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# MONGOLIAN ECONOMY



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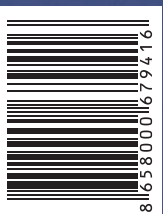
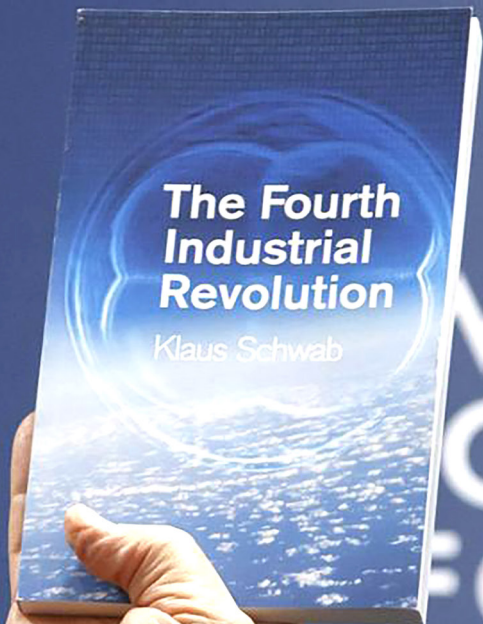
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Once wildly popular among investors, Mongolia did not have much to offer except a few singers and musicians at the Mongolian Night event in Davos, *page 8*



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**Things to Consider in the Year of the Monkey**

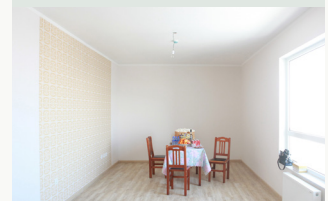


Astrologers say that the financial and economic situation will improve in the year of the monkey, but as for harmony, the astrology says it should be average. It will be a good year for children, but not so much for the elderly and young adults. *page 14*



**B.Lakshmi: Inconsistent Governance Hinders Investment and Business Development**

The external environment is in a tough situation. Therefore, difficulties will likely continue. On top of this, investment is expected to decrease because the domestic environment is also unstable, *page 9*



**The Value of Mortgages**

In less than three years, more than 80 thousand households took out mortgages, *page 10*



**Urban Jeans**

"At first, I sold my younger sibling's apartment to open a workshop in a basement. There I could sew," said D.Tungalag, Director of Denimon, *page 13*



**The Ever-Changing Face of City Procurement, page 15**

## Mongolia



### Mortgage

With parliament having ratified amendments to the Civil Code and the Law on Real Estate Collateral, banks are set to grant mortgage loans worth MNT 47.2 billion to a total of 759 borrowers. Of that amount, six banks have already granted MNT 5.1 billion in mortgage loans to 110 borrowers.

Bank of Mongolia President N.Zoljargal announced that the question of lowering the mortgage interest rate to five percent will be decided within March. Preparations are under way, and changes need to be made to a total of five agreements and mortgage regulations. The regulations need to be amended to be consistent with the recently approved "Law on Future Funds."

### Gas Prices



The retail price of gasoline in Ulaanbaatar has decreased by MNT 80-150 since the 21st of January. Starting from December 2015, the retail price of fuel fell by MNT 80-400 in the western regions, and by MNT 10-230 in the eastern regions. In addition, the Ministry of Mining has organised works to reduce the price of fuel by MNT 100-150 in the provinces of Umnugobi, Dornogobi, Khu-

vsgul and Arkhangai starting on the 20th of this month.

Since Mongolia's supply of petroleum is heavily dependent on one country and one company, the price per tonne at the border was higher than the price in regional markets by USD 300-400. The state has been stabilising retail prices through taxes.

Since the price of oil began to plummet starting in August 2014, the relevant authorities decided that the soft loans granted to fuel importers would stop on January 1, 2015, and the loan interest rate became 16-18 percent. The programme was stopped and loan financing was fully repaid.

### Ulaanbaatar Procurement



The "Ulaanbaatar Procurement 2016" forum was held at the Shangri-La Hotel on January 20. During the forum, participants exchanged views on possibilities for the private sector to get involved in major investment projects and programmes planned for Ulaanbaatar. In addition, the policies, procedures and plans of the city administration concerning public-private partnerships were presented.

Three group sessions were organised on the topics of budget investment, green development and international finance, and private sector initiatives and concessions. About 1,000 guests and representatives participated in the forum.

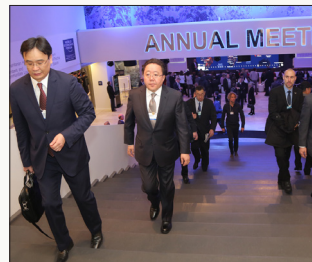
### PM to Stay in Office



The Parliamentary Assembly deliberated a motion of no confidence regarding the prime minister submitted by 19 MPs, led by G.Uyanga MP. Of those who voted, 57.5 percent were in favour of the motion that it is "not necessary to dismiss the prime minister." Seventy-three MPs were in attendance for the vote.

Entrepreneurs and investors were especially drawn to the drama, as the motion of no confidence was submitted on the grounds that the prime minister "approved the second phase development plan of Oyu Tolgoi."

### World Economic Forum



Mongolian President Ts.El-begdorj was in attendance for the World Economic Forum, participating in the sessions of "Water Resiliency: Accelerating the Implementation Agenda", "Governors Meeting for Mining and Metals: Policy Outlook" and "Informal Gathering of World Economic Leaders: Imperatives for 2016."

The 46th annual meeting of the WEF was held on January 19-23 in Davos, Switzerland

under the theme "Mastering the Fourth Industrial Revolution." Pressing global issues discussed included health, finance, education reform, climate change and the role of technological innovation in addressing public health issues, and building a government structure that will be able to address the coming challenges.

### State Visit



The Prime Minister of Hungary, Viktor Orbán, paid an official state visit to Mongolia from January 24-26.

Within the framework of the visit, the prime ministers of the two countries held private meetings and extended talks. Mr. Orbán also paid courtesy visits to the Mongolian president as well as the speaker of parliament. During the visit, five intergovernmental and four private sector documents were signed. Furthermore, the number of students who may study in Hungary through Hungarian government scholarships has been increased to 200.

Also during the visit, the Mongolia-Hungary business forum was held involving 200 Mongolian and about 60 Hungarian entrepreneurs. At the end of the meeting, the presidents of both countries' chambers of commerce and industry signed a memorandum of understanding, as two private sector companies have signed a cooperation agreement.





### Outcomes

# Entertaining Folks Is Not the Goal

BY B.UURIINTUYA

One of the major themes of this year's World Economic Forum was "The Fourth Industrial Revolution," a concept coined by the WEF founder Klaus Schwab.

According to Olaf Gersemann, a German journalist for Die Welt, Mongolia was the most desperate country trying to regain investors' trust at the World Economic Forum's annual meeting. Once wildly popular among investors, Mongolia did not have much to offer except a few singers and musicians at the Mongolian Night event.

It has been a while since Mongolian representatives, headed by President Ts.Elbegdorj, attended the WEF. In previous years, there were round-table discussions on Mongolia, and a signing of a memorandum of collaboration. This year, President Ts.Elbegdorj attended various meetings and conferences, including one on global water shortage and supply. He also met with Professor Klaus Schwab and talked about hosting East Asian economic conferences. Professor Schwab also announced that he would be visiting Mongolia in 2017.

Such are the overall results of Mongolia's visit to Davos this year. There has not been much progress other than this. Representatives go to Davos with the goal of attracting investors. However, many say

that they would rather go make investments in hotels, restaurants and other expenditures than bring them home. Although several national media outlets reported on the meeting, emphasising international studies and research in which Mongolia is included, Mongolia's reputation in the international community is tarnished.

Commodity prices are expected to rise slightly in 2017, but as of today, they have hit rock bottom in almost every resource sector. Coal, copper and gold, being the breadwinners of Mongolia's economy, have always been overestimated when putting together the budget. In addition, foreign investment in Mongolia fell drastically over the past few years. All these, combined with the harsh statement describing Mongolia as being desperate by a renowned business journalist, hammered the last nail in the coffin.

It is not the WEF's ultimate goal to make decisions. Final results are not its intention. It strives to urge motives and alternatives to make the world a better place. To do so, it gathers world leaders and people from different sectors. Sometimes the WEF is thought of as a useless gathering of high-class people, just trying to spend their money. But for Mongolia, it could be a new idea, new progress and a new step towards

the world. Unfortunately, our representatives often come back empty handed.

Although it is a good sign that Mongolia is attending such big events, a few singers and dancers are not enough to attract investment. Mongolia could deliver thousands of cultural performances and Mongolian nights. But what happens in Davos stays in Davos. In the end, the rich and famous want stability and fair play. It would be a great achievement if Mongolia could go there and announce stable policies, instead of a one-night show.

The WEF will continue to have its annual meetings in the coming years. The attendees are still eager to hear some positive news from Mongolia. However, if the country continues to offer nothing but its version of the Cirque du Soleil, Davos would only welcome Mongolia to entertain its guests.

"Necessity may or may not be the mother of invention. But it has been responsible for some unprecedented actions by central bankers and governments around the world since the financial crisis of 2008 to stave off a great depression and revive growth," said Nouriel Roubini, Chairman of Roubini Global Economics, as he concluded the WEF. He also noted that the winter chill is going to last for markets longer than expected. The world is trying its best to maintain the pace of its economic growth. So is Mongolia, but Mongolia's attempts should not be an open invitation for ridicule from the world. This year, Mongolia may have seemed desperate. In the future, how Mongolia is presented on global stage needs to be carefully considered. If not, Mongolia will continue to be the laughing stock of the world at these international gatherings. ■

## Mongolia Economic Forum

# B.Lakshmi: Inconsistent Governance Hinders Investment and Business Development



BY TS.ELBEG

*The Mongolia Economic Forum will be held on March 30-31. We sat down with B.Lakshmi, Director of the Economic Policy and Competitiveness Research Center, to get clarification on the topics of this year's forum. Online registration is now open.*

*To register, visit [meforum.mn/eng](http://meforum.mn/eng).*

## -What is the theme of this year's Mongolia Economic Forum?

-We are planning to organise it under the theme of "Lessons, Challenges, Solutions." This theme was chosen because there were many missed opportunities, rights and wrongs over the past 25 years. I think it is time to look back at all of these and determine the way forward. Secondly, Mongolia's economy as well as the global economy has become unsustainable.

## -What will be unique to this forum? What changes are to be made?

-As for content, each topic will discuss the lessons learned, challenges faced and solutions as the theme suggests. The future is never certain, but we must learn from our mistakes and avoid repeating them. As for the macro-economy, policies have always been cyclical up until now. If counter-cyclical policies were implemented during the times of high economic activity, we would have been able to prevent the situation we are currently in. Hence, we need to discuss and evaluate the things we did right as well as what we did wrong. Hopefully, future leaders will not repeat the same mistakes.

## -Who are going to be giving speeches? Have the topics of the panel discussions been set?

-Those have not been set yet. We are discussing the topics. The preparatory works are moving ahead rapidly. We are listening to the opinions of our partner organisations on the topics of the panel sessions and how they are to be organised. We cooperate with many organisations, including Ard Financial Group and the Financial Markets Association. Currently, it is a little early to say what the speeches will be about. Of course, sessions will be organised under the main topics which have been discussed each year. On the other hand, the topics need to be prudent and to the point. State management and governance issues related to elections are topics that cannot be left out this year. At the beginning of the year, changes were made to the structures of public institutions. Chances are high that it will change again after the election, when a new government could potentially come to power. In other words, there is the possibility of two instances of instability in just one year. This is by far the most significant factor hindering foreign

investments.

## -How many foreign guests and representatives are coming?

-We have sent out the invitations. But the invited guests are yet to give final answers regarding whether they can attend. Thus, we cannot say anything concrete about the guests and representative for now.

## -Which sector is likely to be in the centre of attention?

-We will not address just one sector. The mining industry is declining. Regardless of whether that is desirable or not, Mongolia is inextricably tied to mining. Mining is falling due to the decline of the prices of raw materials on the global market, but we can find solutions by discussing this at the management level. Therefore, we are trying to include all the possible sectors and have vibrant discussions.

## -The World Economic Forum was held recently. Where is the world economy heading?

-The World Economic Forum raised many important issues. This year, risks were discussed very seriously. For example, terrorism has become one of the world's main economic problems, as it has struck fear in the hearts of people. The tourism industry is especially feeling the effects. Tourism is declining in the northern region of Egypt, which attracts the most tourists, due to the conflicts in the Middle East. People are scared to leave their homes because of the terrible attack in Paris in November. Commercial activity during Christmas and New Year was lower than usual due to this.

In addition, Russia's economic situation, the decline of mining commodity prices, and supply and demand were discussed. Its main theme was "The Fourth Industrial Revolution." ▶

**If we look at the big picture, the fourth industrial revolution will find firm footing in Asia.**

► The idea of the theme was that innovation and technological solutions are the fourth industrial revolution.

**-So we are talking about the fourth industrial revolution now. However, where does Mongolia lie in relation this concept?**

-Industry has not developed in Mongolia. But if we look at the big picture, the fourth industrial revolution will find firm footing in Asia, as the continent has many developing countries and industrialisation is intensifying. Its impact will be felt in Mongolia.

**-As a result of the next industrial revolution, it is said that technology will replace human labour. In Mongolia, industrialisation carries with it the significance of job creation. What would happen if technology develops faster than the human counterparts?**

-This is related to the labour market for technology. As for our country, it has a small population, and the labour force is not large. Therefore, it will not have a strong impact here. On the other hand, this is a technological revolution, and it is a good thing that we have the raw materials necessary for this revolution. In other words, we have to go back to mining and take advantage of the opportunity.

**-As the head of the Policy and Competitiveness Research Center, what changes do you expect in the economy this year?**

-It is hard to say that there will be changes. The external environment is in a tough situation. Therefore, difficulties will likely continue. On top of this, investment is expected to decrease because the domestic environment is also unstable.

**-Your organisation develops reports on the competitiveness of the provinces. When will the results of the research be available?**

-The topic of about competitiveness was first discussed during the 2010 MEF and has been raised at several economic forums since then. As a result, we developed the competitiveness report of the provinces and began organising provincial competitiveness conferences. The questionnaires of the report have been completed. Currently, evaluation works are on-going. Thanks to this report the provinces are starting to compete with each other. It also has many advantages, such as making the provinces focus on their mistakes, advantages and what needs

to be learned from others. The indicators contained in the report are categorised by province and the aimagindex.mn website was developed. In addition, the Global Competitiveness Report has also begun including Mongolia.

**-Have there been any improvements in Mongolian competitiveness this year?**

-Mongolia's competitiveness indicators are not available yet. However, it is unlikely that it will show great progress, because infrastructure is the thing that brings down the competitiveness

of the country. Our infrastructure has not improved much compared to other developing and developed countries. Therefore, there might be little change in ranking.

**- Are there any new works planned?**

- As for newly planned works, we are going to organise the ASEM food tasting project. A national competition to select the best chef takes place each year. The 35 chefs selected through this competition will taste food samples for ASEM guests. We are focusing on the quality of food services during the summit. ■

## “The World in 2016” in Mongolia

Our bi-lingual, bi-monthly Mongolian Economy magazine focusing on the economy and business presents “The World in 2016,” the special annual edition published by The Economist, the world-renowned magazine with 173 years of history.

We are delighted to deliver this special issue to our Mongolian audience on the occasion of its 30th anniversary. The special issue is also published on the 5th anniversary of Mongolian Economy magazine, which has been publishing and delivering feature stories in both English and Mongolian since 2011.

“The World in 2016” is sure to grab your attention with insightful articles forecasting trends in global politics and economics for 2016. Daniel Franklin, Executive Editor of “The World in 2016” summed up 2016 in three words: woes, women and wins.

We believe that the stories looking ahead to 2016 by our own columnists as well as by experts and leaders in Mongolia from various sectors will definitely provide you with enough food for thought.

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“The World in 2016” special issue by The Economist includes:

- 18 sections divided by continents and countries
- 146 stories
- Information and indicators on 81 countries



- Information and projections of 13 sectors
- Two calendars marking significant events around the world as well as in Mongolia

*For more information about this special issue, please contact 70115477, 90099880 or 94092904. The magazine is available at the office of Mongolian Economy magazine, Majestic bookstore at the State Department Store and Good Price branches for MNT 40,000*  
*The Editorial Team of Mongolian Economy magazine*

## Macro-economy

# The Value of Mortgages

BY TS.BUYAN

Falling prices are a double-edged sword. Its effect depends on who you are and what you do. If you are a seller, it cuts into your profits, and if you are a buyer, it is an opportunity for savings. But let's not forget that it is more than a matter of you and me.

The rate of inflation has decreased significantly, being 1.9 percent for 2015, the lowest since 2009. The falling price of meat is something people have personally felt. Two years ago, the price of beef per kilogram was MNT ten thousand, but now for that price you can get two kilos. In other words, the purchasing power of the MNT has increased. Petroleum importers have also started to lower their prices. There are two main factors contributing to the fall in prices of many things and the decreasing rate of inflation.

The first is monetary policy. The Bank of Mongolia implemented a price stabilisation programme over the last three years and also employed non-traditional monetary policy tools. As for the results, there is little to argue over. The other factor is decreased demand: people are buying less. It would be wrong to say the purchasing power of people has decreased. As mentioned before, purchasing power has actually increased. We say that purchasing power has deteriorated, as we do not have the money to buy, but reality of the situation is that although the purchasing power of the MNT has increased, people do not have the discretionary income to take advantage of that. A misunderstanding of whether purchasing power has increased or decreased has arisen due to such differences in perception. Even though it has been wrongfully defined, purchasing power is a factor which affected inflation.

There is also the demand side. In particular, mortgages played a large role. In less than three years, more than 80 thousand households took out mortgages. This represents about 20 percent of the middle class population, which translates to those households cutting monthly consumption expenditures by half. On the other hand, people's preferences have changed, and their consumption habits have become more routine. People are making less

unnecessary purchases and have started to invest in housing, the staple of secure living. Purchasing power has not deteriorated; only demand has shifted. People's composition of expenditures has changed.

Research by the economist G.Ragchaasuren shows that while the economy has expanded by 40.2 percent between 2009 and 2012, household consumption increased by 10 percent over the same period. Consumption by the wealthiest households increased by 21.7 percent. Inflation, which was 16 percent as of April 2012, ate away the 20-30 percent difference.

As for the total households of Mongolia, about 10 percent of the households are involved in mortgage loans. It is hard to believe that this figure can explain the current



level of inflation and has had significant impact on demand for goods. In addition, it is impossible to calculate how many households are saving up for a mortgage down payment. Nonetheless, there are 80 thousand concrete examples of bought apartments. Clearly there are many people striving to buy apartments just like the others. According to statistics, people's savings have increased by MNT 1.3 trillion since 2012.

A low level of inflation has many advantages. One of them is the decline of interest rates on loans. It affords the possibility to reduce mortgage interest rates. When mortgage loan interest rate became eight percent, the policy rate of the central bank was 10.5 percent and the national inflation rate was around 10 percent. Today, the policy interest rate has become 12 percent,

brought down from 13 percent in December 2015, and inflation is at 1.9 percent. There has been talk about the possibility of reducing the interest rate of long-term housing loans to five percent. Thus, the nominal cost of interest payments paid by the citizens will decrease by 37.5 percent as the loan interest decreases. Essentially, the cost of housing should decrease. On top of this, households that have an average income of MNT 1.2 million or more could seek mortgages, but at a rate of five percent, the necessary monthly income drops to MNT 0.9 million. In the end, the mortgage system will strengthen the economy and provide an opportunity to cover more households sustainably.

If loan interest rates are so closely linked with inflation, why is it not possible to reduce mortgage interest rates even lower? It cannot be denied that such an opportunity will be presented in the long term. As issuance of mortgage loans increases, so does the incentive to hold the level of inflation low. It is becoming a factor not for increasing interest rates, but to decrease them. By the end of the year, inflation is expected to increase and reach

six percent. Because an opportunity to keep inflation steady between 5-7 percent has been presented due to external and internal factors, this will become the prerequisite for reducing interest rates.

The president of the Bank of Mongolia stated that they will reduce interest rates on other types of loans as well. However, they will reduce interest rates on loans that will incentivise savings, job creation and promotion of exports with more priority. The agriculture, food and processing sectors will be

the beneficiary of this move. As for consumer interest rates, they are not in a hurry as it may cause inflation to rise.

What has the eight percent interest rate loan brought us? In order to answer this, we have to take a look at the current account balance. When economic growth was in double digits and foreign investment was streaming into Mongolia, imports grew by 99 percent in 2011, and the current account deficit had reached USD 3.3 billion in 2012. Last year, the deficit had fallen to USD 391 million (preliminary results for the first 10 months). To put it simply, imports and exports have become nearly equal compared to a few years ago, excluding foreign investment. The deficit falling to millions from billions of USD means people have been accumulating savings. For exporters abroad, however, it is lost revenue. ■

Preparation

# Before the Winds of ASEM

BY G.ORKHON

This year is an especially important one for Mongolia, as it will host the 11th Asia-Europe Meeting on July 15-16. It was buzzed about all throughout 2015, but in just two months, Ulaanbaatar will begin to feel the winds of ASEM.

As part of the preparations for the ASEM meeting, six working groups were commissioned and ASEM-related meetings are scheduled to begin in April. The 9th Asia-Europe Parliamentary Partnership (ASEP9) meeting will take place on April 21-22, and several other events, including the Finance Ministers' Meeting, Business Forum and Senior Officials' Meeting, will take place soon afterward.

#	Event	Date
1.	9th Asia-Europe Parliamentary Partnership (ASEP9) Meeting	April 21-22
2.	ASEM Senior Officials' Meeting (ASEM SOM)	May 12-13
3.	12th ASEM Finance Ministers' Meeting (ASEM FinMM12)	June 9-10
4.	ASEM Food Safety Seminar: Training of Farmers	June 20-21
5.	11th Asia-Europe People's Forum (AEPF11)	July 1-2
6.	Model ASEM Conference 2016	July 6-7
7.	ASEM Senior Officials's Meeting (ASEM SOM)	July 12-14
8.	15th Asia-Europe Business Forum	July 13-14

Hence, it is urgent that we prepare for the related meetings alongside the main ASEM preparations. The senior official for ASEM preparations and Ambassador Extraordinary and Plenipotentiary to Switzerland, L.Orgil, said that many countries and international organisations are ready to help Mongolia organise and prepare for ASEM. The European Commission gave the President of Mongolia a pledge for full support in this regard. The EU agreed take on responsibility for the costs of Senior Officials' Meeting; the Asia-Europe Foundation will bear the expenses of the Young Leaders Summit, while Switzerland agreed to bear the costs of students that are to come from 50 countries around the world. In addition, six interpreters are on a five-month training programme in the Belgian capital of Brussels with the support of EU.

Within the framework of the preparatory works, the Ministry of Labour signed a memorandum of cooperation with the ASEM working group and started registering and training 3,200 people to work in 47 hotels. Accordingly, the hotels have started to hire and train the personnel.

In addition, it has been decided that 350 luxury vehicles will be imported for the meeting. The private sector will import these vehicles with exemptions from customs, VAT and excise taxes. D.Gankhuyag, State Secretary of the Ministry of Foreign Affairs, noted that negotiations with the major car importers are on-going. ▶



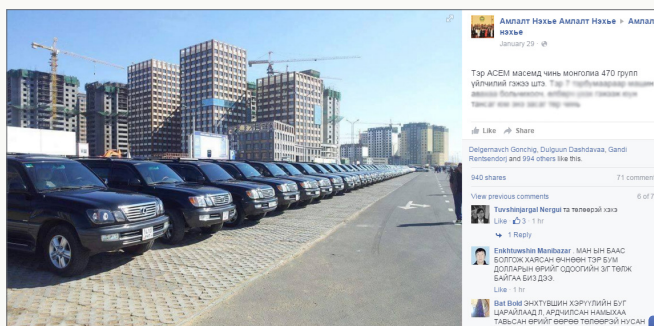
Renowned Mongolian sumo wrestler, 25-time top division champion: "I'll serve the Japanese during ASEM with my car. Let's save money. Bayartsogt (politician), why don't you serve the Chinese guests. We'll split the responsibility."



A good samaritan offering his and his people's services and tenses the government to build kindergartens with the money saved. Full translation in article on the next page.



"Ready to serve during ASEM if needed."



"The Mongolia (Lexus) 470 group says they're to serve during that ASEM or whatever."

► As for the state, it will not pay any rental fees to the companies as the state is allowing exemption from all taxes. The Head of the Cabinet Secretariat, S.Bayartsogt, noted that there will be no changes to budget revenues and expenditures.

However, people have expressed through social media that there are ways to resolve this issue without spending state money during such times of economic and budget difficulties. A post making rounds on social media said "Instead of importing 350 vehicles, use that money to build new kindergartens. We have even more than 350 vehicles suitable for diplomatic events. We would gladly serve our country for two days for free." (Second picture, previous page)

The ASEM working group is actively trying to involve the 47 hotels that will host the guests in the integrated reservation system. In addition, the working group will cooperate with the Food Industry Policies Regulatory Authority of the Ministry of Food and Agriculture to approve the hotels' food standards and develop a national trademark food. During the meeting, national culture and traditions will be highly promoted.

Officials note that the host country carries a heavy responsibility this year as it marks the 20th anniversary of the ASEM Summit.

Mongolia will organise a tribute concert dedicated to this anniversary and will issue a postage stamp in cooperation with the Mongol Post.

Mongolia is running for UN Security Council elections in 2022 as the government believes that the number of supporters and the country's international status will surely increase by successfully hosting the ASEM Summit. On the other hand, business tourism will continue from April until July as a side-benefit of the ASEM Summit. Thus, officials believe that revenues will increase for hotels, entertainment, shopping areas and companies in Ulaanbaatar and that there will be opportunities to sign short, medium and long term business contracts. There is also the expectation that foreign investment flows, which has been low in recent years, will increase again due to the meeting.

ASEM's member countries account for 63 percent of the world population and 60 percent of global GDP. However, parties criticise that the commercial networks connecting the two continents have not been established thus far. The heads of state of over 50 ASEM member countries have the tradition of discussing such issues during the meeting. ■

## Manufacturing

# Urban Jeans

BY G.ORKHON

It has not been long since the youth of Ulaanbaatar started wearing unique and stylish jeans with traditional Mongolian patterns. The brand that grabbed their attention and invited them to empty their pockets is "Urban Jeans."

The origin of the Urban Jeans brand comes from Denimon LLC, which resides in the complex of the leather union behind the Khan-Uul district office. From the outside, no one would suspect that Urban Jeans' manufacturing takes place in such a shabby building.

The brand was launched in a basement with two to three tailors; however, it has expanded to become a factory with more than 100 employees today. Denimon LLC was able to nearly triple their sales last year. Their secret to expanding production and profits in a time of crisis is quite simple: hard work and marketing unrestricted by costs. The soft loan from the government was also a major incentive for them. The company has received funding of MNT 600 million from the Chinggis bond in 2014. After that, they were able to expand the brand and the factory, as they are currently operating at full capacity by producing about 10 thousand pairs of denim products per month. The company imports denim, the main raw material, from South Korea and imports other materials such as buttons and zippers from China.

When I headed to director's office of Denimon located to the right of the designers' room, each employee that passed me by was young and gleeful, as this company is composed of skilled young people.

As of 2015, the company had paid about MNT 350 million to the state in the form of taxes and social insurance fees and opened nine boutique shop branches in Ulaanbaatar and 10 in other provinces. In 2016-2017, their goal is to satisfy 30 percent of the domestic demand for denim clothing.



The workshop of Urban Jeans

Not long ago, the Ministry of Industry acknowledged the company by giving it the most-prized award of the industrial sector, as the company was able to work successfully during a recession in the light industry, especially the textile sector. "At first, I sold my younger sibling's apartment to open a workshop in a basement. There I could sew," said D.Tungalag, Director of Denimon. "But specific instruments related to washing and processing were an issue. We have overcome some very difficult, discouraging moments to acquire such technology, but we strived on. I don't know how many years we worked without salary. My sibling and I only started getting paid in the past two years."

She added, "The establishment of the Ministry of Industry was significant, as it is an integrated ministry to develop laws and policy documents, and it has become easier to deal with the authorities through the ministry."

For five years the company studied technologies that are not widespread around the world, and they started manufacturing jeans of world standards in the last two to three years. Just one pair of jeans passes through more than 100 procedures to come out of production in one to two days to be ready to wear. Jeans require a lot of work and their customer satisfaction proves that Mongolians have taken a ►

▶ liking to Urban Jeans' products. The reason is that this company conducted research on the anatomy of Mongolians to produce suitable jeans.

It should be noted that the company has started producing not only jeans, but also other denim clothing with traditional patterns. Their current short term goal is to expand the brand by producing all types of clothing. "The one thing that makes it difficult to compete with the imported goods from China is that people engaged in retail businesses are importing the goods by paying a small amount of taxes," said D. Tungalag. "However, we pay all the required taxes to the state beginning with import of materials. But still, we are competing. If everyone paid the taxes they are supposed to pay, the playing field would be level."

She said there is one issue they are currently facing: the building and working environment mentioned in the beginning of this report. Denimon LLC has repeatedly received warnings from state inspectors. The building of the factory does not meet environmental standards as it was designed for a cafeteria. Whereas the washing machines are supposed to be at least 1.5 metres from the wall, their washing machines are crammed right up against the wall. According to the factory's workers, the machines would not fit otherwise. Denimon is not the only recently-established domestic manufacturing outfit that cannot produce in an appropriate environment. However, they are going to move to a building with a larger area near their current factory.

Although global fashion trends are leaning back to the past, the old-fashioned "straight jeans" are going out of style, as stretch jeans are taking over. Urban Jeans have been recognised by young people for such features. The tailors of this factory say they intend to produce more denim clothing and expand the Urban Jeans brand. ■



## Lunar New Year

# Things to Consider in the Year of the Monkey

BY TS.BADRAL

According to the eastern calendar, the year of the monkey is upon us. This year's allegorical name is "the bad faced one" and that of the passing year of the sheep was "the maddening." Not only westerners, but even Mongolians are not quite sure about the exact meaning behind these allegorical names. This year's outlook, according to astrological divination, will lack of rainfall, fodder and greenery.

The name "the bad faced one" is just the given name of the year, so it does not contain any negative meanings, despite how it sounds. According to astrology, everyone must pay attention to their health. As such, it indicates that it is important for the state to focus on the health of its citizens.

Astrologers say that the financial and economic situation will improve in the year of the monkey, but as for harmony, the astrology says it should be average. It will be a good year for children, but not so much for the elderly and young adults. In this context, it contains double meaning that it will be a good year for the public, while being a bad year for higher officials and the middle class. It also says that people will be peaceful, and their works successful. As for the higher officials and elites, they may worry that this year could be a year when civil disorder, economic troubles, struggle, theft and crime intensify. However, they say the works of the young will be successful.

During the summer and fall, it is highly likely to experience rainfall, hail and snow. Generally, the year will be a dry year. Though there may be some rainfall, it will not be so much. The early months of the lunar year is likely to bring a generous harvest.

In some places, diseases related to high temperatures might spread. The fire is strong this year, and with it comes risks of destruction of housing and forestry by wildfire, especially houses in high-elevation locations and houses of higher officials. It will be a very good year

for animals such as cattle and horses, while a difficult one for humans. Mongolians say that the year of the monkey brings a severe dzud (a severe, colder-than-usual winter). As for this



A perfect description of the outlook for the year of the monkey

issue, astrologers say that it will be not as bad this year. However, the next Lunar New Year is going to take place on February 27, which indicates that spring will come late.

These prophecies and their interpretations hold significance for some Mongolians. In particular, herders may believe that they can mitigate risks by interpreting the prophecies. The prophecies say that the elderly and young people need to listen to mantras for protection. In addition, the prophecies warn that this year might also be a difficult year for agriculture. It would behove one to seek mantra protection in the first eight days of the Lunar New Year.

Tsagaan Sar, the Mongolian phrase for Lunar New Year, is an occasion symbolic of the clearing away of all the bad things for the coming year. On the morning of Tsagaan Sar, people usually go outside and walk in a direction prescribed by the astrology (the ritual differs for each person, depending on age and sex). But in recent years, residents of urban areas have taken to a new tradition of witnessing the first sunrise of Tsagaan Sar to take in the energy. As for residents of the capital, they usually go to the top of Khiimor Mount, Khonkhor Tosgon, Tsetsee Gun peak of Bogd Khan Mountain to welcome the new sun. ■

UB Forum

# The Ever-Changing Face of City Procurement

BY G.ORKHON

Ulaanbaatar's economy has not suffered much from the crisis and the city is developing day by day, as can be seen by the increasing number of tall glass buildings. Another supporting statistic for this would be the city administration exceeding the revenue projections of 2015 by 12.5 percent. However, now they have a debt to repay to the private sector.

long to resolve repayment issues to the private sector after the job is done. Due to this, it is not uncommon for private firms to suffer losses.

For instance, the city must pay about MNT 90 billion to the entities for jobs that have been completed over the years. Of that amount, only MNT 27 billion has been paid. Yet, MNT 149 billion in revenues made by the city was transferred to the general state fund, so

entities incur losses due to the bureaucracy associated with city procurement and financing resettlement, the city administration will be held responsible.

Private sector initiatives and investments are important for urban development and economic activity. In particular, the private sector's green initiatives are important for a city striving for sustainable development. During the forum, the city administration announced that they are supportive of this. Specifically, they set a principle that the proposed projects of the private sector must be modern and advanced employ environmentally friendly and energy-efficient green technology.

Ulaanbaatar will make MNT 427 billion in investments this year. Of that amount, MNT 203.5 billion will come from the city budget, MNT 120 billion from the Development Bank and MNT 103.4 billion from the local and state budget for the implementation of the projects. Currently, 530 proposals for MNT 847 billion in development works have been submitted from affiliated organisations, districts and citizens. The city administration will implement about 80 projects worth MNT 203.5 billion in the first phase.

The city administration will carry out works worth MNT 203.5 billion from the city budget, including:

Urban development sector	MNT 59.3 billion
Road sector	MNT 55.1 billion
Social sector	MNT 31.5 billion

Of that amount, MNT 24.8 billion will be spent on establishment of 53 kindergartens, 26 K-12 schools, 42 primary schools and a kindergarten complex and renovations of 12 schools. MNT 2.1 billion is planned for establishment of a 100-bed health centre in Bayanzurkh and Bayangol districts, a 200-bed children's hospital in Chingeltei and Bayangol districts, an emergency centre branch in Chingeltei district, a 100-bed maternity house in Bayanzurkh district and 10 ambulance vehicles.

Investment by sector	
MNT billion	
Engineering infrastructure	12.9
Public transport sector	11.3
City development sector	7.5
Public administration sector	6.1
Other	19.1

The city administration will cooperate with the ▶



There is a green light for Mongolia to enter international markets if public-private partnerships develop.

Before the start of this year's city procurements, the procurements to be made this year were announced to the private sector. The city mayor's office organised the "Ulaanbaatar Procurement 2016" business forum on January 20 in cooperation with the Ulaanbaatar Chamber of Commerce (UBCC). They introduced major development projects, programmes and bids to entrepreneurs and investors and discussed the private sector's involvement.

During the opening ceremony of the forum, the mayor said that the city administration will always protect the interests of its partners because the state and the private sector must have equal rights when talking city procurement. But today, there are cases of the city taking too

companies are still waiting for their money. This revenue indicates that the city administration has the ability to pay the aforementioned debts. Mayor of Ulaanbaatar E.Bat-Uul relayed on the podium that the city is demanding its revenues from the Ministry of Finance. Moreover, he promised that the MNT 90 billion debt for developmental works performed by companies will be fully settled.

E.Bat-Uul tried to calm fears by saying such a situation should never have arisen. Entities can seek the services of the arbitration of the UBCC if there are complaints, as this arbitration is registering city procurement contracts. In addition, they have the right to appeal to international arbitration courts. If the

▶ private sector to implement these development works. N.Bataa, Deputy Mayor responsible for Financial and Economic Affairs of Ulaanbaatar, stated that there are many concessional loans and aid from international organisations this year. The European Investment Bank decided to provide a EUR 24.8 million concessional loan to Ulaanbaatar this year, without requiring a government guarantee from Mongolia for the first time. In this context, the development works of the Emeelt-Argalant industrial park and a waste water treatment plant with a capacity to process 30 thousand cubic metres of waste water will be carried out. After those, a waste recycling project will commence.

The city administration will direct this year's investments towards sectors such as the social, road, infrastructure and environmental sectors. The city administration's general intention is to support the private sector instead of building infrastructure from the state budget. The mayor said that if the private sector firms build the city sub-centres from their own budgets, it would be possible to lease those objects and buildings for 100 years to them. In a nutshell, city procurement will become more transparent this year and will be improved through green initiatives. In addition, the city administration will fully support the establishments of schools, kindergartens and green areas invested by the private sector. They hold that that it is possible to cooperate by naming schools after an individual or resolving land allocation issues for them.

Entrepreneurs were saying that the city administration has become less bureaucratic and much easier to work with after the establishment of UBCC. However, they reminded attendees that the mid-stage difficulties are still great. "The city administration is mobilising all of its power to eliminate the issues occurring in the middle stages," stated S.Ochirbat, Deputy Mayor responsible for Urban Development and Investment. "For example, the issue of land allocation was fully resolved by launching the online land allocation scheme. Also, the City Service Integrated Centre was established at the Dunjingarav shopping centre. On its opening day, one citizen was able to pay MNT 1,000 to get his issues resolved and received a licence to run a shop. The citizens who were serviced could hardly believe that their issues were resolved so easily. The city administration's goal is to introduce more of such services in the future."

This year's forum boasted around 1,000 participants, 200 more than last year's. Although the forum was organised for the first time last year, some feel it did not achieve its intended goal, as the forum was organised after tenders were announced and the companies to make procurements became clear. However, this time around, the forum aimed to make things clear concerning how to effectively allocate investments and to which sectors the money should go. The state believes public-private partnerships will reach new heights by openly announcing its procurements and investments. Mayor E.Bat-Uul noted that improved public-private partnerships will create an effective environment to develop projects and programmes capable of competing internationally, not just domestically.

"USD 18-20 billion is required for the Ulaanbaatar development plan until 2030," the mayor stated. "The city administration cannot provide this amount of capital without cooperating with the private sector. This is the primary significance of cooperation between the public and private sector. Secondly, public-private partnerships can enter international markets by cooperating, because green technology development projects worth USD 100 billion are announced internationally. Major international organisations name Mongolia as one of the most fitting regions to implement such projects. However, Mongolia does not qualify due to the lack of private sector partnerships." All in all, officials noted that there is a green light for Mongolia to enter international markets if public-private partnerships develop. ■

## Tourism

# The Hospitable City This Year

The "Hospitable Ulaanbaatar" programme was adopted by the passage of resolution No. 19/24 of the Citizens' Representative Council of Ulaanbaatar. The undertaking set seven main objectives, and 25 projects are to be implemented in 2016. Below are brief introductions on the works to be done.

Within the framework of the first objective, works to be carried out include increasing the economic efficiency of travel and tourism; reducing negative impacts on society, the economy and the environment; and implementing policies and regulations to support entrepreneurs. These include works such as upgrading hotel and motel standards and transferring to the methodology of calculating the number of tourists by the beds-per-day method, in relation to the adoption of the capital city tax law.

Within the framework of the second objective, works to be carried out include creating safer travel conditions for foreign and domestic tourists in the city and delivering necessary information and assistance rapidly. These include objectives such as making city and district hospitals provide emergency medical services regardless of citizenship and ensuring that city tourist information centres work more consistently and reliably. There are also aims to improve the "tourist information hotline" using more advanced technology as well as to create opportunities for residents and tourists to obtain information about nearby services on mobile phones and smart devices by adding information about addresses of service organisations and locations in Google Maps in 3D.

Within the framework of the third objective, works to create a comfortable environment for relaxation will be carried out by establishing a tourism and leisure centre dedicated to tourists and citizens. In addition, beautification works along a main tour route in the city was approved by the Citizens' Representative Council of Ulaanbaatar.

The fourth objective concerns the mission to promote Ulaanbaatar as a travel destination. Works to promote the city by participating in major tourism exhibitions and fairs held in Germany, Russia, China, Japan and Hong Kong are to be carried out. In addition, the city will cooperate with reputable international newspapers, magazines and media organisations in efforts to promote Ulaanbaatar's tourism products and exhibits.

The fifth objective concerns works to produce new tourism products reflecting the city's features and uniqueness and meeting the needs of tourists. The work to make the astronomy research centre in Khureltogoot a location open to tourists will start. There are also plans to introduce a "Tourist" card that will enable tourists to receive package prices on public transport, entertainment and other services. Furthermore, the first phase of works to introduce an air taxi service will begin.

Within the framework of the sixth objective, cultural, sports and public events to attract tourists will be organised. During the Naadam festival, seven art and cultural events dedicated to tourists will take place, and about 20 cultural, sports and tourism events will take place over the rest of the year. This includes tourist-appealing events that began to be organised since 2015 such as Danshig Naadam-Khuree Tsam, Classical arts night and other events that takes place at Sukhbaatar Square

The seventh objective concerns adopting city culture by fostering friendly relations and attitudes in all types of services. Service management trainings will be conducted by using developed countries' programmes and will organise public campaigns such as the "Smiling Mongolia", "Civilised driver" and "Hospitable Ulaanbaatar" programmes. ■

*Source: Ulaanbaatar City Tourism Department*



CAPITAL CITY  
GOVERNOR'S OFFICE



HOSPITABLE  
ULAANBAATAR

# Ulaanbaatar

## HOSPITABLE ULAANBAATAR 2016 CALENDAR



**January**

Mon	Tue	Wed	Thu	Fri	Sat	Sun
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

**February**

Mon	Tue	Wed	Thu	Fri	Sat	Sun
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29						

**March**

Mon	Tue	Wed	Thu	Fri	Sat	Sun
1	2	3	4	5	6	
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

**April**

Mon	Tue	Wed	Thu	Fri	Sat	Sun
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

**May**

Mon	Tue	Wed	Thu	Fri	Sat	Sun
					1	2
3	4	5	6	7	8	
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29

**June**

Mon	Tue	Wed	Thu	Fri	Sat	Sun
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

**July**

Mon	Tue	Wed	Thu	Fri	Sat	Sun
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	31

2016.02.06  
"ULAANBAATAR WINTER FESTIVAL"

2016.03.26-04.10  
"WORLD CIRCUS IN MONGOLIA"

2016.05.15-05.21  
"SAINT MUSE" theatrical festival  
2016.05.20-21  
"ULAANBAATAR BOOK FAIR"  
2016.05.28  
"THE SPLENDOR OF MONGOLIAN SOLDIERS" festival

2016.06.04  
"ULAANBAATAR INTERNATIONAL MARATHON"  
2016.06.04-05  
"ULAANBAATAR" international travel expo  
2016.06.11  
"ULAANBAATAR-VIENNA DANCE NIGHT"  
2016.06.18  
"UB DANCE" festival  
2016.06.24-06.26  
"PLAY TIME" live music festival

2016.07.02  
"THE BEST OF CLASSICS" open air concert  
2016.07.10  
"MONGOLIAN NATIONAL COSTUME" festival and parade  
2016.07.10  
"THREE DRAMATIC CHARACTERS" national opera day  
2016.07.11  
"UB NIGHT" festival  
2016.07.12  
"SILENCE WHITE" dance event  
2016.07.12  
"MONGOLIAN DANCE FESTIVAL"  
2016.07.13  
"MORIN KHUUR" traditional music festival  
2016.07.14  
"ULAANBAATAR SWING NIGHT" "Giant steppes of jazz" international festival  
2016.07.30  
"STAR OF FAME" music festival

**August**

Mon	Tue	Wed	Thu	Fri	Sat	Sun
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				



**September**

Mon	Tue	Wed	Thu	Fri	Sat	Sun
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

**October**

Mon	Tue	Wed	Thu	Fri	Sat	Sun
31						1
	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

**November**

Mon	Tue	Wed	Thu	Fri	Sat	Sun
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

**December**

Mon	Tue	Wed	Thu	Fri	Sat	Sun
					1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						



2016.08.06-07  
"DANSHIG NAADAM" culture festival  
2016.08.06  
"THE TALE OF MOUNTAIN AND WATER" Mongolian contortion festival  
2016.08.07  
"MELODIC HARMONY-MYSTIC ENERGY" ethno concert  
2016.08.13-14  
"UB FOOD" festival  
2016.08.15-20  
"MONO DRAMA" festival

2016.09.25-30  
"UB ART FAIR AND STREET ART" festival

2016.10.11-10.15  
"ULAANBAATAR" international film festival

2016.12.05-12.15  
"THE NUTCRACKER" ballet



## Investment

## ULAANBAATAR CITY BUDGET FOR 2013-2015 (MNT million)

Indicator	2013	2014	2015
Total budget revenue	474,085.2	522,545.9	550,599.7
Total budget expenditure	432,671.7	483,487.5	583,332.3
Of that amount: current expenditure	208,599.1	285,483.4	367,063.2
Investment expenditure	224,072.6	198,004.1	216,269.1
State budget contribution from Ulaanbaatar	15,382.1	44,538.8	-
Regional development fund	27,766.3	32,137.6	19,101.8

## Education sector

- ▶ Elementary schools and kindergarten complexes

**10**

School capacity 1880  
Kindergarten beds 1080

- ▶ School

**143**  
buses

Transporting 7541 students from 55 schools  
by school buses

## Infrastructure

- ▶ Extension and upgrade of 3A and B main heating pipes of Ulaanbaatar city

**1.7** km

- ▶ Ikh Toiruu power transmission line and sub-station

**110** kW

- ▶ **Amgалан thermal power plant**  
**348 mW**

## Development

- ▶ Ger district redevelopment

**1506.1** ha

- ▶ Project proponents

**34**

- ▶ Covered by the project

**75,964**  
people

- ▶ Newly built roads

**100.93** km

- ▶ Expanded and upgraded roads

**120.87** km

## Engineering infrastructure

▶ Newly built heating lines **15.4km** ▶ Upgraded heating lines **21.9km** ▶ Expanded and upgraded pumping stations **2**

### MAJOR INFRASTRUCTURE DEVELOPMENTS IMPLEMENTED IN 2013-2015

Indicators	Measuring unit	City budget investment	State budget investment	Foreign loans and aid	Total
Expansion and upgrade of residential apartment heating, water supply and sewerage network	km	15.9			15.9
Upgrade of water and heating transfer centres	units	7		42	49
Water supply network	km	14.9		26.1	41
Sewerage network	km	11.3			11.3
Flood protection facilities	km	34.5			34.5
Transfer of TV stations from an analogue to a digital system	units	6			6
Residential apartments roof repairs	units	200	32		232
Residential apartments elevator repairs	units	184	250		434

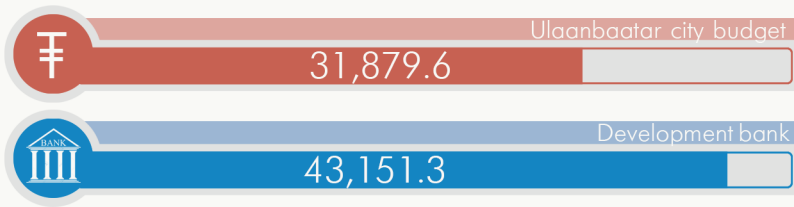
## Power grid

▶ Downtown cable upgrades **109.9km** ▶ Lighting for streets and public squares **14,866** km  
 ▶ Ger district electricity upgrades **13,657 households**

## Roads

▶ Newly built roads **100.93km** ▶ Expanded and upgraded roads **120.87km**  
 ▶ Roads in residential areas **22.20km** ▶ Newly built bridges **640.9km** ▶ Expanded and upgraded bridges **230.8km**  
 ▶ Vehicle underpasses and tunnels **3** ▶ Pedestrian underpasses and tunnels **5** ▶ Rain water drainage network **9 units**  
 ▶ Expanded and upgraded intersections **25** ▶ Khui Doloon Khudag parking lot **5100 spots**

### Ger district redevelopment



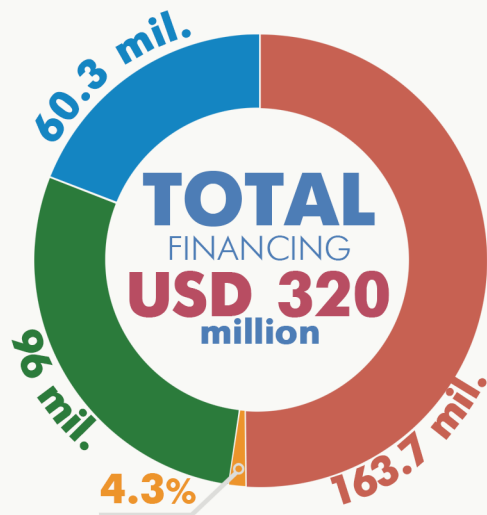
8 districts, 37 khorooos  
 24 locations divided into 75 individual areas  
 16,109 areas totalling 1501.1 hectares  
 34 project proponents working on 50 individual areas

► Covered by the project  
**75,964**  
 people

- Heating **12.99km** lines
- Sewerage **7.57km**
- Closed electrical **47** substation
- Commissioned **1670** apartments
- Clean water **8.49km** lines

### Programme to develop ger district and support investment

(Selbe, Bayankhoshuu sub-centres)

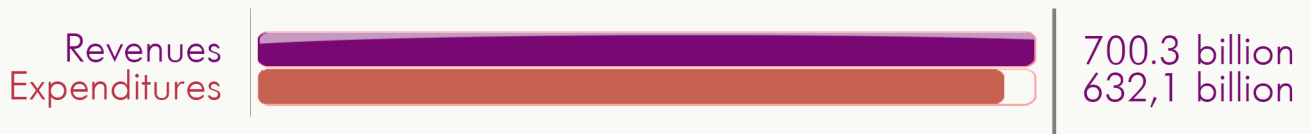


- Asian Development Bank
- Grants
- Ulaanbaatar city budget
- European Bank for Reconstruction and Development

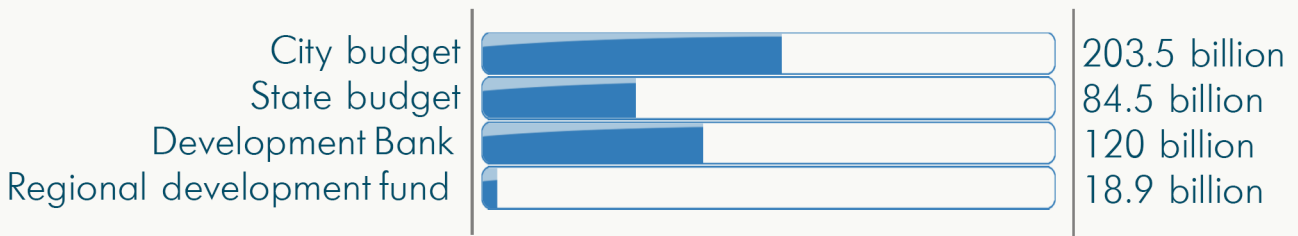
### Project results

- City population density will decrease
- New city sub-centres will be established
- Infrastructure networks will be created
- Jobs will be created
- Citizens' livelihood will improve
- Comfortable and safe environment will be created

## Ulaanbaatar city budget



## The city's main sources of investment



## Public services



## Health sector



## Engineering network facilities

- ▶ Heating lines to be newly built **5.3**km
- ▶ Pumping stations to be newly built **1**
- ▶ Water supply network **6**km
- ▶ Expansion and upgrades **4.5**km
- ▶ Expansion and upgrade of sub-districts' heating, water supply and sewerage network **6.8**km
- ▶ Water and heat transfer centre upgrades **2**
- ▶ Buyant-Ukhaa sewage treatment plant **20,000**m<sup>3</sup>
- ▶ Sewerage lines **7.2**km
- ▶ Flood protection facilities **5.4**km

## Road sector

- ▶ Roads to be newly built **63.9**km
- ▶ Bridges to be expanded and upgraded **108**metres
- ▶ Bridges to be newly built **2411**metres
- ▶ New underpasses and tunnels **3**
- ▶ Road expansion and upgrades **58.8**km
- ▶ Residential district roads **7.5**km

## Journalism

# The Media Council Is a Symbol of Democracy

By I. OTGONJARGAL

*It has been a year since the establishment of the Media Council in Mongolia. Over this period, they have brought trainers from abroad and organised trainings. One of such trainers is the Director of the Press Council in Bosnia and Herzegovina, Ljiljana Zurovac, who came to Mongolia for November and December of last year to conduct training sessions and partake in meetings. During that time, we sat down with her to talk about how to correctly develop a media council in Mongolia. She has a wealth of experience and knowledge in media management and self-regulation.*

**- Since the establishment of the Media Council in Mongolia, you have conducted two training events. What are your thoughts on this?**

- It is an honour for me. It is my fourth time coming to Mongolia. When I came to Mongolia for the first time three years ago, there were some who had expressed a desire to establish a media council. It is a big success now that it has been established and operations have taken off.

**- How was the situation when you first came here three years ago?**

- Three years ago, I came to an event organised by the Press Institute of Mongolia with the help of the Friedrich Ebert Foundation. It was the first time when Mongolia media owners, journalists and representatives collaborated to discuss how to establish media management and the need for such a thing. At the time, it was a three-day event. On first two days, programmes were dedicated to media owners and institutions, while the final day was for journalists and involved about 50 people for the organisation. Today, it is a pleasure to see its results.

The second time I came to Mongolia, things were a bit different. The operations of professional associations and a press council club were already under way. It was a period when the representatives of major media organisations accepted that a media council would be established in Mongolia. Only



Ljiljana Zurovac

a few months after this event, the Media Council was established.

The third time I came here was in November 2015. I conducted training for the members of the board of the Media Council and personally participated in the process of handling complaints and petitions received with the two ethics committees of the council. Also during this time, the first-ever open discussion about self-regulation of media was held.

**- How do you see the future of the Media Council of Mongolia?**

- I see that the media council of Mongolia is on the right path. I believe the management of the council consists of a strong team that has been recognised by the industry. It has the competitiveness to compete further. I also see that it has solid support from the members of the industry. Of course, there is a lot more work to be done in order for it to spread information about media self-regulation and to develop. I am confident that this team can do what needs to be done and overcome the challenges. The reason is that media self-regulation is not a

one-sided thing – it concerns the equal rights of professional journalists, media owners and the public. In other words, it will protect not just the professionals, but also the consumers. Thus, the Media Council is an organisation for media freedom and independence. The council requires both professional and responsible production from the people in the industry. On the other hand, this organisation will protect the interests of the public.

**- You said that the Media Council will not only protect its industry, but also the public interest. Could you please elaborate on this?**

- It is an organisation that protects the public from false, irresponsible and misleading information. In this context, now

the people have a place to appeal in cases of false, sensational, exaggerated and unethical information. This is crucial.

Therefore, the Media Council serves the role of an intermediary that serves as a bridge between the media organisations and the audience. One thing should be carefully considered. The Media Council's purpose is not to discriminate against and attack journalists upon receiving complaints from people. On the contrary, people read those complaints and get introduced to the products of these professional organisations. Secondly, it is a way of mandating professional and accurate information.

**- What advantages will the people, journalists and media have by coming to the Media Council? Mongolians tend to prefer the litigious path.**

- Self-regulation of the media industry means resolving issues internally in reconciliatory fashion. It gives an opportunity to resolve issues as easily as possible by methods such as simply apologising, making corrections instead of dragging journalists from place to place for ▶

▶ their mistakes. In doing so, the journalist will approach issues more responsibly and from a professional perspective. Some people may think, "If I admit my mistake, people will see me as unprofessional." This is not the case. Journalists are just people. Any person can make errors when working. Understanding one's own mistakes and correcting them is an issue norm. The most important thing is that we must admit our mistakes for sake of public interest.

The Media Council of Mongolia was able to develop its ethical guidelines well. Ethical guidelines are one of the things that professional journalists must abide by, because a professional ethical code's objective is to protect the journalists after all. Nobody would throw accusations at a journalist if that person is working in accordance with the laws and regulations. Even in Bosnia, some people say that this code of conduct is becoming a hindrance. However, it is not so. On the contrary, the code of ethics protects the journalists from making mistakes and getting themselves into trouble.

Your question about the difference between approaching judicial authorities and the Media Council is an excellent one. The Media Council's way of reconciliation is relatively softer compared to the judiciary. On the other hand, it plays a very important role in developing professional journalism and its ethics. The most important thing is the code of ethics.

**- Problems will not get fully resolved by using softer approaches to handling mistakes and making corrections. Even if we say that an issue is resolved, we cannot deny that people may feel it was unsatisfactory. Perhaps it is because of the socialist society in which we once lived. People want to see stiff punishments for wrongdoings. How can confidence and trust be built in the future?**

- This kind of thinking is observed in any country at the beginning of the establishment of a Media Council. It is especially common for countries that transitioned to democracy from a socialist regime. In such countries, journalists ask "If there won't be harsh punishments, why should I adhere to such standards?" But this society is a bit different. An attitude which understands that we must follow professional ethics as we must be professional must be implanted in the minds

of people.

When people say this to me, I reply, "Do you want your editor to slap you three times when you come to work as an order to be professional, and then slap you three more times if you had been unprofessional? Is this how you want it to be?" Why is it that you feel people will only work when under duress? What would happen if the environment you work in punishes you for being unprofessional? Therefore, we must predict what consequences and potential damages that might occur due to our unprofessional actions, instead of just punishing. The reports written by journalists are a powerful weapon that can influence the views of readers, so we must provide



Ljiljana conducting a training session for the Board of Directors of the Media Council

true information. Therefore, journalism is not just a profession, but it is a mission. It is a mission for the truth. Our ultimate goal is to always stand up for the interests of the public and serve the public. A journalist must not fall into the hands of the rich, political parties, groups or companies. They have marketing websites and services dedicated to their self-interest. It is impossible to establish democracy without media freedom, and democracy can't sustain without responsible and independent media. This is why the Media Council will play a huge role in creating and ensuring democratic values and maintaining its essence, because it also allows the professional editors, journalists and media business owners to understand and realise the importance of their work.

**- A code of ethics is the most important thing for professional journalism. What does it give to or do for the journalists?**

- I said that the Media Council of Mongolia has developed its code of ethics very well. The newly developed code of ethics is not a different thing from the previous one. It has become more

sophisticated and advanced. The issuance of the code of ethics by the Media Council means that it is a formal announcement that organisations must adhere to it. It applies to the professional sector as well as the public. It raises the awareness of the public about what is ethical and what is unethical. In doing so, people can also openly express their thoughts on what is unethical.

In recent years, the complaints coming to the Press Council of Bosnia has become quite ethical and professional. The letters go "Dear Editor, the information put out by your organisation is not in line with this and that article of the code of conduct." In other words, the public is becoming professional. An organisation which receives such

complaints has no choice but to address their mistakes. The readers and audience have become more professional and with more knowledge about the ethical code. In other words, an editorial team reaches a higher understanding that they are going to lose their customers if they do not correct the mistakes.

The Media Council is not a big mafia that controls the media industry. It is an organisation with an objective to facilitate understandings between the professional organisations and the public by holding a neutral position. It also means that the people and journalists will cooperate to promote the development of professional journalism standards. It means they will fight together. The public should understand very well that they have no freedom if there is no freedom of the media. They must realise that the people will suffer if journalists cannot provide responsible and reliable information. Therefore, our Press Council's motto is "Citizens and journalists fighting together for the truth." This motto can also be used in Mongolia. Thus, an independent and active media council is evidence of a democracy.

**- What are the current international trends regarding media councils?**

- Media self-regulation began 100 years ago in Scandinavian countries. This year, the centennial anniversary of self-regulation of the media industry is going to be celebrated in Sweden. A media council was established in Germany 60 years ago. It has been almost 100 years in Norway. Countries such as Great Britain and Estonia have also long history of media council development. ▶

► As for the former socialist countries that transitioned to democracy, Bosnia and Herzegovina is one of the pioneers. It has been 15 years since the establishment of the press council in our country. It has been 10 years for other countries such as Macedonia and Serbia. The number of media councils is growing day by day throughout the world. It is being established even in former Soviet Union countries such as Russia, Azerbaijan, Georgia and Armenia. ■

## The Media Council of Mongolia Celebrates One-Year Anniversary

Journalists, employers, researchers, unions and non-governmental organisations have actively cooperated over the last year to establish a self-regulatory, professional media body that is free of private interests and is of international standards. January 28, 2015 was a commemorative day for the media industry of Mongolia, as media organisations held a conference to establish a media council, approved the regulations and specified its code of ethics.

The Board of Directors of the Media Council comprises 15 members and also has two ethics committees with 15 members in each, amounting to a body of 45 personnel. Over the past year, the Media Council successfully carried out its duties and resolved over 10 complaints that came from citizens

The Council's main objectives are to defend press freedom, the reputation of the media and the interests of journalists as well as to ensure that journalistic ethics and professional norms are adhered to in order for responsible journalism to flourish. On January 28 of this year, the council presented the works done over the past year. Last year, the Council conducted training to raise the awareness about the Media Council's operations in the media industry and to improve the knowledge of the media management and personnel. The members of the two committees were also able to study and gain experience in Germany.

On top of cooperating with domestic professional associations and NGOs, the Council is also closely cooperating with foreign organisations, including the DW Academy in Germany and the Friedrich Ebert Foundation. ■

# Time to Dissolve the State Property Committee

The question of whether to dissolve the State Property Committee was long talked about, but a decision has finally been reached, and the process to dissolve it is under way. Furthermore, the duties of the committee are going to transfer to the Ministry of Finance.

Still, the works to be done and the budget are not yet approved, and the legal framework to implement state representatives in state-owned and state involved companies is also incomplete. In order to resolve this issue, resolutions on certain measures to be taken on state properties were approved during a cabinet session held on the January 4, and a working group to facilitate the dissolution of the State Property Committee has been established.

Some employees of the committee responsible for privatisation of state property, auctions and registration will be transferred to the Ministry of Finance – 15 about of the 50. The remaining 35 people will be laid off. Until 2012, the State Property Committee was under the management of the Prime Minister's office. It then went under the administration of the Ministry of Industry and Agriculture. At the time, committee functions were separate from the authority of the minister, but this time it is unclear what will happen.

After the decision to dissolve the committee was made, I visited the office of the committee on January 7 and 8 to ask a few questions, but there was no one to answer, let alone to talk. They were buzzing like bees that lost their hive and did not know where to go or what to do, which is understandable. The issue of dissolving the committee had been discussed since long ago, but a new budget was adopted just before the New Year, so the sudden decision must have come as a shock. Many agencies are being taken down in similar fashion, but it is prudent to look at the future before making a decision. The working group responsible for dissolving the committee gave a notice to hand over all works by January 15. The directors had not come to the office for two days as the Cabinet Secretariat of Government seized the committee's official stamps and seals and discharged the administration of the committee on January 4.

The current question is how the Ministry of Finance will take on the role of the State Property Committee. Everything must have been clear before the decision was made. Although parliament said they would dissolve the State Property Committee beginning in early 2016, in

this year's budget, it is reflected that the committee is responsible for privatisation revenues and dividend income. It is a clear indication of less than prudent decision-making.

The State Property Committee, which is being dissolved on its 20th anniversary since establishment, did bring some positive changes, such as developing joint registration for state property, and making state-owned enterprises pay dividends each year. In the past year alone, nearly MNT 10 billion in dividends was paid and MNT 15.4 billion in revenue went to the state from privatisation. About 2,000 enterprises have privatised up until today, and the private sector now accounts for more than 70 percent of GDP.

But in 2015, the committee was criticised for poor dividend management, because some entities headed by the Development Bank and the Ministry of Finance were excluded from the list of dividend payers.

The State Property Committee is a body in which representatives from all the ministries participate to reach decisions. From this perspective, it brings to attention the question of how effectively a policy ministry can oversee privatisation works. In addition, some are nervous about the fact that more than 10 thousand legal entities accounting for about MNT 20 trillion of capital are going into the hands of the Minister of Finance be dangerous.

The principles of business must be adhered to when talking about state property and privatisation. But in reality it is not uncommon for one party or one authority's business to prosper depending on a state property. Furthermore, it is a fair criticism to say they often do not adhere to corporate law and good corporate governance. From this perspective, many believe that it is appropriate to dissolve the State Property Committee. Regardless of who the owner may be, this committee must operate on business principles and good corporate governance. The business community says this is the right way to raise public funds. Mongolians say favour incorporating Singapore's Temasek model. This model's main feature is that it allows the state to be the owner, while not getting involved in the management of the company. However, it is no secret that state involvement in selecting the management of state-owned enterprises is quite high.

These are the issues that must be on the agenda and must be discussed when dissolving State Property Committee. ■