law, and refunding 20 percent of VAT paid by end users.
- Based on request by the Mongolian Bankers Association, the Corporate Income Tax Law is to be amended in terms of imposing 10 percent tax on tax payers who are not based in Mongolia and who have purchased bonds from Mongolia's commercial banks. By approving this legislation, the commercial banks' loan rates are expected to decrease.
- An updated version of the Accounting Law and Auditing Law aims to ▶▶

- ▶ reduce operational hindrances for the submission of financial statements by companies. If approved, SMEs and companies would be able to submit their financial statements online once a year and the companies would not necessarily receive audits on their financial statements.

There is also urgent need to reform tax enforcement and the services provided by tax departments. That is why Mongolia's tax policy is being directed towards simplified tax reporting and tax payment with online tax filing. All tax payers can now submit their tax reports and make tax payments from anywhere and whenever rather than submit paper documents in person at the tax office.

A brand new agency called the "Tax Debt Prevention Centre" is expected to launch to provide tax payers with information on tax debt and remind them about possible debt-related risks in the future.

The government is adhering to its tax policy not to implement tax hikes or introduce new taxes. Tax laws are to be clear and easy to understand, while the law enforcement is to be simplified.

Legislation submitted to the State Great Khural: Refund 90 percent of Corporate Income Tax

1. Introduce an updated version of the Value-Added Tax Law (VAT) to raise the VAT threshold to MNT 50 million and refunding two percent of VAT
2. Amend the Corporate Income Tax Law to reducing taxes for revenue generated from interest rate on bonds issued by commercial banks, domestically and abroad ■

INVESTORS

ROBERT FRIEDLAND – AN OPTIMIST

BY B. BAYARTOGTOKH

Robert Friedland is the founder and chairman of his family-owned firm Ivanhoe Capital Corporation, which focuses on emerging markets. Friedland is also the founder of Ivanhoe Mines – a Toronto-and New York-listed public company.

Friedland was born in Chicago, Illinois in 1950 and raised in Boston. He graduated in 1974 from Reed College with a political science degree. In his senior year at Reed, Friedland was student body president. During his time at Reed he met Steve Jobs, the founder of Apple, with whom he shared an interest in Eastern spirituality.

At the time, Friedland served as the caretaker of an apple farm south of Portland that was owned by his millionaire uncle Marcel Muller and Jobs would come on the weekends and help with the apple orchard, which served as the inspiration for the name of his company, Apple, Inc. Friedland by that time had become very self-confident and could easily manage people. He found these skills naturally translated into business.

Exploration by Ivanhoe Mines since 2000 has uncovered a chain of copper, gold and silver deposits at Oyu Tolgoi (Turquoise Hill) in Umnugobi. The first phase of ▶▶



▶ what is independently projected to be one of the world's largest porphyry copper and gold mines began its commercial production last year. As a result, the Mongolian economy grew 17.5 percent in 2011 with the sharp increase of foreign investment that came. Mongolia also successfully transitioned from a low-income to a middle-income country in 2011.

The boom brought on by the Oyu Tolgoi project for a poor country like Mongolia was a shock. And a third of all money in the economy belonged to Oyu Tolgoi.

Friedland was described by Canadian journalist Diana Francis as a "nomad." Within five years Friedland had launched businesses in 45 countries.

He holds citizenships for the United States, Canada, and Singapore

Friedland once said: "In 1987, my destiny took me to Bony Piken and I was involved in a harsh competition for New Mount mine, which was worth USD 6.6 million. That operation was Bony's first mining business and he gave me 10 percent of the USD 400 million in revenue. By using this money I bought my ownership in the mine."

That mine was a tremendous step forwards for South Africa.

According to Francis, Friedland attracted investors with his cleverness and persuasiveness, and he became a brand among investors.

In 1994, Friedland's geologists explored a large nickel deposit in Newfoundland, Canada which ultimately made him wealthy. He also engaged in a project for a nickel mine in South Africa. These were a series of waves in his life.

"I came to Mongolia just as the licence ownership rights were guaranteed, after Mongolia adopted a Canadian version of the Minerals Law in 1997. At that time, Garamjav suggested that I conduct drilling at Oyu Tolgoi. And we did it as he said that we will find gold from. It was unique. This was a new land of gold and copper. This was not an ordinary mine and not an area that has just an ordinary minerals. This was the regions of copper and gold."

According to Oyu Tolgoi – Past, Present and Future, published in 2010 by former President Punsalmaagiin Orchirbat, one of the people to pave Friedland's way into Mongolia was James Baker, former chief of staff to President Ronald Reagan's first administration and of President George H. W. Bush's administration in his final

year of office. Baker provided assistance for oil company Nescor to launch its operation in Mongolia. At that time, the company was headed by Neil Salsich, and former US President George Bush and Friedland were among its investors.

Unfortunately, Salsich died due to air plane accident in 1998 and Nescor's exploration activity in Tsagaan Els and Zuunbayan in Mongolia were halted. But Friedland was still interested in Mongolia.

Hugo Dummet, a head geologist for BHP Billiton's exploration operations in Mongolia, was the one to demonstrate to Friedland the potential for Mongolia's mineral resources. Later, Friedland recruited Dummet at Ivanhoe and eventually explored Oyu Tolgoi deposit, which BHP owned at the time.

But after experiencing tremendous losses, BHP needed to sell the majority of its exploration licences, and so Ivanhoe Mines struck a deal.

"The world's largest copper reserves are in Indonesia's Grasberg mine and Chile's Andes Mountains. But the Oyu Tolgoi gold and copper mine neighbours with China, which is starving for metals. So, it means that we are just beside the main market," Friedland told the Financial Times in 2003.

In the article "Baron Robert" by renowned Mongolian columnist Batbayar, or Baabar as most people know him by his pen name, he writes: "Robert Friedland came to Mongolia for venture business, which is a fact. He acquired the licence for Oyu Tolgoi and spent around USD 1 billion for the mine where the global giant BHP explored and found nothing, which is also a fact. If nothing was found there, he would have gone completely bankrupt.

But Friedland did not go bankrupt, and "this extremely risky move by a semi-insane person" paid off—for him and Mongolia.

Today, Friedland ranks 546th among the world's billionaires, according to Forbes, with an annual revenue of USD 2.8 billion. He is the 188th wealthiest person in the United States, and he is one of the most well-known individuals in the global mining arena.

Friedland is an optimistic person who brought major change to the Mongolian economy with Oyu Tolgoi. World investors trust him, and so he was able to raise the funds needed to fund the prospect that first launched Mongolia to investor stardom. ■



“

When the Ulaanbaatar population grows, water consumption rises. As a result, the groundwater level that is replenished from the Tuul River Basin is reduced by 15 metres a year.

Z. BATBAYAR, GREEN ECONOMIC GROWTH

”

BE WATER WISE

1

Educate your friends and pass the message on about saving water.

2

Check for leaks. Leaking taps can waste more than 2,000 litres per month.

3

Take shorter showers and try not to use the bath.

4

Capture tap water. While you wait for hot water to come down the pipes, catch the water to use later.

5

Do not leave the water on unnecessarily. Turn it off when brushing your teeth or when shampooing your hair.

6

Always wash a full load in the washing machine and use a shorter cycle.

7

Install water saving devices (ie aerators) into taps and showerheads to reduce flow.

8

Wash your dishes by hand and avoid using the dishwasher

9

Install water saving showerheads and toilets

10

Choose water appliances (ie washing machine) that use less water than conventional ones.

STRATEGIC DEPOSIT

MONGOLIA'S STRATEGICALLY IMPORTANT DEPOSITS

BY S. AZ

Whilst most foreign investor attention is centred on the Oyu Tolgoi mine, there are 15 other mineral deposits deemed “strategic” – each worth more than five percent of annual GDP. Smart policy and these strategically important deposits might play a role in luring back savvy investors to this once-booming economy.

Foreign direct investment declined by 42 percent in 2014. Legislation that restricted foreign company ownership steered investors away from Mongolia, but a new Investment Law was ratified in November 2013 in an attempt to reverse that decline. With mining contributing to 20 percent of the country's GDP and to 30 to 50 percent of the state budget, having a stable legal environment is imperative to luring back investors and restore their confidence.

One of those strategic deposits is the Tsagaan Suvarga molybdenum deposit, located at Mandakh, Dornogobi. Mongolyn Alt (MAK) owns a licence for mining the deposit following eight years of exploration from 2001 to 2008. In 2009 MAK received approval from the Professional Minerals Council to mine the deposit.

MAK has reported 250.4 million tonnes of molybdenum ore, 66,167 tonnes of molybdenum and 11,127 tonnes of gold. The company spent USD 2,679,400 on exploration and USD 714,760 for environmental rehabilitation.

The Mongolian government recently drafted a bill that would have granted it a 34 percent stake in the mine, but a working group assessing the prospect has advised against it. The Asgat silver deposit is another strategic deposit that is being discussed by government after years of discussion by previous governments. Prime Minister Norov Altankhuyag has ordered analysis of this issue as part of the 100 Day Action Plan he launched in May.

The Ministry of Mining has established a project unit to develop a feasibility study and environmental impact assessment for the Asgat silver deposit. The Minerals Law entitles government to 50 percent ownership of the mine.

No.	Deposit name	Type of minerals	Location
1	TavanTolgoi	Coal	Tsogttsetsiisoum, Umnugobi province
2	NariinSukhait	Coal	Gurvantessoum, Umnugobi province
3	Baganuur	Brown coal	Baganuur district, Ulaanbaatar city
4	ShiveeOvoo	Brown coal	ShiveeOvoosoum, Gobisumber province
5	Mardai	Uranium	Dashbalbarsoum, Dornod province
6	Dornod	Uranium	Dashbalbarsoum, Dornod province
7	GurvanBulag	Uranium	Dashbalbarsoum, Dornod province
8	Tumurtei	Iron ore	Khudersoum, Selenge province
9	OyuTolgoi	Copper and molybdenum	Khanbogdsoum, Umnugobi province
10	Tsagaan Suvarga	Copper and molybdenum	Mandakhsoum, Dornogobi province
11	Erdenet	Copper and molybdenum	Bayan-Undursoum, Orkhon province
12	Burenkhaan	Phosphate	Alag-Erdenesoum, Khuvsgul province
13	Boroo	Gold	Bayangolsoum, Selenge province
14	TumurteinO-voovoo	Zinc and Plumbum (lead)	Sukhbaatarsoum, Sukhbaatar province
15	Asgat	Silver	Nogoonnoursoum, Bayan-Ulgii province

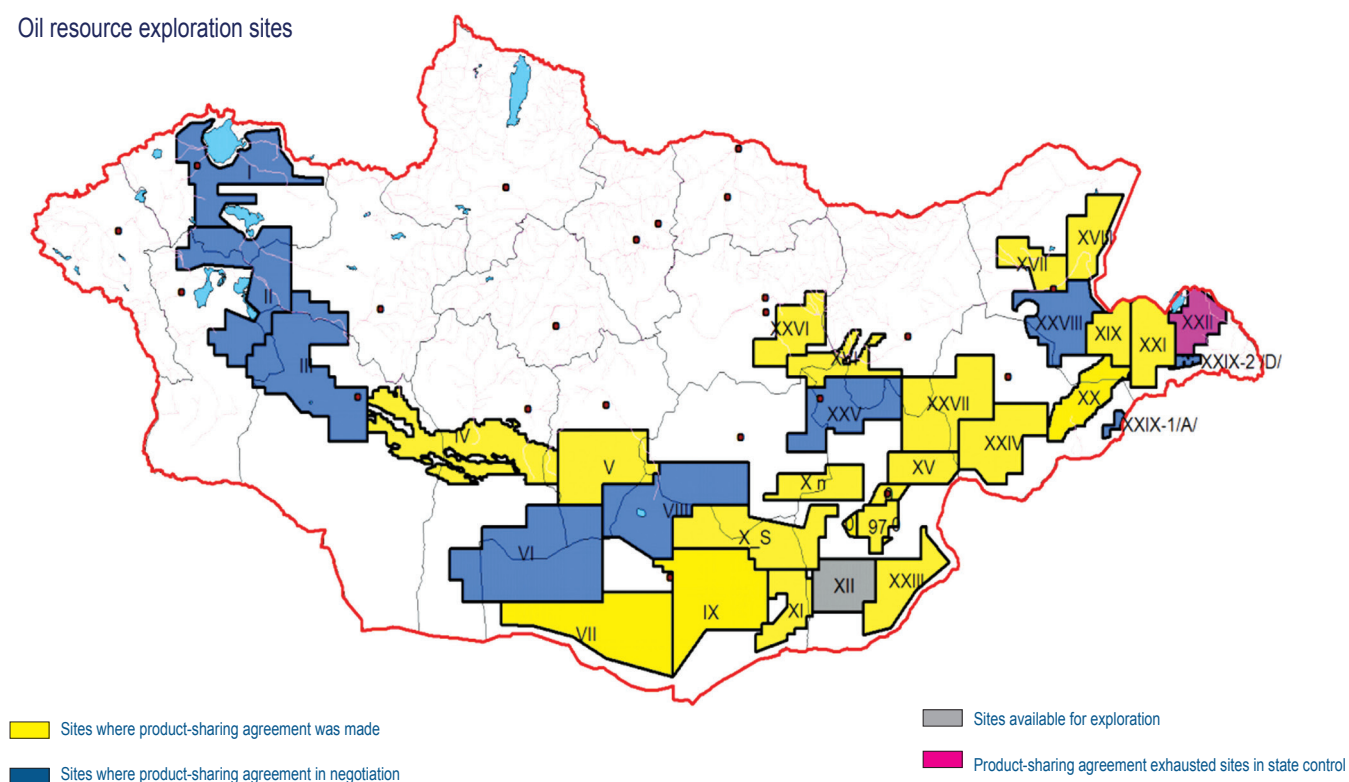
Source: Annex 1 of the Government of Mongolia's Resolution No. 27 dated On 6 February, 2007 on the Strategically Important Deposits.

SHOULD WE INCLUDE THE BCM map next to this article?? ■

MINERALS

INVESTMENT OPPORTUNITIES FOR THE OIL INDUSTRY

Oil resource exploration sites



BY S. AZ

Oil is a strategically important product for the entire world. Dependence on foreign imports for petroleum is a national concern for countries such as Mongolia that do not produce fuel products for themselves. That is why Mongolia must today figure out how it can best make use of its own oil resources.

The current Petroleum Law has not been amended since 1991. Parliament in recent months has debated proposed revisions to the Petroleum Law submitted by government, but threw them out after parliamentarians decided the new terms

were not beneficial enough. Government has come back with another revised document to amend the law, but some members of the State Great Khural have criticised that this version is even worse than the first.

“In the previous legislation, it was stated that Mongolia should have no less than 50 percent of a product sharing agreement, and 60 percent after cost recovery. But the current amendment states that the agreements are not to be amended and the government is to deal with the issue of the product sharing agreement. So, we cannot approve this legislation”, said parliamentarian Khayangaagiin Bol-

orchuluun on June 2. Bolorchuluun, one of a few independent members, served as a head of the working group tasked with updating the Petroleum Law.

The 1991 law regulates oil exploration, exploitation, assessment, payment, land lease, taxes, administrative service fees, accounting, product-sharing, tax exemption and so on. But the law fails to go into detail about relations within the oil industry and it has numerous contradictory clauses.

Bill drafters set out to remove the ambiguities that exist in the 1991 law, which was originally passed by government ▶

rather than the Khural. That includes clarifications to regulations for petroleum, natural gas, and conventional and unconventional oil. The new legislation will also be broadened to make clear the rights and powers of the state and local self-governing bodies. It should also outline the royalty and tax rates, tax incentives, and the processes for issuing and cancelling licences.

Mongolia has limited oil resources of some 348 million tonnes and Mongolia ranks 36th among 98 countries with oil resources in the world, Bolorchuluun said. Companies are exploring for oil at 31 locations, and, 16 companies are producing oil, including Petro China Tamsag at the Toson-Uul XIX and Tamsag-XIX blocks, and Donshen at the BHG-97 block.

Mongolia saw USD 1.5 billion invested in the oil sector between 1993 and 2013.

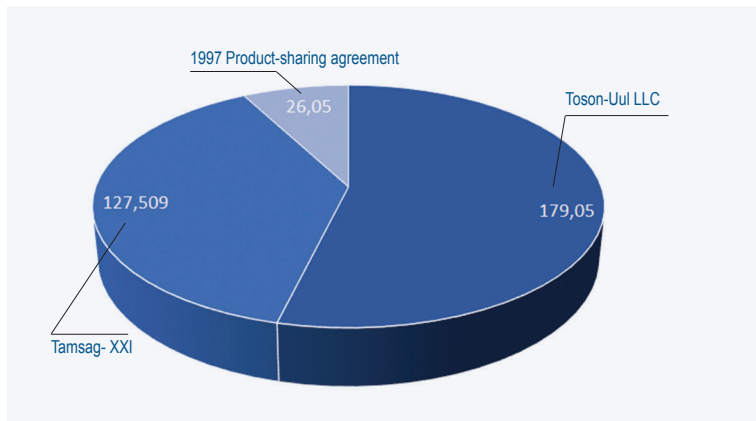
According to the Petroleum Authority, the product sharing agreements made after 2000 do not need amending because they were made through bidding processes. However, agreements from before that time need altering, according to the Petroleum Authority of Mongolia, because Mongolia is not receiving adequate compensation as it benefits just 24 percent compared with an international standard of at least 50 percent.

For example, Indonesia, the first model nation in terms of product sharing agreement, benefits some 71 percent from oil production while Norway benefits 78 percent.

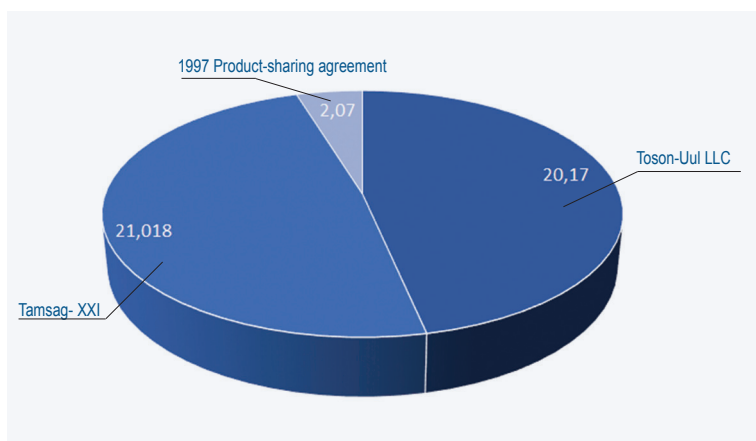
Mongolia's case is quite different because administrative costs abroad are just 10 percent of what is spent in Mongolia. Petro China Dachin Tamsag in 2013 spent USD 370 million, of which USD 37 million was given to its owners abroad in terms of royalty, according to Bolorchuluun. Meanwhile, there is no royalty imposed at all at the Dachin Tamsag 19 block. Older product sharing agreements such as these need amending, he said.

Because the oil industry requires high costs and risks, Mongolia is trying to attract investment with more favourable terms in its amendments to the Petroleum Law. But many worry that those incentives might cost Mongolia too much in the long run. ■

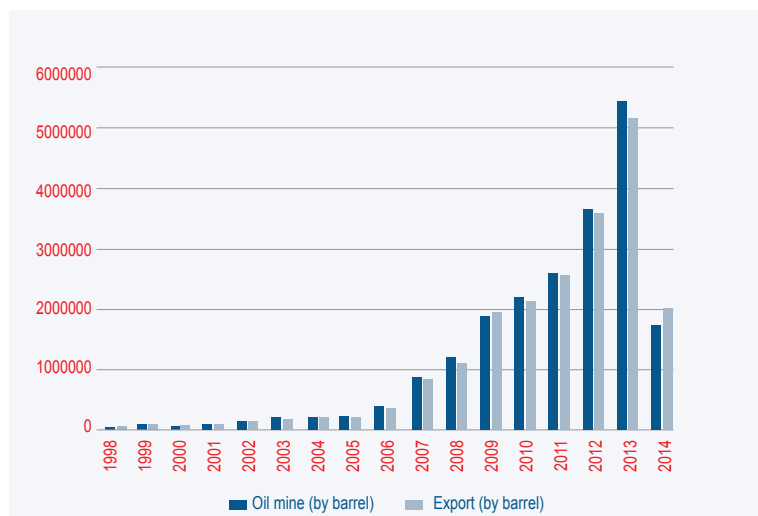
Total predicted oil resources of Mongolia - 332,6 million tonnes



Total proven oil resources of Mongolia -43,3 million tonnes



Oil exploration and export



DISCOVER MONGOLIA

WELCOME BACK



BY CH. LUTAA

“Welcome back” is the slogan of the 2014 Discover Mongolia international mining investment forum to be held in Ulaanbaatar on September 4 and 5. This 12th annual forum is the largest event in the mining industry of Mongolia, in terms of reputation, scope and experience. The forum is jointly organised by the Mongolian company Prime Info, the Mongolian Miners Association and the Ministry of Mining.

The forum since 2002 has aimed to promote Mongolia’s mining sector to the world and attract more foreign investors to Mongolia. The forum did quite well in the past and the number of attendees has constantly increased, with exception for last year’s forum because of the decline in foreign direct investment.

However, the forum provides investors with everything one needs to know about Mongolia’s mining industry. At the forum are numerous displays by mining companies for their products and services. Discover Mongolia is a leading mining event for

the region that warmly welcomes foreign investors to return to Mongolia.

“2014 Discover Mongolia will cover a much wider scope this time,” said P. Enkhjin, secretary at the Forum Organising Commission of the 2014 Discover Mongolia. “This is because our intentions are to have more representatives from the state organisations at the forum because of the new Minerals Policy and updated Minerals Law. Thus, we made a cooperation contract with the Ministry of Mining. Mongolia’s Prime Minister will be giving an opening address at the event. This year, we are also planning to hold a number of discussions on several important topics.”

The forum’s aim is to welcome more foreign direct investment towards Mongolia. In doing so, it is planning to hold an in-depth discussion on economising large mineral deposits, successful implementation of mega projects as well as use of oil, shale and uranium to diversify Mongolia’s energy resources.

Representative from government and

non-government organisations, local governments, research and scientific institutes, private companies and investors will be speaking at the event. The two-day forum will focus on eight topics, including the legal setting; Mongolia’s coal export; the minerals demand of northeast Asia and Mongolia; geological testing; project financing for mines; state intervention into mining projects; local government and citizens’ engagement, and so on.

The tentative agenda for the forum includes speeches for on issues such as Oyu Tolgoi and the policy change that has been made for the Minerals Law by the Ministry of Mining. Also to be highlighted is the coal industry because of speculation that China could become a leader among the world’s markets in the next three years. That would have a heavy impact on the competitiveness of Mongolia’s coal industry.

For more detailed information about the forum, please visit DiscoverMongoliaForum.com. ■

SPECIAL ASSIGNMENT

A DARK LIFE IN TSAGAAN KHAD

BY S. ZAYA

In Tsagaan Khad of Khanbogd, Umnugobi are small buildings with their walls built from two-rows of thin metal. Mongolians call this kind of structure a sandwich-building. There are many awkward-looking, thin corridors between these small buildings.

Most are shops or grocery stores. One's door reads "Chinese Yuan exchange, meat sale and information bureau" – written in both Mongolian and Chinese. On the counters of these grocery stores are packs of Chinese fruits and other goods.

Cars drive through dirt roads littered with trash between buildings, and Chinese people hang around the streets. It was common to see Chinese saleswomen working behind counters. This is the norm for Tsagaan Khad.

There are more than 200 families who reside nearby the mines owned by Energy Resource and Erdenes Tavan Tolgoi. The gers people live in are covered with thick layers of dust. Many signs stand outside of these gers advertising that they sell work gear.

The area has grown rapidly as more people move to Tsagaan Khad. Khanbogd's governor has renamed the area Khaikhan district. Unfortunately, the district has become very disorganized, with gers haphazardly set down by families moving in.

When asked about the disorganized look of the town, residents said that nobody from Khan Bogd came to help them plan. They were only informed about the waste collection and loading services provided each week, although none of those services had arrived yet. A landfill was established, but it there is still plenty of trash found throughout town.

Tsagan Khad is about 25 kilometres from China's Gants Mod customs border. The close proximity allows Chinese merchants to buy bones from locals. An unpleasant smell emanates from several homes where old bones are found.

The Lost People

The soil at Tsagaan Khad has been damaged by the heavy coal trucks driving over dirt roads and the livestock pasture has been destroyed.

The dirt roads used by cars and trucks contribute to the degradation of the environment.

According to a study last year by the National Human Rights Commission in Mongolia, 35,250 hectares land on both sides of the 230 kilometre road that links the Tavan Tolgoi mine and Tsagaan Khad have been damaged or destroyed. Another study carried out by the Special Inspection Centre, the National Agency for Meteorology and Environmental Monitoring, and the Central Laboratory ►



Photo by S. Zaya

- of Environmental Monitoring found that the air quality in Tsagaan Khad was 45 times worse than recommendations and that particulate matter was 35 times higher than suggested.

These studies were confirmed by locals who said that their clothes would become filthy within a day and that respiratory disease was spreading among locals due to the high concentration of dust in the air.

Residents said that once a year they go to the provincial capital seeking medical care. Not everyone can afford the trip however, and many said they wished a doctor was available in town.

According to a study by the Ministry of Environment and Green Development in 2012, coal trucks driving through town has had a toll of MNT 5.4 billion in damages on land throughout the province, MNT 20 billion in damages to the soil, MNT 11.1 billion to the flora, MNT 18.7 billion to the fauna, and MNT 2.5 billion to the air – for a grand total of MNT 58.1 billion.

Sh. Delgerbat has been running a small business selling spare parts and building materials in Tsagaan Khad since 1992, when the Gashuun Sukhait customs depot was first established.

“The soil here was good before the beginning of the coal

transportation, but now large trucks are coming and going day and night,” he said. “Our business is suffering from the exchange rate because our goods are imported from Gashuun Sukhait customs or the Chinese city of Erlian,”

His goods are more expensive than what’s available in Ulaanbaatar. He said the town’s population can grow to 1,000 people when the mines are operating, but the permanent population is only about 200.

Resource Scarcity

Tsagaan Khad is not connected to the national electricity grid, which is the biggest issue for both temporary and permanent residents of Tsagaan Khad. Some families use a power generator while others use solar panels and small wind turbines imported from China. There are a lot of families who forgo electricity all together. Some people have even opened small businesses to allow people to charge their phones for MNT 1,500 for a full charge.

Some families in Tsagaan Khad sell electricity to their neighbours for MNT 5,000 a day, but not everyone can afford electricity at MNT 150,000 a month.

Over 10,000 people come to Tsagaan Khad each year, but development is still stalled there. There is a huge difference between Mongolia’s Gashuun Sukhait customs port and Tsagaan Khad compared with China’s Gants Mod – where there is almost no air pollution.

Water is also a crucial issue in Tsagaan Khad. The price of water is MNT 30 to MNT 45 per litre compared with MNT 1 a litre in Ulaanbaatar. Most springs nearby lack water and only a few hand-dug wells located 15 to 20 kilometres away are used. Water trucks carry up to five tonnes of water travel between the wells and Tsagaan Khad.

Water is very scarce in Umnugobi, and many believe the mining activity is exacerbating the issue. The groundwater in Tsagaan Khad is brackish – too dirty for drinking straight away. But locals say that they have no other choice but to drink it. Water consumption in the Gobi ranges between 50 and 60 litres a day for one family.

There is a family in Tsagaan Khad who is able to transport six to seven tonnes of water each day. They sell water at MNT 30 a litre compared with others that sell water for up to MNT 45 a litre.

“We transport water from our well, located not far from here. When water demand increases, it requires us to make two to three deliveries a day,” said the truck’s owner D. Nergui.

Although Nergui charges less than his competitors, he can still earn up to MNT 100,000 a day, and even more on weekends.

Tsagaan Khad is an example of how life can really be thrown off the rails by mining activities. With time maybe some of the struggles in living there can be wiped away, but equally as important will be preventing other communities from facing a similar fate. ■



OYU TOLGOI

A SECURE JOURNEY TO OYU TOLGOI

BY E. ZORIGT

Mongolian Economy Magazine's delegation visited the Oyu Tolgoi mine in Umnugobi Aimag in May to observe Oyu Tolgoi's occupational health and safety standards.

Near the copper concentration plant at Oyu Tolgoi is a big sign that reads "Safety is everyone's responsibility." near the copper concentrate processing plant. Safety is a priority to Oyu Tolgoi's operation.

The mine's vision for safety is: "Together, we will create an injury and illness-free workplace where everyone goes home safe and healthy each day of their working life."

Rio Tinto has strict requirements for occupational safety and health at the Oyu Tolgoi mine. Those who visit the Oyu Tolgoi's must adhere to strict occupational safety standards for their own personal well being and for those around them. The journey started with training on basic knowledge of occupational safety in Oyu Tolgoi, which lasted about 20 to 30 minutes. The training provided information on emergency call numbers and emergency exits as well as locations to go to in case of an emergency.

New employees at Oyu Tolgoi are required to partake in a special two-to-three-days training session on occupational safety. Oyu Tolgoi has a water purification plant divided into two sections, for water storage and water purification. The temperature inside of the plant was cool. Established in 2011, the plant produces four types of water: drinking, household, bottled and emergency. The bottled water is called "Oyu Asis." Water that is abstracted from the groundwa-



Photo by E. Zorigt

ter aquifer is purified for two purposes: drinking and household use.

According to B. Enkhtsetseg, an operational engineer at the plant, the mineralisation of groundwater here is about four to five times higher than that of Ulaanbaatar, which fails to meet the drinking water standard and is even unsuitable for household use. The groundwater is filtered and purified for drinking while being disinfected and chlorinated for household use.

Oyu Tolgoi's water use ranges from 500 to 600 tonnes a day, with drinking water consumption making up 50 to 60 tonnes. The water purification plant's capacity is 500 tonnes per day. There is also a laboratory that analyses purified water. If the purified water does not meet the quality requirements, it has to be re-purified until standards are met.

Of course, Oyu Tolgoi has spent billions

of tugruqs on the construction of this huge plant.

The water is not limited to Oyu Tolgoi employees, but also delivered to the residents of Khan Bodg.

Healthy Food Means More Energy

Meals served at the canteen at Oyu Tolgoi are delicious. Miners work diligently every day thus they need more energy to survive harsh and hot weather conditions in the south Gobi. Nutritious food and relaxation positively affect their work performance. This is why nutritious and good-quality food with a large selection is important.

The canteen is divided into two sections: European and Mongolian food. There is also a wide range of snacks, pastries and desserts, served three times a day. ▶▶

- ▶ In and around the canteen are posters explaining the importance of a healthy diet and the recommended volume of nutrition and calorie intake per day. Oyu Tolgoi's catering service is handled by an international catering service company SIS.

Medical Records

The hospital and ambulance centre in Oyu Tolgoi is very comfortable and clean. Since 2004, International SOS has been responsible for medical services at Oyu Tolgoi. There are foreign doctors working at the hospital because it aims to provide high quality and professional pre-medical tests and first aid services for all employees. Anyone ill has access to doctors at all times. Psychiatrists, too, are available for consultation.

"The pedometer [a step-counting device] is recommended for everybody here to wear. 8,000 steps by women and 10,000 steps by men a day are considered to be healthy," said B. Gantulga, an officer in charge of medical issues at Oyu Tolgoi.

The medical equipment and medicines are imported from the United States and Singapore. The number of outpatients and inpatients at the hospital ranges from 50 to 60 a day. If necessary, the citizens at Khan Bogd can receive medical service at the hospital.



Security

More than 30 pieces of heavy equipment manufactured by Komatsu and Caterpillar are used at the Oyu Tolgoi mine, day and night. These include one of two largest caterpillars in Mongolia. A maintenance workshop for such heavy equipment was established in 2011. Inside the workshop, all sections are clearly identified and classified. A yellow line indicates pedestrians' lane while the blue area is a return spot for machines and equipment

A number of posters read "Safety is everyone's responsibility" or "Everybody has the right to stop any action by someone who is working that might be risky for him/her or other employees." This is an important step towards achieving its goal to provide occupational safety.

Each repairperson at the maintenance workshop has to wear a badge where their name, position and phone number are indicated. Broken equipment being repaired is labelled with badges so that it is easy to recognise who is working on what. Transwest is responsible for the maintenance of all equipment and machinery at Oyu Tolgoi. Its employees, headed by Australian experts, are experienced in providing safe maintenance.

"Every day I think of the well-being of my family and the families of my colleagues. It is important for us to return to our homes healthy and safe in the evening. This is why we must follow the occupational health and safety rules," said B. Gantulga, a senior safety officer at Transwest.

At the Oyu Tolgoi site, the average speed for a car is five to seven kilometres an hour. Headlights should be turned on at all hours. All employees at Oyu Tolgoi see the occupational health and safety guideline as not only the company's rule but as their responsibility. It is easily seen from their attitudes towards work. ▶▶



► Open-Pit Mine

The open-pit mine At Oyu Tolgoi has a diameter of one kilometre and a depth of more than 130 metres. The open-pit mine is reminiscent of the Roman Colosseum because of its enormous size.

Copper concentrate is loaded by an excavator on a Komatsu truck. There is an endless intertwisting of trucks that are loaded and unloaded. On average, blasts are made three times a week at the pit. After the blast, copper concentrate is transported by trucks to a first-stage stone crusher where stones are reduced to a size of less than 25 centimetres in diameter. The crushed stones are then sent to the processing plant through a 2.7 kilometre conveyor.

"After 20 years, the open-pit mine is estimated to expand 500 to 600 metres in depth, 1.5 kilometres in width and 2.7 kilometres in length. The majority of Oyu Tolgoi's resources are expected to come from underground," said B. Gantulga, senior mining staff.

There are 100 miners at the open-pit mine during the day while more than 80 miners work during the night. Each day, 200,000 tonnes of copper concentrate is unloaded to the first-stage stone crusher. One percent of copper concentrate is said to be pure copper. Oyu Tolgoi also contains the precious metals gold and silver.

At the copper concentrator it is quite difficult to hear one another due to the loud



noise from all the work done. The plant workers stated that the noise comes from heavy equipment constantly running at the plant. In addition to the level of noise is the heat from the Gobi weather

The processing plant at Oyu Tolgoi ranks fifth in the world and second in Asia. It has the capacity to process 100,000 tonnes of ore per day. After the stones are crushed and turned into powder, concentrate moves onto the next conveyer where metals such as copper, gold and silver are extracted. The extraction method used at Oyu Tolgoi is referred to as the liquid-to-liquid micro extraction.

As a result, sediments are separated from the liquid and left on the bottom of the bowl while metals float to the top. Then

the metals are moved to the next conveyer through a specially designed channel where water is filtered. Afterwards, the metal goes to a storage chamber before moving through several sections until reaching the packing section. The copper is packed into away into sacks able to hold two tonnes each. Before the copper sack is exported, samples are examined by experts from a professional laboratory.

Wet sediments leftover from the concentrate are sent to a chamber for processing for water filtration. Oyu Tolgoi claims to recycle more than 80 percent of its wastewater.

Training Centre

According to B. Dolgion, a safety officer, there are only few training centres such as the one in Oyu Tolgoi in the world. It is stocked with tools for demonstrations of how accidents can happen. For example, there are special glasses that clearly show the effects and changes within the body after the use of alcohol and drugs. It was hard to walk in a straight line while wearing the "beer" goggles. There are also posters that explain that all equipment in the plant is powered by electricity. A short training on the main concepts for safety were also given.

Those concepts can be summed up as follows:

1. Do preliminary estimates
2. Identify every single risk for damage or danger
3. Recognise risks that follow danger
4. Manage the risks and damage
5. Your safety is a priority ■





OPINION

MARVELLOUS MONGOLIA

Right now, many commentators are very concerned about the weakness of the Mongolian economy. The key driver for the Mongolian economy in recent years has been investment in the mining sector. However, International Monetary Fund (IMF) data suggest that foreign direct investment, most of it from the mining sector in 2011 and 2012, has fallen markedly. IMF data suggest that foreign direct investment was approximately MNT 4.5 billion in both 2011 and 2012, but fell to 2.2 billion tugrug in 2013. An estimated 1.1 billion tugrug has come in for 2014.

Foreign direct investment has fallen by around 75 per cent in the last three years. This is very serious for Mongolia as foreign direct investment represented around one quarter of Mongolia's gross domestic product in 2011.

Foreign investment creates jobs in two key ways. First, it adds to Mongolia's production capacity. Investment to Oyu Tolgoi will generate vast new income for Mongolia, and will help create many highly skilled, well-paid jobs for Mongolians. A key point here is that this investment also creates export income, strengthening the tugrug against the US dollar and other currencies, and making it easier to pay for imports, which reduces inflationary pressures.

Second, the initial investment (the first-round effect) creates additional demand on the economy. As workers get new jobs and eventually upgrade to better paying jobs (the second round effect), they buy apartments for the first time or purchase bigger and better apartments. They buy more and better food, and take more time for recreational activities such as going to the movies. All this creates new jobs. And the person with the new job as a restaurant waiter also has more money to spend.

The recent decline in mining investment is a tragedy for Mongolia. However, it does give an opportunity to rethink Mongolia's economic development strategy, to make Mongolia's relative economic strengths even more of an economic benefit. It also gives the chance to think about and address the weaknesses of Mongolia's economy.

Mongolia's economic advantages

- Vast mineral resources
- Agriculture sector
- A huge potential for ecotourism
- A relatively well-educated workforce
- Low costs for labour

Mongolia's economic disadvantages:

- Poor infrastructure, especially for transport
- Pollution
- The relative health of the Mongolian population and the poor standard of health services
- The quality of education service delivery
- Inconsistent economic policies
- Xenophobia – or the intense or irrational dislike or fear of people from other countries. The rise of ultra nationalists is not attractive in any country. This deters foreign investment and tourism. Every expat beaten up costs Mongolia millions if not billions of dollars in foreign investment
- Corruption

More on the advantages

Mongolia is very lucky. It has extensive mineral resources. These resources will form the bedrock for Mongolia's economic development for the next 50 to 100 years. Notwithstanding some very reasonable community concerns about the wisdom of mining uranium, I suggest that in most cases mining developments should be welcomed. ▶▶

▶ A welcoming policy environment is essential. Foreign investors come to Mongolia to make profits from mining, but that fact is balanced by the idea that Mongolia, as the owner of these resources, should also benefit from these developments. The government has important roles here in terms of setting taxes and royalties, and in regulating mining to make it a safe working environment and to minimise any adverse long-term environmental impacts.

Mongolia is also a vast country. While there is always the challenge of harsh, cold winters, this provides the opportunity to provide food exports to both China and Russia. Mongolia needs to explore every opportunity to improve the quantity and quality of its agriculture industry.

Ecotourism can be a very big market for Mongolia. Mongolia has oodles of unspoilt countryside, coupled with ger camps to provide unique tourist experiences. Foreign visitors spend a lot of money for transport, food, hotels, restaurants and tours. This is a huge source of income for many European countries. Mongolia needs to exploit and further develop its labour force

by improving the quality and relevance of its education and training system. This can be a major asset for Mongolia in the future.

Last, Mongolia has relatively low-cost labour. This is important if Mongolian firms are to compete successfully in international markets.

Space does not permit me to provide my views in detail on the economic disadvantages in this article. I will discuss the economic disadvantages faced by Mongolia in future articles.

About the author: Paul Mills came to Mongolia in 2011. Prior to that, he worked as a senior economist for the Australian government, leading analysis of future Australian mining industry skill needs while working with Skills Australia. Mills has previously worked as a senior adviser for education to the then Australian Prime Minister. He is now the chief executive officer of English World LLC in Mongolia and has lectured at the National University of Mongolia. English World LLC provides English language training, including business English training. ■



BCM'S NEWSWIRE HIGHLIGHTS

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

BUSINESS

MONGOLIA MINER, SOUTHGOBI RESOURCES' FILING INDICATES PENDING SALE

The sale of Hong Kong-listed SouthGobi Resources Ltd. may be agreed by June 30, according to a filing by the company on 3 June.

The term sheet has sections redacted, including the name

of a third party that is "contemplating" purchase of all shares owned by Turquoise Hill Resources Ltd. The potential sale of SouthGobi is a stress test for Mongolia, which saw a flight of investment following two years of nationalist-fueled legislation and strained relations with key investors. Prime Minister Altankhuyag Norov last month began a 100-day economic acceleration campaign to

jump start the economy. The filing explains the terms of a USD 10 million revolving credit facility for short-term working capital requirements. SouthGobi last month said it was seeking additional financing to continue operations and pay interest due on a USD 250 million debenture held by China Investment Corp (CIC), which owns more than 16 percent of the company.

In 2012, Chinese state-owned Aluminum Corp of China Ltd., also known as Chalco, offered to buy SouthGobi for USD 926 million. That led to new legislation in Mongolia, the Strategic Entities Foreign Investment Law (SEFIL), which ultimately blocked the deal. Weak coal prices

and SEFIL combined to drive down the share price of SouthGobi from a peak of USD 20 in January 2010 to the current price of USD 0.64 on the Toronto Stock Exchange. SouthGobi is planning to furlough approximately half of its 405 workers until mid-July, due to "management of financial resources and the demand for coal," Chief Executive Officer Ross Tromans said in a phone interview.

The company produced 640,000 tons of raw coal in the first quarter at its flagship Ovoot Tolgoi mine, located 40 kilometers (25 miles) north of the Mongolian-Chinese border. Revenue reached USD 5.1 million in the first quarter, according to operat-

ing results published on May 12. SouthGobi is embroiled in a lawsuit with the Mongolian government, as the nation's anti-corruption body has investigated the company for tax evasion. The government says it's owed USD 50 million in unpaid taxes, which the company denies.

Source: Bloomberg

EZNIS AIRWAYS FLIGHTS DIVIDED AMONG AERO MONGOLIA, HUNNU AIR

Hunnu Air LLC and Aero Mongolia LLC have divvied up the routes of Eznis Airways LLC amongst themselves following Eznis' announcement that it would suspend its operations.

All of the routes run by Eznis and 1,800 of its bookings would be transferred to the airlines Hunnu and Aero, said P. Ganbold, head of the Aeronautical Information Services. The Civil Aviation Authority approved Hunnu and Aero's flights from 2 June through to 25 October, he said.

Furthermore, Hunnu and Aero have opened round-trip flights from Ulaanbaatar to Uvs and Bayan Ulgi Aimags. Aero Mongolia and MIAT Mongolian Airlines LLC will conduct flights from Ulaanbaatar to Oyu Tolgoi.

Eznis announced the suspension of its operations in May due to financial difficulties.

Source: Info Mongolia

ECONOMY

FDI FALLS 64% Y-O-Y

The Bank of Mongolia reported a 64 percent decline in foreign direct investment (FDI) in its balance of payments report for the year to May.

The central bank reported a 56 percent deficit increase for a current account deficit of USD 434.3 million from the previous year. The deficit of international trade accounts for goods fell 114 percent, resulting in a surplus of USD 41.3 million; the trade of services deficit decreased 12 percent to USD 447 million; the deficit of income account dropped 49 percent to USD 108.3 million; and the current transfers increased by 123 percent to USD 79.7 million.

The balance of capital and financial accounts surplus was USD 121.4 million, which was an 84 percent fall from last year. This was due to a 64 percent decline of foreign direct investment from the same period last year, totaling USD 604.9 million.

The Samurai bond issued by the Development Bank of Mongolia has triggered portfolio investment surplus growth of USD 342 million. The USD 368.2 million in other investment deficits was due to trade credit assets (USD 145.6 million) and net currency and deposit (USD 217.6 million).

Source: Bank of Mongolia

PRICES JUMP, PURCHASING POWER STANDS STILL

Pensioners rejoiced when the Mongolian government raised pensions. Yet, the pension increase that came as a delight to the elderly was followed by a similar hike in prices of consumer goods.

Pensions grew by 15 percent, depending on prior income, with the minimum increase of 15 percent adding around MNT 20,000 to the average pensioner's income. Unfortunately, that gain has largely been counterbalanced by the depreciation of the

tugrug against foreign currencies and inflation. Today MNT 20,000 will buy two kilograms of beef compared with three years ago when MNT 20,000 was enough for ten days of food. And that is despite the fact that Mongolia has over 45 million heads of livestock.

Inflation as of May 31 grew by 13.1 percent year-over-year in Mongolia. Inflation grew by almost 50 percent during the four years between 2010 and 2014 compared with 2006 and 2010. That has resulted in hikes for consumer goods. The retail price for a liter of APU LLC's "Pure Milk" has grown 60 percent from MNT 1,700 in 2011 to MNT 2,700 today.

Source: UB Post

POLITICS

MAK OWES GOVERNMENT NO EQUITY IN TSAGAAN SUVARGA, SAYS WORKING GROUP

A Working Group appointed by the Economic Standing Committee has found that the state does not have a right to a stake in Mongolyn Alt Corp.'s (MAK) Tsagaan Suvarga copper mine.

The state is entitled to shares in any mine deposit in which it can invest at least USD 350 million. The committee, however, ruled that the government currently lacks the capacity to make such an investment and that the deposit is too small to be considered a "strategic deposit" in which Mongolia holds such rights. The Erdenet copper mine, for example, is 7 times larger than Tsagaan Suvarga, while the Oyu Tolgoi mines is 27 times larger, said the committee.

Source: Undesnii Shuudan

GOVERNMENT ANNOUNCES BIDDING FOR STATE-OWNED ASSETS

The government has released a list of state-owned assets it plans to auction for privatization on 10 July. Those assets are:

The Deglii Tsagaan airport in Uvs Aimag;

The Gurvan Saikhan international airport in Umnugovi Aimag;

The Bulgang Aimag airport;

The Dalanzadgad thermal power plant in Umnugovi Aimag;

The Food and Agriculture Small and Medium Enterprise Office in Bulgan Aimag;

The Altai-Uliastai power system;

Branches of Torrin Bank (State Bank).

Source: Zuunii Medee

PARLIAMENT EXTENDS TAX EXEMPTIONS FOR SMALL BUSINESSES

Parliament has voted in favor of extending tax exemptions provided to small businesses for the import of equipment and tools until 31 December 2016.

Ninety-two percent of the 66,000 businesses that operate in Mongolia are considered small-and medium enterprises — any company that hires less than 20 employees — and about 80 percent urgently need an upgrade of their facilities, said Secretary of the prime minister's Policy Council, Bayanjargal Byambasaikhan.

Source: Montsame ■