

“ГҮНЗГИЙ МЭД”

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ECONOMY

E.BAT-UUL: ULAANBAATAR
“WILL PARTNER AND COOPERATE WITH
INVESTORS”

FRIENDLY ULAANBAATAR



ULAANBAATAR
GOVERNOR'S
OFFICE

A LOOK AT ULAANBAATAR'S PRESENT AND FUTURE DEVELOPMENT



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EDITOR'S NOTE



Dear readers,

Ulaanbaatar's ongoing development projects continue at a rapid pace despite the country's poor economy situation. While the state cuts and saves, the city expands its budget and increases investment. Economists agree that capital development is headed in the right direction: "It's right to expand the economy instead of tightening, because the situation is just temporary."

Recently, Ulaanbaatar increased investment by MNT 100 billion after approving its latest budget. Mayor of Ulaanbaatar E.Bat-Uul said: "We want to keep the jobs and businesses. We will expand if it's possible." E.Bat-Uul expressed his willingness to support the private sector, adding that the establishment of the Ulaanbaatar Chamber of Commerce has set the foundation for public-private partnership to develop the capital.

Now that they're working together on the same page, the city administration and the newly founded Ulaanbaatar Chamber of Commerce are co-organising the Ulaanbaatar-Investment 2015 business forum in order to listen to each other's opinions and to introduce the city administration's current activities and future policies. The Forum's motto—'Partnership for Development'. According to statistics, 70 percent of the country's total business activities happen here in the capital. Local business leaders established the Ulaanbaatar Chamber of Commerce as a mechanism to cooperate with the city administration, to present a united voice, to improve the city's business and living environment, and to protect the interests of member organisations.

Furthermore, the Chamber's started its work filled with desire to make Ulaanbaatar the financial hub of the region. During my visit to Japan in 2003, I had an interview with a Japanese business executive who's truly devoted to Mongolia and wished for it to become a developed country. When talking about our capital's potential, he said: "I wish for Ulaanbaatar to become an international financial centre. Just like Singapore and Geneva. To do so, Mongolia has to develop a policy that attracts foreign investment and improves the business environment starting from now." I published his interview in the newspaper 'Udriinsonin' 12 years ago. Today, it's encouraging to hear that the public and private sectors are cooperating on the objective to make our city a regional financial centre.

In this issue, our magazine reports on Ulaanbaatar's development, policies and activities, involving both domestic and foreign investors. We will continue to cooperate with the Ulaanbaatar Chamber of Commerce and act as an information bridge that helps share their voice.

We wish all the best success to those in the public and private sector partnering for development at the Ulaanbaatar-Investment 2015 business forum.

Editor-in-chief D.BEKHBAYAR



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FOR GREEN DEVELOPMENT



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P10



ECONOMY

- 10 Ulaanbaatar's potential
- 11 Ulaanbaatar: regional financial hub?
- 14 E.Bat-Uul: Ulaanbaatar
"will partner and cooperate with investors"
- 16 The plan to make Ulaanbaatarians smile
- 18 The ger district's brighter future

P14



BUSINESS

- 21 O.Amartuvshin: Let business develop with
a "stable taxation and legal environment"
- 24 Transparent procurement for Ulaanbaatar
- 25 Asian Development Bank:
Ulaanbaatar related projects

DEVELOPMENT

- 27 The Municipality Administration's planned
future development
- 28 Smart Ulaanbaatar

P21



Dear Ulaanbaatar citizens, national wealth creators and investors,



First of all, I would like to thank the major entrepreneurs operating in Ulaanbaatar for cooperating to establish the Ulaanbaatar Chamber of Commerce, which will be the connecting bridge for linking the public and private sectors.

Ulaanbaatar city's development speed and investment spending is increasing from year to year. It's my great pleasure to announce that Ulaanbaatar plans to support national investors and invest over MNT 200 billion development projects in 2015.

The municipality is working hard to improve the governance and to reduce the long procedures which that creates many issues to for the business sector. Therefore, The " Ulaanbaatar-Investment 2015" business forum is organized as another platform for the community to come together to address the city's issues. Large scale development projects in the capital, programmes, procurement policies, procedures and plans will be openly discussed during the business forum, and we consider it as an offer of equal opportunity to the private sector. We will continue to work by this principle in the future.

Dear national wealth creators and investors, Ulaanbaatar is encouraging you to participate and cooperate in the development work of Ulaanbaatar.

Let's all join the partnership for development of the capital city and create a healthy, safe and friendly Ulaanbaatar.

I wish you all the best,

Chairman of the City Council D.BATTULGA

Dear Readers of Mongolian Economy,



It is my great pleasure to greet you and inform you about foundation of the Ulaanbaatar Chamber of Commerce, a business-minded and socially-conscious group of more than 60 companies.

As we all know, Ulaanbaatar is a rapidly changing and expanding metropolis. Like any other big city it faces numerous social and economic problems. Solving those problems, by finding ways to improve the living and working environment in our city, is a challenge not only for the Mayor and his office, but for every citizen of Ulaanbaatar.

We believe the business circle of the city can and should play a leading role in such an endeavor. A city can prosper only if a majority of its dwellers have a source of a steady income. Thus we believe Ulaanbaatar should be a welcoming place to do business and invest in new ventures for both locals and foreigners. Development of an International Finance Center in Ulaanbaatar could open access to a better financing source for public and private projects. Development of the tourist industry will bring thousands and thousands of clients to city businesses. It has a potential to give a boost to city industry, services and agriculture. Independent and internationally recognized arbitration courts will create more confidence for local and overseas investors.

These are few areas in which the Chamber plans to cooperate with the City Government.

As a first step to launch these endeavors, the Chamber initiated the Ulaanbaatar-Investment 2015 Business Forum. I would like to take this opportunity to thank Mayor Bat-Uul and his office for supporting this initiative.

I wish every success to the Ulaanbaatar-Investment 2015 Forum.

President of Ulaanbaatar Chamber of Commerce J.OD

MONGOLIAN NEWS

CITY REDEVELOPMENT

The Ulaanbaatar city council, as part of its decades-long Master Plan, has launched a housing and redevelopment initiative for the ger districts, which cover 54.9 percent of the city, in order to ensure community health and a safe environment. A 168 unit apartment building, the first in the plan's initial phase of development, was completed on October 15th of 2014. Total redevelopment covers an of 4,618.05 hectares of land; the plan involves buying the land of ger district residents, constructing modern buildings on the land, and relocating former ger residents into modern apartments. Currently, development is underway at 24 locations, with residents firmly supportive of the initiative. According to the plan, around 4,000 apartment units will be completed in the first quarter of 2015, and residents who evacuated their land will receive their new apartments.

AUTO TRADE COMPLEX

Construction work of the Auto Trade Complex, which will integrate the different open-air auto markets operating in Ulaanbaatar, is underway on the city's western outskirts, as part of the capital's urban-redevelopment Master Plan for 2020 to reduce the city's centralisation and traffic congestion. The Auto Trade Complex, in 32nd khoroo of Songinokhairkan district, will bring together under one roof the city's current separate sales centres for cars, parts, equipment and services. The plan calls for 285 spare parts pavilions, parking lots for 11,324 vehicles, and space enough for 1,191 buses and heavy machinery. The first phase of the Auto Trade Complex will be operational in July, with a parking lot surface area for 14,000 vehicles. In order to raise funds to continue

the project, city officials started to rent and sell the parking lots. A vehicle registration office, banks, notaries, traffic police, insurance and tax services will be incorporated in the complex.

HOUSING PROJECT



The City Council approved the Ulaanbaatar housing project last year. The housing project supports the following five initiatives:

- To accommodate ger district residents via redevelopment and construction
- To redesign the ger district land with the participation of residents; to develop the land usage; to increase the land value; to develop the apartment district with social and engineering infrastructure
- To build apartments for target groups
- To establish the Ulaanbaatar Housing Corporation for residents who cannot afford down payments, in order to foster new settlements
- To improve conditions for older apartments; to implement the new project until 2018, building 150 new apartments on 1,337.5 hectares through redevelopment, with 6,604 rental units; to renovate 8,600 units; to revamp the heating of 1,077 old apartments units in 14 districts.

LAND ALLOCATION

The government issued land grants to citizens who registered online to own the newly privatised government property. The

City Council issued grants for five out of 52 locations, with the land requests handled online and recipients automatically selected by a computer system. Within the initiative of the City Councils fair distribution principle, advanced technology was used to select the land owners. Out of the 15,000 citizens who received the 0.5 hectares of land for family use, 257 were newborn babies.

FIVE PERCENT INTEREST RATE LOANS

According to the Mayor of Ulaanbaatar's work agenda for 2013-2016, the Citizens' Representative Council approved the 'Small and medium enterprises development fund regulations' in order to develop SOEs and support entrepreneurs. Capital Bank will cooperate with the Credit Guarantee Fund to give five percent interest rate loans to citizens in accordance with the regulation. The small and medium enterprises loan will emphasise one sector in particular each year; this year, the loan is to be provided to livestock industry entrepreneurs. In doing so, they're supporting environment-friendly production and increasing the productivity of entrepreneurs through the small and medium sized enterprises fund.

CITY HISTORY

The National Archives of Mongolia and the Ulaanbaatar city Mayor's Office are cooperating to digitally catalogue the city's historical records. They created the website www.book.ub.gov.mn in order to promote the new e-book 'Ulaanbaatar's chronological history'. The e-book includes City Council resolutions from 1960-2013, and a compilation of 1,200 decisions on more than 900 established, abolished and privatised organisations.

SMART TICKETS



Ulaanbaatar City is working with the Korea-Mongolia joint Data Card Consortium to create e-tickets for public buses under the 'Smart Ulaanbaatar' development programme. The 'Smart Bus' project will install GPS in public transportation and establish a relevant information centre that will track info such as location, time and route of the transports. Once implemented, bus routes are to be planned with greater economic efficiency and in a more effective manner. The project will lower bus route inefficiencies and better serve the public with an advanced transport schedule.

WORLD NEWS

NEW YORK PENSIONS

New York City's pension funds have been getting a bad deal from investment fund managers on Wall Street, according to a new analysis by the city's financial office. As reported by The Wall Street Journal, the analysis concluded that, over the past 10 years, the city's five pension funds have paid more than USD 2 billion in fees to money managers and have received virtually nothing in return. After factoring in those fees, the analysis found that they had dragged the overall returns USD 2.5 billion below expectations over the last 10 years. "When you do the math on what we pay Wall Street to actively manage our funds, it's shocking to realize that fees have not only wiped out any benefit to the funds, but have in fact cost taxpayers billions of dollars in lost returns," said Scott Stringer, the city's financial manager. The city's pension system is the fourth largest in the United States, with total assets of nearly USD 160 billion. It holds retirement funds for about 715,000 city employees, including teachers, police officers and firefighters. Most of the funds'

money—more than 80 percent—is invested in plain, low-risk assets like domestic and foreign stocks and bonds. The returns on those investments are generally reported after the fees, which are usually paid as a percent of the assets each firm manages. Over the last 10 years, the funds' returns have surpassed expectations by more than USD 2 billion, according to the analysis. But nearly all of that extra gain—about 97 percent—has been eaten up by management fees, leaving just USD 40 million for the retirees.

CHINA'S SKYSCRAPER BOOM

Over the past year, 58 of 97 new buildings around the world that are at least 200 metres tall were built in China, says the Council on Tall Buildings and Urban Habitat, a non-profit organisation. China has erected a total of 352 buildings that are at least 200 metres tall, the council's data shows. This is twice the number for the United States, four times that of the United Arab Emirates (UAE) and nearly 10 times that of Japan. Most of the skyscrapers were built during the past two decades. From 2009 to 2012, an average of 22 buildings was completed every year. The number soared to 37 in 2013 and 58 last year. By the end of 2018, China has the potential to boast 154 office buildings at least 300 metres tall. The US will have only 23 and the UAE 10. China's local governments regard skyscrapers as important because officials think they can improve a city's look and make it more commercially competitive by attracting companies and financial institutions to open offices in the structures. Although the vacancy ratio for most office buildings in Shenzhen is an acceptable 7 to 8 percent, many other cities are too small to create enough demand for the office buildings they are developing.

SEOUL'S GREEN CONFERENCE

During April's ICLEI World Congress, a global environmental conference held in Seoul, South Korea's capital city showcased its efforts to greatly reduce air pollution, increase energy efficiency and improve urban environments. The International Council for Local Environmental Initiatives is an international association of local gov-

ernments set up in 1990 to find ways to strengthen cooperation for sustainable development. Seoul's eco-friendly investments are good for the environment, the economy and the 10 million people living in the city. A decade ago, the Cheonggye Stream project restored the waterway that runs through the city, making it a tourist attraction that also acts to slightly moderate heat during the summer. The mayor said Seoul is working to export its expertise and technologies to other cities facing environmental problems, according to VOA News. Despite the reduced local pollution, a toxic mix of desert dust and factory smog often hits Seoul when the winds blow in from China. The Seoul mayor said he's reached out to 13 cities in China and Mongolia to help them curb pollution and erosion in the region. There is much cities like Seoul can do to limit the effect of climate change, but the mayor says no city can do it alone in this interconnected world.

MOSCOW'S ECONOMIC SLUMP

Western sanctions over Russia's role in the Ukraine conflict and falling oil prices are starting to bite. At home, Russians are reining in their spending. Moscow's brand-new Avia Park mall, the largest mall in Europe with retail space of 236,000 square metres, is half-empty. For years, Russian consumers spent freely, and the country's economy was flush with oil money. Such profligate spending was so common that a joke circulated of one Russian berating another for buying a tie when the same tie could be found for twice the price at a shop next door. Luxury and consumer goods companies poured into Moscow, which quickly shed its image as a city of Communist deprivation. Avia Park was conceived in 2010 as the Russian economy was rebounding from the global financial crisis, and construction began in January 2012. Then in 2014 Russia got hit by three rounds of sanctions and the price of oil dropped, hurting the economy and the Russian consumer. Over all, about one in 10 storefronts are vacant on Moscow's main shopping streets, while retail sales in Russia fell 7.7 percent in February compared with a year earlier, according to The New York Times. If the overall political situation stabilizes, consumer confidence will come back, say experts.



FUTURE

Ulaanbaatar: regional financial hub?

By Uuriintuya

London, New York, Hong Kong. These cities are some of the top financial centres in the world. Such cities deserve to be called the centre of the financial world, because their business environments host many prestigious businessmen, while their legal environments act as bodyguards to their assets. Could Ulaanbaatar step forward and become one of the region's top financial centres?

Although such a future seems far away from what we see in Ulaanbaatar today, that doesn't mean it's impossible. In fact, the first steps have already been taken, said E.Temuulin, head of Ulaanbaatar's Economic Development Department. According to him, the city's economic development strategy has six big goals to implement. One of those six goals states that Ulaanbaatar will become a regional financial centre. This would be achieved in cooperation with the City of London Corporation, with a final agreement yet to be signed.

The idea of UB becoming a regional financial centre might seem unrealistic. However, the citizens of Ulaanbaatar surely support it becoming such a prominent city. The term financial centre has broader meaning than skyscrapers and big banks or business people signing deals. These are only the materialistic bonuses that come with it. Having a financially important city indicates that a country has reached a higher standard of development. Life there is convenient. Citizens are content. Big companies that have opened offices there

have plenty of choices when it comes to skilled human resources.

Sadly, in terms of the above mentioned requirements, Mongolia has very little to offer. The biggest hindrance, though, is Mongolia's unstable and uncertain legal environment, noted B.Batsaikhan, Partner at Mongolia Opportunities Partners. Mongolia is known for its always changing laws and regulations. Such behavior from the government won't help Mongolia reach its targeted development goals. "This needs to be changed before it's too late", said B.Batsaikhan. "We have conducted several studies on how already existing financial centres developed. And we concluded that a stable legal environment was crucial. The legal environment includes taxation regulations, social protection, education, healthcare, and so on. Developing these sectors, and furthermore adjusting to the international standards, will enable UB with the possibilities to become one of these big financial metropolises", agreed E.Temuulin, the Head of City's Economic Development Department.

If skyscrapers and suits were the only requirements of a financial metropolis, then Ulaanbaatar could easily be one. But when giants like JP Morgan, Goldman Sachs or Moody's come here to get actively involved in the country, it is questionable whether or not the capital can provide them with the required human resources. Providing foreigners with necessary healthcare is another obstacle the city will face. Mongolians are praised for their creativity and intellectual capabilities. Unfortunately, the

country's education system has been criticised for being too outdated. Businesswise, the city also hasn't earned a good name too. Thus, it means major changes and reforms should be done in Ulaanbaatar, if it wants to become big in financial sector.

If we continue to argue over the long list of bad things in Ulaanbaatar, the list will only continue to grow. Changes must occur and start soon. These necessary changes won't happen in a day. B.Batsaikhan noted: "Can UB become a financial centre? Yes. But we will need to work very hard on that. It might seem a very distant reality, but in the end there is no fact that says we can't accomplish that." According to him, Mongolia, with its rich natural resources, lies in a very beneficial geopolitical region, neighboring the two big economies of Russia and China. Mongolia country is a very new market that's opening its doors for foreign investors. These are enough reasons to answer why investors are still interested in investing in Mongolia. With such advantages Mongolia's capital can become a major player in the financial field.

The recent establishment of the Ulaanbaatar Chamber of Commerce is a tiny step closer to the aforementioned goal. To achieve it, the best practices from abroad must be interpreted and integrated. Over the coming years, city authorities should stay true to their word, to reach for that lofty goal and establish Ulaanbaatar as a great city from any point of view.

DEVELOPMENT

Ulaanbaatar's potential

By B.Bayartogtokh

Back in 2007, the mayor of Ulaanbaatar proudly announced the capital's place as Asia's 107th largest city, numbering more than one million residents. Today, Ulaanbaatar is the source of 65 percent of Mongolia's GDP, 85 percent of total energy production, 50 percent of national investment, and home to 44 percent of the country's total population.

Today, Ulaanbaatar has 1.3 million residents, of which 220,000 are unemployed. Unemployed citizens comprise 20 percent of the city's population, the source of much of the city's woes. Employment for citizens, a supply of modern apartments, and connections to central infrastructure for heat, water and electricity are all priorities for the city. There is also a need for the construction of infrastructure such as hospitals, schools and kindergartens. To improve the economy, the city needs to become a financial hub with manufacturing and services.

According to the Economic Development Authority, the average salary of an Ulaanbaatar citizen is 3.5 times lower than the average of those in foreign cities. In Ulaanbaatar, air pollution is 10 times higher than the international urban standard, while the size of available green space per capita is 10 times lower than the size it should be. Some 30 percent of Ulaanbaatar residents live in apartment buildings, while nearly 70 percent live in the ger districts.

According to a Russian report 'Economy of Large Cities', Ulaanbaatar has the potential to expand its tourism services industry and become a business and financial centre. The development of a population is usually tied to the quality of its education and health-care, putting great importance on the social services available. Ulaanbaatar could become a centre for social and economic innovations. Cities are usually the headquarters for large companies. Toronto, for instance, has become a leading city in Canada because so many large companies set their base of operations there. Meanwhile in some large cities, tourism prevails over all

other services.

The Mayor's Office of Ulaanbaatar has introduced an action plan—the 2030 Master Plan—that aims to organise a new set of rules to transform the capital. Meanwhile, parliament approved a development plan for the city on February 9. The city promises that the reforms will drive rapid cultural development, remove red tape, and clear out the traffic jams congesting the roads. The Mayor's Office will also continue its long-running battle to reorganise the ger districts and provide alternative housing. Initiatives that remain under consideration by Ulaanbaatar include several new taxes to help fund the city's growth and manage its exploding population.

Burgeoning Ulaanbaatar

Rush hour traffic jams have become a nightmare. The daily commute reminds some that a metro would be quite useful. One way to better manage the ever-growing number of cars on the road would be to tax motorists for the use of the streets. Singapore has such a tax in place. Transportation is a problem for every sector of society. It hampers the development of infrastructure and is the cause of a number of financial challenges. Meanwhile, delivering electricity to the city's 1.3 million citizens is another heavy problem

to tackle. "The increasing number of migrants from the countryside is not a bad thing", said Mayor Erdeniin Bat-Uul. "The reason why China's economy grew strong, for instance, is because of its big population. The market for any city with a big population can develop more rapidly", he said.

In 1911, Ulaanbaatar had just 40,000 residents—flash-forward to a century later and the city of 1.3 million today is over 30 times what it was, with half the population recent migrants from the countryside. The mayor and his team are working on a plan to make the city like other cities in the world, with an independent economy and a role as a centre for regional development. The plan aims to renovate the existing road network in the city, lay down new pavement for the walk paths in every district, and build road tunnels and car parks underground. The plan also expands the size of green space in the city 20 percent, or 1,200 hectares.

To ensure continued stable growth however, the city will also need to branch off into new industries. Municipal bond and soft loans will be avenues to help fund the growth of those industries. Many Asian cities have redirected their development, enforcing better working practices and cleaner technology. Ulaanbaatar will join them as a leading example.



SOCIO-ECONOMIC INDICATORS IN ULAANBAATAR /Infographic/

Ulaanbaatar's
population at the
end of 2014:
1.321.712

male
627.837

female
686.649

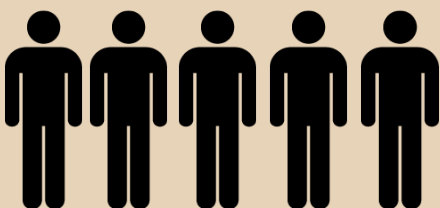
Number of
potential workers
over the age of
15: **412,561**

The average monthly
salary for employees
in Ulaanbaatar enter-
prises: MNT **666,800**
(national average: MNT
844,000).



The number of households
in Ulaanbaatar in 2013:
333.379

Unemployment: the number of unem-
ployed in Ulaanbaatar rose to **21,555**
at the end 2014; **52.9** percent of the
unemployed are women (according to
the National Statistics Office).



Industry: The capital's industries produced MNT **801.9** billion in prod-
ucts, and had MNT **1,060.3** billion sales in the first two months of 2015;
production increased **11.6** percent and sales increased by **63** percent
respectively compared to the same period of the previous year.

Industry revenue breakdown: Industrial sector of the capital produced
MNT **343.9** billion in products in February of 2015; mining sector output
composed **58.7** percent, electric heating power supply **18.2** percent, and
manufacturing **23.1** percent.
Total industry sales: MNT **363** billion were sold domestically and MNT
697.3 billion were sold abroad.

The number of operating enterprises and organisations



Public sector

- Social and personal services: **2498**
- International organizations: **25**
- Hotels, restaurants: **1050**
- Education industry entities: **1181**
- Health and social welfare entities: **1078**
- Public administration and defense, compulsory social insur-
ance: **266**

Agricultural sector

- Agriculture, hunting, forestry and fishery: **659**
- Mining and quarrying: **454**
- Transport, storage: **1662**

Infrastructure

- Electricity and water supply: **98**
- Construction: **3850**
- Manufacturing: **2812**

Trade

- Wholesale and retail trade, repair of household goods:
15668
- Real estate, renting and business activities: **5198**
- Financial operations: **625**

Indicator	As of February 2014	As of February 2015
UB population	1,273.5 million	1,321 million
UB revenues	MNT 116.4 billion	MNT 110.3 billion

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PANEL GUEST

E.Bat-Uul: Ulaanbaatar “will partner and cooperate with investors”



We talked with Mayor of Ulaanbaatar E.Bat-Uul in advance of the Ulaanbaatar-Investment 2015 business forum, which will bring together public and private representatives under the theme of 'Partnership for Development' on April 15 2015.

By.Bekhbayar

Ulaanbaatar looks to cooperate with the private sector on the city's development. How long will this partnership last?

Hopefully, it's eternal. How we cooperate is very important in making a lasting partnership. First of all, the partnership must be equal, and partners must be fair and responsible to one another. Otherwise, the partnership will not last long if it goes on in a manner where the state takes advantage and abuses the private sector when it's needed. Partnership depends on mutual trust. It cannot be driven by someone's or some certain group's private interests. A reputation that can raise funds on international markets must be established in order to protect the common interests of all the involved parties and to implement the project effectively. The partnership can be eternal if the project and its experts can be reputable and responsible, and if this project can continue on the market under partnership principles.

Is the partnership protected by some kind of legal framework?

The current public-private partnership legal groundwork is unequal. The private sector gets something only after appealing, begging and bribing the authority. It's quite similar to a master and slave relationship at the moment. Entrepreneurs have become dependent on the government in order to not lose their future business. However, Ulaanbaatar's Municipality Administration embraces having arbitration in order to ensure the equality of a partnership agreement. Arbitration must also record the negotiations with the government.

The Economic Development Corporation will soon be operational to

improve the partnership system and update the city's functions for realy the first time since the Soviet era. What are the specific responsibilities of the new corporation?

The city is transferring into partnership mode to attract investors and implement large-scale projects. A regulatory authority that manages the partnerships is required. We will establish the Economic Development Corporation to cooperate with the private sector. The corporation will work to support the projects which will play a major role in the development of the city. Its objective is to accommodate and address infrastructure issues, land acquisitions and all possible support from the Municipality Administration to entrepreneurs. In addition to the management, it will coordinate its legal regulation. For example, the corporation will receive a very important project from the private sector. A project organ consisting of a private sector and government workforce will be established after initial research is concluded. This organ's experts will conduct a feasibility study, after which the public and private sector will cooperate to raise funds from global financial markets if project is deemed profitable by the feasibility study results. Investors will be positive about a project if the Municipality Administration is fully behind it, because a foreign investor's approach is totally different when municipalities support a project in addition to the project executors. The ADB [Asian Development Bank] and the World Bank only require the project to be profitable; there's no other obstacle to get project investment from them. We consider that it's feasible to attract investors and raise funds by such partnership principles. In fact, there's an expression such as 'money is always there, you just need to know how to earn it'. Indeed, money is everywhere throughout the world. But we need the correct policies and to take significant steps to bring that money into the development of the capital city.

I heard that the Economic Development Corporation's board of directors will mostly consist of those in the private sector, a marked change from the norm when a board of directors mostly consists of government officials. What's the reason behind this change?

The Economic Development Cor-

poration must not become the same as other administrative organisations, which have a bureaucratic mindset that rips off and orders around the private sector. The majority of the EDC's board of directors will consist of private sector actors because the organisation's activities will go by the initiatives of entrepreneurs. Administrators who are not responsible for a single risk will not enter the board of directors. It's our principle. Project contracts and agreements will be registered to the arbitration court of the Ulaanbaatar Chamber of Commerce, so that we can begin our work on fair and equal terms. We seek to amend our trust and credibility issues. We always discuss about building credibility at every annual Mongolia Economic Forum. It's time to stop talking and start doing. A structure and management that will build that credibility must be established. In recent months, credibility is starting to be established in Ulaanbaatar. For example, entrepreneurs cooperated to establish the new Ulaanbaatar Chamber of Commerce, and the Municipality Administration was fully supportive of this partnership. Those in the private sector are uniting and raising their voices together in a timely fashion. They're going to stand against government bullying and oppression together. It's difficult to establish trust with a person who doesn't bear responsibility for single coin. That's the reason why the majority of the development corporation's decision makers will consist of private sector actors. The government also must pay their due if credibility is to be established. The government should pay their past dues if they failed to fulfill their promises and lied. There's no way that only private sector must pay and the government doesn't pay. Both sides will go to arbitration and resolve their issues justly.

Is it possible to make Ulaanbaatar a regional financial centre?

It's more than possible. The president of the Ulaanbaatar Chamber of Commerce, J.Od, said: "Our door is open for foreign and domestic entrepreneurs." It means that it's also open for arbitration. For example, we receive consulting services from foreign companies. However, those companies always fear getting ripped off by the Municipality Administration. Then the solution is the arbitration. Every issue

will be solved fairly according to the law. It's important to establish arbitration with an ability to resolve issues justly. Ulaanbaatar must become an investor's hub. The first thing entrepreneurs and investors want to know is whether or not there's an institution that can justly resolve issues within the law. Everything would be smooth if there is such an institution. Every business is based on negotiations. There will be disputes during negotiations. Ulaanbaatar will become a financial center when we can establish arbitration that can resolve these issues fairly. Why are the private sectors heading to London? It's because there's a fair environment there.

Can you elaborate on the ongoing discussions to tax city residents?

First of all, it's important to convince citizens on why they must pay this tax. The state must return the civil tax to the citizens through providing support for businesses and serving the public's needs. For example, say we organise an international festival or event with the Ulaanbaatar residents' tax. Many tourists would come as a result. Foreign and domestic tourists will make purchases in the city, which will provide residents more income. Thus, it means that we're bringing buyers in, in exchange for civil tax money; or, a city residents' tax can be spent on better roads. In other words, we're trying to establish a tax mechanism that would support our citizens' lives.

The government is committed to a policy that tightens the economy, but Ulaanbaatar is caught up in expansion. Does the opportunity exist for Ulaanbaatar to expand?

Fortunately there is an opportunity to expand Ulaanbaatar's economy. We have land and property; what I'm trying to say is we're using everything we have in store to expand our economy and overcome the current difficulties. We want to keep employment and businesses. If possible, we want to increase and expand it. We would have a chance to expand if parliament approves the capital city tax draft bill. We will further enhance the ger district development policy. People want to do business and improve their lives. We should carefully listen to them. Citizens want to have a good life so we must create conditions to make it possible.

PROJECT

The plan to make Ulaanbaatarians smile

Five years ago, CNN ranked Mongolian as the 4th coolest nationality on earth. When describing “cool” Mongolians, journalist Barry Neild said: “Along with a carefully crafted air of quiet mystery, these unflappable souls pretty much perfected the freewheeling, nomadic cowboy existence, throat singing and yurts. Fur-lined everything—boots, coats, hats, undies—adds hearty splendor to the historic mystique. And who else keeps eagles as pets?”

Unfortunately, one of the world’s coolest nations ranked 131st out of 140 countries in a tourism report by the World Economic Forum. It received a score 5.49 out of 7 for its friendliness towards visitors. It seems almost daily now that newspapers and broadcasters report about Mongolia’s unfriendly tourism destinations. Some even say in their reports; if you’re hoping for friendly locals, don’t come here.

No one wants to have their vacation ruined by rude locals. Are Mongolians really this unfriendly? Relatively few people take nationalistic actions against foreigners. But with reputations, a few bad apples ruin the whole bunch. To combat the reputation before it gets worse, some Mongolians are taking action.

The ‘Hospitable Ulaanbaatar’ campaign was given the final tick of approval by the City Council last September. It seems like a big step to redesign some of the city’s bad images. ‘Nairsag UB’ is social campaign launched by the Ulaanbaatar city Tourism department. The campaign encouraged Ulaanbaatar residents to smile more and to be more polite when facing tourists. Nairsag means hospitable and friendly in Mongolian. The campaign’s main goals are to enhance local residents’ awareness towards tourism and to form a tourist-friendly atmosphere. The plan is based on the general development Master Plan of Ulaanbaatar city until 2020. In a development tendency document that plans further toward 2030, the ‘Hospitable Ulaanbaatar’ campaign aims to make the capital a business tourism center of North-East Asia, and a cultural tourism hub of Mongol nation-



alities. Ulaanbaatar’s campaign seeks to attract two million tourists by 2020 and five million by 2030.

Currently, Mongolia hosts at most 500,000 tourists a year. They pass through the city before and after travelling across Mongolia. Ulaanbaatar Mayor E.Bat-Uul’s recent apology to foreigners shows why there is need to dress down the city for not being harmonic. Ulaanbaatar Mayor E.Bat-Uul met with delegates of the Association of Inner Mongolians in Mongolia a few weeks ago and offered his apology for an attack against Inner Mongolian tourists by members of a Mongolian nationalist group. Photos of the foreign visitors kneeling in front of members of a Mongolian nationalist group at landmark Burkhan Khaldun Mountain had been circulating on social media two weeks prior to the Mayor’s statement.

But Bat-Uul can’t just come out and apologize every time some Mongolians scare foreigners. If apologies mean so little, the reputation of Mongolia and Mongolians will fall. That is the outcome for the next time.

The ‘Hospitable Ulaanbaatar’ campaign is there to lead Ulaanbaatarians to clear the city’s name and that of society. Behind the campaign, the service sector stands foremost, and has begun taking action in their activities. There are already completed reports about tourist police implementation; vocational training on ethics and English language classes were organized for patrol officers and other service sector employees. The Ulaanbaatar City Tourism Board and Metropolitan Police Department are organizing several programmes to enhance tourist safety, prevent and protect tourists from pos-

sible crimes, and provide convenient travel conditions. Just few days ago, an international expo and competition for hotels, restaurants and catering was held here. Through all these, the capital aims to be a friendly and safe city for tourists.



The campaign—which will be conducted in three phases, has two years per phase. Almost 60 percent of all conducting works should be completed in the first two phases, and the rest will fit in the last two years of campaign. The city council intends to get more participation from the private sector in

the campaign's implementation, which they believe is the most efficient way to reach their goal.

2020 results

Clear outcomes should be seen by the campaign's 2020 deadline. What results can we expect?

According to the city council's approved resolution for the campaign, there are certain measures to scale implementation outcomes of the campaign. The campaign will increase tourism numbers to the aforementioned, increase tourism's contribution to the overall economy of city by 20 percent from current the 9.8 percent, and create 35,000 new jobs. The tourism 'leakage effect' should decrease by 30 percent at least, while crime per 100,000 tourists should drop threefold. Without these results by 2020, the Hospital Ulaanbaatar Campaign will have been a waste of time and money.

To make Ulaanbaatar city friendly, the city council is budgeting five percent of total city budget every year, or about MNT 35 billion. Increased investment and promotion is expected

to raise GDP by 2.5 times, or USD five billion, by 2030 according to Hospitable Ulaanbaatar Campaign. For this year, city council budgeted 4.6 billion, less than five percent, to be used to complete 44 initiatives. Ts. Enkhtsengel, Deputy Mayor of Ulaanbaatar, explains that the low figure is a result of the cam-

paigns infancy.

In Ulaanbaatar, there are many new shiny projects under construction, from new restaurants and hotels to other service accommodations, which is good thing. But a lack of customers would be a huge problem on the financial side. For the service sector, tourism is a big part of their profit. Data from the Ulaanbaatar tourism department says a tourist in Mongolia spends on average USD 190 per day. Service sector entities can't count on just purchases from locals, because it's not really enough to build strong performance and expand. More tourists in Mongolia means better profit for most service sector entities. In some ways, selling products to an increased number of tourists is an easier, more direct process than exporting.

"The service sector contributes 60 percent of total city GDP. If service sector profit increases, state and city tax income will rise, and financing of the Hospitable Ulaanbaatar campaign will come back through the increased sum of tax revenue," says, Ts. Enkhtsengel, Deputy Mayor of Ulaanbaatar city in charge of social development.

This year, there are 32 public events in the framework of the campaign. The schedules of the events are already distributed to relevant tourism units. The events are planned to be held regularly every year. The 32 events had to meet certain criteria—such as their likelihood of attracting tourists, benefits to promote domestic purchases, and increase in profits for the service sector.

Currently, almost 70-80 percent of all tourists visiting Mongolia come in July specifically for Naadam. The organising of other big scale cultural events could break up the one event-led mass of tourists, as it would give more options to see in Mongolia. Furthermore it would help tourism companies to operate for four seasons when events are scheduled all year around.

The Hospitable Ulaanbaatar Campaign is a plan to make both tourists and Ulaanbaatarians smile. If capital residents don't smile much and behave politely, the campaign won't be as effective. Are there any benefits to being unfriendly? If we analyze the effects of being friendly, there are far more economic and social benefits that can be seen. If the campaign succeeds, Mongolia could come up on the list of world friendliest countries. Friendly sounds pretty cool, doesn't it?

REDEVELOPMENT

The ger district's brighter future

By D.Bekhbayar

An elderly relative of mine G.Tsermaa said: "I really like this apartment". She was once a real steppe herder, who settled in the city following her children only a few years ago. She lived in the ger district of Songinokhairkhan until recently, when the land she had lived on was seized as part of the capital's long-term ger district redevelopment plan, and a new 12-story modern apartment building was constructed where once had stood her home and those of her neighbors. Now Tsermaa lives in a new home, a 50 metres-squared one bedroom on the fifth floor of the new building. When we visited her in February during the Lunar New Year holiday, she said: "This apartment is comfortable for a person like me, who has bad legs and arms and goes to the toilet often during the night. It's also much more comfortable during the winter and summer." Her children warmly welcomed the holiday guests who came to greet her in her living room. Each guest remarked: "It's quite a nice apartment. The apartment's not bad considering that it's in the middle of a ger district."

The ger district surrounds her new apartment. Many families evacuated their land of their own accord to live in an apartment. Today, these families live in modern beautiful apartments, built under the cooperation of the local municipality and construction companies. Tsermaa said that her family now lives peacefully, free of fear from theft and tiresome daily chores like fetching water from the well and cleaning the outdoor yard. She is happy to tell anyone from the ger district that exchanging their land for living in a new apartment is the best decision they can make.

Many of Ulaanbaatar's troubling issues would be solved if ger district residents relocated from their land and into a modern apartment. Pressing issues that hinder the development of Ulaanbaatar—dangerous smoke from ger fires, rubbish, electricity and water shortages, crime, a lack of communications and transportation infrastructure—would become easier to manage with less families living in the ger dis-

trict. Since 2012, the city council has undertaken a housing policy to move ger district residents into apartment units and redevelop former ger district land. With nearly 900,000 people residing in ger districts throughout Ulaanbaatar, the task has not been easy. Despite the challenge, a lot has been accomplished in such a short period of time, in part due to municipal cooperation with the private sector.

As of today, 588 apartment units were built under the housing and redevelopment project last year. Redevelopment projects are ongoing at 24 different locations covering a total of 1,500 hectares. More than 80,000 people from 30 construction companies are working to execute the project, redeveloping 16,000 ger yards. The first redevelopment project in 2015 will be completed in early May.

The head of the Office for Ger District Development, Sh.Gankhuyag said: "It's a very big development plan for Mongolia. Relocating ger district residents into housing is a very effective project that will advance the development of the whole country, not only the city." Indeed it's a huge policy. It's a project that materialising as a result of cooperation between the city council, the private sector and citizens after overcoming challenges and gaining experiences.

For the first time in our country's history, construction companies are getting permission directly from citizens instead of going through the government to build the apartments, and people are participating in the development of their own future apartments. The city council is solving the infrastructure issues in order to incorporate thousands of households in this project. Of course, there's nothing without difficulties. Residents try to sell their land at the highest price they can get, companies want to buy at lower costs, and the municipality just wants to implement its redevelopment policy. However, each side must come to an agreement.

Foreigners consider this project to be a welcome development, and praise our construction companies for their socially responsibility. City council of-



ficials stated that 30 national companies, such as Hera Properties, Beren, Tsagaanhuaran, Monnis, Baganat Urguu and Gangar are currently working on the project without foreign investment, because foreign investors remain cautious of the country's economic crisis and the government's reliability.

With residents willing to move, the project moves forward

The main reason why this project is able to move forward is because ger district residents themselves want to live in a modern apartment. If residents didn't want this project, the work would stop. The city council limited redevelopment to 24 locations, because of a decision that energy, water, infrastructure, school and hospital issues should be resolved before building more houses and apartments off the grid. After resolving the prerequisite issues, further projects will resume development at new locations. The government is working to resolve these issues, however there's a worrying possibility that the redevelopment plan may at some



Photo by B. Byamba-Ochir

point face political opposition. Construction on the current 24 locations will be fully finished in 2018. Parliament approved the initial project, and must do so again for the forthcoming locations in the future. The legal environment of this project must remain separate from politics in order for development to successfully materialise. It's necessary to issue relevant laws and regulations immediately. For example, although a draft bill on the redevelopment of Ulaanbaatar and management projects was submitted to the parliament several times, it still hasn't been approved. Therefore, the relevant ministries and agencies are preparing to resubmit the draft bill to the parliament.

After World War II, Japan spent 10 long years to obtain land permissions from 500 households in order to implement its modern housing project. However, Sh.Gankhuyag noted that Mongolia's housing project is going much faster, because the country's ger district residents want to live in an apartment.

MONGOLIA THE LATEST ON TWITTER

The EIU Asia team @TheEIU_Asia 8h8 hours ago

#Mongolia: a deal on the Oyu Tolgoi mine would mark imp. step towards reviving investment, but obstacles lie ahead. <http://country.eiu.com/article.aspx?articleid=513056035&Country=Mongolia&topic=Economy&-subtopic=Forecast&oid=513056035&fid=513056035>

Prime Minister Ch.Saikhanbileg announced on April 5 that the government had reached agreements with foreign mining companies to expand operations at the Oyu Tolgoi and Tavan Tolgoi mines. Since then, however, Oyu Tolgoi operator Rio Tinto and the miner's CEO Sam Walsh have yet to officially comment—usually, when two sides reach an agreement, both make an announcement. Meanwhile parliament declared its opposition to the Tavan Tolgoi deal, and is now holding it up indefinitely in debate. As per The Economist magazine's Intelligence Unit: "The Economist Intelligence Unit continues to expect that deals on these two key projects will be finalised in 2015. This will help to stave off balance-of-payments difficulties that the country might otherwise face in 2017-18, and should ensure that the tugrik appreciates against the US currency in 2016. Nonetheless, actual work on the mine-expansion schemes is unlikely to begin before the final quarter of the year, and could be delayed even further if commodity prices in 2015 prove to be weaker than we expect."

Proactiveinvestors @proactive_NA 7h7 hours ago

Mongolia - Is This Guy for Real? - Mongolia has a kind of raw seething grittiness to it. It is like a brand spanki... <http://www.proactiveinvestors.com/columns/capitalist-exploits/5512/mongolia-is-this-guy-for-real-5512.html>

Many international banks have agreed to invest in Rio Tinto's phase II Oyu Tolgoi expansion, which has yet to begin. Although Oyu Tolgoi is one of numerous Mongolian investment opportunities, the continued delay in expansion has caused international banks to withhold any further investment in other Mongolia development projects for over a year. The Proactive Investors' column 'Capitalist exploits', which examines opportunities in frontier markets, summed up the situation in a recent article on Mongolia: "Consider that there is a broad coalition of international banks who have devoted funds to the OT project. These funds have been put on hold while the government does battle with Rio Tinto the developer of the OT project. As long as the OT project remains in dispute these banks will not finance any other Mongolian projects. There are dozens of other projects all of which are being held up by this dispute. If that bottleneck is broken we'll likely see the blood begin to flow through the economy once again. These guys - the Mongolian government that is - are all out of options right now. It's time they used what they have!" ■

ONE QUESTION

S.Ochirbat: “Big success” when private sector helps fund Ulaanbaatar development

S.Ochirbat, Ulaanbaatar City Deputy Mayor, responsible for Construction, Urbanisation and Investment

In 2013, we identified the activities that should be done in cooperation with private sector. As a result, we've done many cooperative projects since then. For example, companies such as Oyu Tolgoi, the Trade and Development Bank (TDB) and Orchlön Construction supported our work. A total of MNT 7 billion in investments were made in the city. We found out that our private sector has the will to develop the capital if we can explain the issues from the right angle. Everyone knows that Student Street's lights and Wi-Fi internet was funded by Oyu Tolgoi. TDB renovated more than 200 bus stops. As for foreign investments, the desire of the

ADB, World Bank, and German and Japanese international organisations to cooperate with the capital has revived. The 2030 Master Plan for the development of Ulaanbaatar was approved by parliament in 2013. According to the plan, the Municipality will have eight sub-centers, and we made a proposal to the ADB to cooperate on the development of the Bayankhoshuu and Selbe sub-centers, to help decentralise the capital's congestion. For the first time, the ADB has allowed Mongolia to obtain a multi-tiered loan from them. The reason why we could get this USD 320 million project approved in the span of a year was because the ADB will fund USD 224 million, the European Bank for Reconstruction and Development USD 60 million, and the Municipality Administration will fund the



remainder by our own capacity. It's a big success. By using these methods, we can focus on expanding the city's investments. The capital's investment has been increasing since 2012. The city development work is continuing through a total of MNT 1 trillion from foreign investments and aid. As we move forward, it's important to have the right investment policy towards the partnership with private sector. We developed our investment regulations. We studied project effectiveness and the impact on the city's economy to develop this regulation.

Ulaanbaatar investment budget 2013-2015

No	Projects implemented independently by Ulaanbaatar' buget	2013	2014	2015
1	Improving public service	34.004.4	7.412.4	10.333.9
2	City planning, development, infrastructure sector	104.939.9	93.460.5	112.551.2
3	Public sector investments	13.483.3	47.096.1	37.901.8
4	Environment and ecological sector	7.458.4	1.241.7	8.009.8
5	Public Transportation sector	2.392.9	991.1	2.675.5
6	Road development sector	51.044.2	35.382.8	84.459.0
7	City beautification	10.749.5	6.021.6	4.072.4
Total	Total	224.072.6	191.608.2	260.003.6

City investment forecasts 2015-2020

Content	Performance in 2013	Performance in 2014	2015 plan	2015 plan	2015 plan	2015 plan	2015 plan	2015 plan
Development costs /expenses for the implementation of the general plan/	193,665,300	154,134,100	181,079,200	185,564,547	195,716,548	202,657,569	209,489,144	213,055,820

BUSINESS LEADER

O.Amartuvshin: Let business develop with a “stable taxation and legal environment”

By Uuriintuya

The CEO of UFC Group O.Amartuvshin heads the newly established Ulaanbaatar City Chamber of Commerce. He became CEO of Uvs Khuns JSC in 2005. Amartuvshin is considered to be one of the leading businessmen in Mongolia. We discussed Mongolia's business and economic environment and solutions to obstacles the country is currently facing.

How do you see Mongolia's future in the global marketplace?

I wish to see Mongolia to develop to become a most valuable and guaranteed investment target for any investor in the world. In addition, Mongolia must be a place where investment returns are highest.

Uneven taxation regulations and an unstable legal environment cause major issues for investments. The government of Mongolia is trying to set certain things right. Do see any effective approaches made by the government?

Until recently, the economy of Mongolia grew at an incredible pace. Major economies said Mongolia could become one of world's financial centres. Unfortunately, reality changed to the opposite. International organisations are now concluding that Mongolia could become a country with one of the lowest growth rates in Asia. Our uncertain legal environment and actions have added to the situation, resulting in declined FDI. It is time to discuss about building credibility among investors, because FDI is crucial to our country's development. No investor will come to a place where his assets can go worthless at any time. Many consider Oyu Tolgoi and Tavan Tolgoi as just companies. These are not just companies. They are major indicators of Mongolia's economy. They are income sources of Mongolia's growth. However, by looking at the processes of the two projects, there are clear indications of what the business environment in Mongolia currently is. If these megaprojects are giv-



en the go ahead, Mongolia will be able to regain investors' trust. Investors are waiting for how the projects' fates are going to be decided. The Mongolian government is making an effort. Business sector people must offer their help too. If big companies can't make any progress in running a business here, smaller companies can't risk investing in Mongolia.

Everyone agrees that the business environment is bad. Is there any ray of hope that things might turn out better?

With the newly established government in parliament, both national and international investors have high expectations. The government has to act decisively. Investment and cooperation with the private sector is important for a country's growth and development. And it is important that citizens have jobs and incomes. These are fulfilled with the help of investment. Thus, the government should focus on creating jobs. Doing so will enable the needed growth and higher economic indicators.

What important solutions must the government incorporate to support business and expand the economy?

There are about 40,000 active en-

terprises in Mongolia. They all can't be independent from one another. So, big national companies must be established, while at least 10 big projects must be implemented. These will create enough jobs, and thus create income. Having a business pyramid could be an option. This means having big companies running business, which would support smaller companies and so on. However, the government has been trying to run its own business. Instead of that, it should more focus on creating the needed business framework to let the private sector do its job properly. The USD 1.5 billion Chinggis Bond, issued by the government, could have been invested into more profitable sectors. However, the majority of the money has financed projects that give their returns after a long time. We had the chance. But I think the government's irresponsible decision has led to the current economic troubles.

Public-private partnerships are relatively unknown in Mongolia. How should the mechanism develop, in order to make partnerships more effective?

Private-public partnerships were first discussed in Mongolia in 2007 and 2008. The government is the big-

gest customer, and the private sector supplies its needs. The relationship between these two must support each other. In terms of governance, the decision-making process must comply with both sides' interests such as investment amount and repayment due, etc. Without clearing such issues, the government finances projects and the private sector implements them until they both can't continue any further, because of unresolved issues. So transparency in every stage is important for the development of this kind of partnership.

The establishment of the Ulaanbaatar City Chamber of Commerce has sparked some speculation that it will compete or go against the operations of the Mongolian National Chamber of Commerce and Industry. What is your opinion on that?

The goal and scope of both chambers are different. According to Commerce and Industry law, the city can establish its own chamber. In doing so, it should operate independently. Secondly, the decisions are limited to within Ulaanbaatar. The city chamber will not be involved in activities run by the National Chamber. But of course, both chambers will support each other and cooperate if necessary. There should be no conflicts or battles. The city chamber was established with the intention to protect the private sector, to convey their thoughts and opinions, and to cooperate effectively with the public sector. Up to 70 percent of Mongolia's businesses are run in the capital. For that reason, it is obvious that the city should have a chamber of commerce.

How should Mongolia go about becoming an exporting country?

There isn't much to export in Mongolia at the moment. This is because high technology isn't introduced and developed. For this to happen, foreign investment is crucial. The recently signed economic cooperation deal between Japan and Mongolia is a great opportunity to import high technology to Mongolia. Mining is definitely the biggest export sector in the country. No doubt. However, only raw mining products are exported. Value-added end products are still not produced because we lack the technology. Wool and cashmere are exported. However, the majority of the products, still small to international market, are delivered to China. Vodka exports have performed better than others. Foreigners are interested

in Mongolian vodkas. But few deals are being made. Other than that, the offering market is limited. Export must be supported with investment. The taxation basis needs to be broadened. But taxing should not be a priority. Its indirect effects must be increased.

World renowned economist Hans Werner Zinn said in an interview with Mongolian Economy magazine during his visit to Mongolia that the country should develop its internal economy instead of rushing to export. Would you agree with his comments?

We can't start all at once. We don't have the capability. In my opinion, Mongolia has no other option than leaning on its mineral reserves. But it should transfer to more productive mining

rather than transport based mining. Also, besides focusing on coal and iron, the policies must include rare earth material, gold, and copper. Doing so will enable savings possibilities. And with the accumulated money, the government should develop the health and education sectors, which are often regarded here as spending sectors rather than profitable ones. There are countries such as Australia, Thailand and South Korea where these sectors have become one of the main sources of income. Mongolia must convert its natural wealth to intellectual wealth. In that process, the country needs to introduce a high tech industry. The basic requirements for these changes must be a stable and certain taxation and legal environment.



ANSWERS

How the business community views the capital

We talked with business sector representatives about Ulaanbaatar's development, business environment and other vital issues.

J.Od, president of MCS Group



People think that civil society's voice is that of politicians and public organisations. Yet the voice of the business community that operates on a day-to-day basis, creating jobs, paying taxes and creating social resources is not reaching the public. Author Baabar brought up this issue during the Mongolia

Economic Forum. Our first aim is to identify the possibilities that can develop Ulaanbaatar's living conditions and investment environment in cooperation with the Municipality Administration. The second aim is to protect the interests of the private sector operating in the capital and to cooperate with the state. Basically, instability and ambiguity have taken over—not only in Ulaanbaatar, but throughout the whole country as well. It's important to establish sustainable and definite conditions immediately. We consider such an initiative should start from Ulaanbaatar, because the majority of the country's entrepreneurs are operating here in the capital. Today, marching in the streets and making loud noises will not create wealth and develop the country. It's a sad reality that people who are creating social wealth, contributing to the economic growth, paying taxes and living through fair labour are looked upon as guilty. The Ulaanbaatar Chamber of Commerce was established to rectify this situation. In addition, we consider that it's crucial to establish a correct partnership between the public and private sector, so that our country can develop further.

Jim Dwyer, Executive Director of the Business Council of Mongolia



I look forward to traffic congestion being alleviated with bridges, elevated roadways, new trains, access to public parking garages and as much efficient public transport as possible from the new airport to and throughout Ulaanbaatar. Mini-malls and sizable shopping areas with food courts needed. Most importantly, air pollution needs to be dramatically reduced by the elimination and/or upgrade of ger areas. I would love to breathe clean air and be able to see clearly green on the hills surrounding UB-centre city.

D.Onchinsuren, General Director of Deloitte Onch LLC

Private sector partnering with the municipality administration is the best way to stimulate development. More than 60 enterprises joined together and established the Ulaanbaatar Chamber of Commerce in order to start this work. Our company's interest also lies in the partnership between public and pri-



vate sectors. We need a sustainable legal environment for the business sector. Business is something that gets successful results after a time. Therefore, frequent law changes should not be done. The Investment Law should address issues such as sustainability and certification. But first of all, implementing the law is the most important.

Ch.Gankhuyag, CEO of Ard Financial Group



The Chamber of Commerce will defend the interests of entrepreneurs operating in Ulaanbaatar and will be their voice. It means that it will let their voice reach the government. The populists voice their opinions loudly, so we will stand on the other side voice our minds too. Politicians who have common sense will

be more likely to support us. Most of our country's enterprises are operating in our capital city. Foreign invested companies which are investing in Mongolia have their offices only in Ulaanbaatar. The country's main works and activities are happening here in the capital. Most of the population resides here. Therefore, Ulaanbaatar will create business and economic competitiveness. Our capital is the face of Mongolia's development. Therefore, our chamber, which was initiated by our entrepreneurs, will work to not leave every issue to the municipality, but address and develop the city's development hand in hand. In addition, we will work with a vision to make Ulaanbaatar the financial and business hub of the region.

N.Battulga, CEO of IT ZONE



The capital's population is growing day by day, and pressing issues are increasing as well. First of all, private sector participation is a must to develop Ulaanbaatar further and to keep the city's appearance bright. For example, the Shangri-La Hotel project has not only improved the city's appearance, but it also

has brought new culture. Every city must have its own regulations and cultures. The business sector must participate to develop these regulations and cultures. A sustainable legal and tax environment is essential to do this. On the other hand, the capital's cumbersome bureaucratic structure has a high likelihood of exposure to corruption. The business sector needs a more efficient, compact, intelligent, transparent and equitable city administration. Ulaanbaatar needs to identify its own appearance and develop a safe, friendly, business-friendly city that integrates the modern and traditional cultures, and that also has to go by a tourist friendly policy. We have many things to do if we aim to develop the city regionally, especially if we aim to develop Baganuur and Nalaikh as satellite cities and establish high technology education clusters and data centers there.

TRANSPARENCY

Transparent procurement for Ulaanbaatar



By G.Orkhon

The capital is a place that purchases a lot of goods and services, including huge project tenders that are frequently announced here. Unfortunately, words such as corruption, bribery, and bureaucracy are frequently heard in conjunction with big project tenders and business dealings in general.

It's not a secret that people doubt government decisions made behind closed doors. It's difficult to know if a tender was conducted fairly or not. It's easy to understand people's doubt, because there's no information provided for them. Information on who won what kind of bid and why the other competitors lost was completely unavailable. Until now.

Recently, Ulaanbaatar's Municipality Administration started to emphasise its operation transparency and post their information on their website. For example, the city has incorporated e-tendering in its procurement.

The e-tender process is considered to be the most effective way of tendering internationally. Particularly, it's possible to save costs and establish trust if public organisations incorporate e-tendering into its procurement process. Citizens will trust the government more if the government discloses its tax spending to the public. The City

Procurement Office of Ulaanbaatar will use e-tendering throughout this year, and created the opportunity for companies to see tender documents and blueprints for free. The director of the City Procurement Office of Ulaanbaatar Yu.Idertsogt said: "Transparency helps to improve the responsibility of civil servants and tender participants. It directly affects the quality of investment. Healthy, fair competition creates many positive aspects, as it supports the economy and reduces the conditions that create private interests. We have launched many works, and our strategic goal stipulates that the bidding process should be transparent on every level according to the law."

Companies tried to find information about tenders individually by whatever means they could in the past. Today, information about tenders and companies procurement plans is open to the public on seven daily newspapers and 10 websites, because Ulaanbaatar's procurement has become transparent. In addition, Yu.Idertsogt mentioned that the reason for the selection or not of tender participants will be disclosed from now on. By doing so, companies mistakes on tender preparation have declined. While the selection and procurement process has become disclosed to the public, and there's progress on information provided to

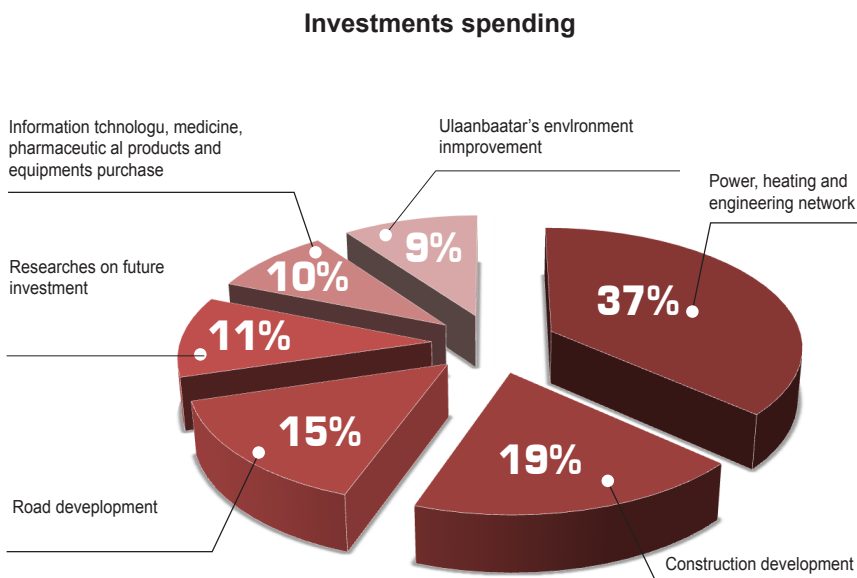
enterprises, further work needs to be done. It would be a misconception to think that Ulaanbaatar's procurement has become transparent by just broadcasting information on many channels. The director of the City Procurement Office of Ulaanbaatar stressed that it's important to make the people and private sector to understand their rights and possibilities to get information from state organisations.

Ulaanbaatar and its district agencies are planning to hold 671 project procurements of MNT 278 billion by the first quarter of this year. The City Procurement Office of Ulaanbaatar is organising MNT 92 billion and 88 projects out of it. It's planned to spend 37 percent of the investment on the power, heat and engineering network, 19 percent on construction development and 15 percent on roads. Yu.Idertsogt said: "Information about these plans was advertised extensively through the media. Entrepreneurs and enterprises are open to participate in the procurements considering their field of activity and locations."

Some of biddings and procurements were delayed because Ulaanbaatar's budget was approved late. Yu.Idertsogt remarked that the city also loses time in establishing an evaluation committee every year. Currently, the City Procurement Office of Ulaanbaatar has 10 proj-

ects unavailable for bidding. He said that the Mayor's decree to establish an Evaluation Committee on four of these 10 projects has delayed them for more than 70 days. Yu.Idertsogt believes that the main reason why tender announcements take such a long time is related to pre-tender preparations.

As for member countries of the International Economic Cooperation and Development Organisation, their government procurements account for 12-13 percent of the country's GDP. International expert at the European Bank for Reconstruction and Development Johannes S.Schnitzer said that Mongolia's government procurement of 27 percent is a very high number. However, international experts consider that Mongolia is moving in the right direction, by incorporating an electronic system in order to reduce this number. The government is implementing an 'E-Store' programme, and doing state organisations' procurements according to the 'General agreement' in order to



reduce their costs. The Mayor's Office of Ulaanbaatar has joined this program. Experts consider that the General Agreement will help many companies to participate in bidding, reduce the price of goods, and support small and

medium sized industries.

Ulaanbaatar's City Procurement Office has improved. They will continue to do professional procurements based on honesty, transparency and knowledge.

PROJECTS AND PROGRAMMES

Asian Development Bank: Ulaanbaatar related projects

L2301-MON: Urban Development Sector Project

The urban development sector in Mongolia faced many challenges including deficiency in the quality of urban infrastructure and services, especially in ger areas; lack of community participation in the management and operation of urban services; lack of cost recovery and inadequate financial management in public services; lack of financial and organizational autonomy of the Public Utilities Service Organizations; lack of capacity of local governments, through the PUSOs, to provide and operate urban infrastructure and facilities, and inadequate urban roads and their poor maintenance in Ulaanbaatar.

ADB stepped in to address these issues with the Urban Development Sector Project. The project, executed by the Ministry of Construction and Urban

Development, aims to improve living conditions and quality of life of the urban population through upgrading basic urban services, roads and facilities. The total project cost is USD 46.3 million, of which ADB finances USD 35.23 million, Government provides USD 9 million equivalent as counterpart funds; DED and the German Agency for Technical Cooperation (GIZ) co-finance USD 1.2 million and USD 0.2 million respectively. While major project activities included provision of clean water and sanitation services in provincial towns, Khailaast, Baruunsalaa and Orbit-Takhilt, roads in UB city totaling 12.5 km were built providing the residents with better access to services and jobs. The project started implementation on 26 Feb 2008 and is due to finish in July 2015.

The Fourth Health Sector Development Project and Fourth Health Sector Development Project-Additional

Financing projects support establishment of a demonstration multifunction general hospital in Songinohairkhan district, the poorest district of Ulaanbaatar. This will include construction of new hospital, equipping the hospital, and introducing innovative management systems. Civil works are planned to start in 2016 and completed by end of 2018. The government aims to use the new demonstration general hospital as a model to be replicated in the nine districts of Ulaanbaatar. This 250-bed hospital will include modern features such as surgical and maternity services, adequate diagnostic and laboratory capacity, integrated management of out- and inpatient departments, model nursing care, proper medical waste management, adequate infection prevention and control measures, and advanced information technology tools for patient and hospital management. Total project cost is USD 41.5 million, where the government is contributing USD 5.5

million, and USD 36 million is funded from ADB.

Urban Transport Development Investment Program

Urban Transport Development Investment Program aims to develop of efficient, safe, and affordable urban transport services in Ulaanbaatar for sustainable economic growth of Ulaanbaatar. The estimated total cost of implementing the program is USD 274.4 million equivalent over the next 6 to 9 years from 2015. The program will help build bus rapid transit (BRT) along the main corridors in Ulaanbaatar; develop infrastructure for urban roads, bridge, intersections; purchase low-emission buses, install an intelligent transport system (ITS) elements, including tick-

eting bus management system (BMS) and bus information system (BIS). The program will be reviewed for the ratification during the 2015 Spring session of the Mongolian Parliament.

Ulaanbaatar Urban Services and Ger Areas Development Investment Program

The program will support the Ulaanbaatar city master plan in upgrading priority service and economic hubs (subcenters) in ger areas, to respond to the urgent need to basic urban and socio-economic services. It will establish a network of six well-developed urban subcenters, providing employment, economic opportunities and urban services, as catalysts for growth. The program implementation time will be up to

9 years (until 2022) and will comprise three tranches/projects.

The program has four outputs: (i) roads and urban services are expanded within priority subcenters, and connectivity between them is improved; (ii) economic and public services in targeted areas are increased; (iii) service providers become more efficient; and (iv) institutions and capacity are strengthened. The total cost of the program is USD 320 million. ADB will provide USD 163.70 million, the European Investment Bank will provide a parallel cofinancing up to EUR 50 million. Project 1 will cost USD 104.52 million. ADB will finance USD 53.70 million. The Municipality of Ulaanbaatar is the executing agency of the program.



PROJECTS AND PROGRAMMES

The Municipality Administration's planned future development

By Elbegsaikhan

What will Ulaanbaatar be like in 2020? In what kind of environment will our children live in 2030? Projects designed for the future are already underway. A ger district redevelopment and construction project and a city flower beautification effort are just two examples of the major works beginning to materialise. The decision to turn distant Ulaanbaatar districts Nalaikh and Baganuur into separate satellite cities was approved on April 3, 2015. Beforehand, the Municipality Administration conducted a referendum among its residents; the initiative to establish satellite cities received support 96 percent of those polled.

Ulaanbaatar's Master Plan is to decentralise the overly congested capital. Today, 40 percent (1.3 million people) of the country's total population lives in Ulaanbaatar. The capital is expected to reach 1.5 million in 2020 and 1.7 million in 2030. There is a great need to act on the decentralising plan that establishes satellite cities and suburbs and develops city district centres in order to balance the city traffic.

The current plan is realistic and achievable, because it is based on in-depth studies and resident surveys. The tasks are being done according to the scheduled planning. Now we're presenting our readers the capital's planned development projects for the near future.

Underground parking



The plan calls for the construction of underground parking lots with playgrounds above throughout 19 locations of the city. The first has been completed in khoroo-17 of Songinokhairkhan district.

Insulation research on prefabricated apartment buildings

Twenty percent of Ulaanbaatar's population lives in old-block apartment buildings built between 1965-2000. Heat loss and insulation has become an issue for these older buildings. By implementing a MNT 431.5 billion project, a 31 percent savings (at 70.3 Gcal/h) can be made, enough to fully supply the large 3rd and 4th districts

Auto Trade Complex

An auto trade complex is being established at 32nd khoroo in Songinokhairkhan district. It's planned to cover an area of 130 hectares. In addition, roads that can smoothly connect the auto trade complex with other regions will be built. An average of 45,000 vehicles are imported per year. As of today, there are nine separate auto markets covering about 25 hectares of land operating in Ulaanbaatar. An estimated 8,000-10,000 customers visit these markets daily, which have around 8,000 tenants. The auto trade markets impacts 50 hectares of its nearby areas. Public and private schools, five public and private hospitals, 4,000 private yards and 3,500 buildings are inside this impact zone. It also badly affects nearly 15,000 residents' health, security and living conditions, and is a major cause of soil pollution.

Mongol Naadam complex

During the annual national summer Naadam festival, nearly 80,000-100,000 people gather at the Central Stadium and 70,000-150,000 at the open horse grounds in Khui Doloon Khudag valley. According to unofficial data, a total of 300,000-350,000 people from the city and provinces gather during the four days of Naadam. During the festival, around 4,000-5,000 foreign tourists visit to watch Naadam. With such high numbers, the sports facilities that have hosted Naadam events in the past are now insufficient, uncomfortable, and below today's standards. Thus, the Citizens' Representative Board approved the proposal of a 'Mongolian Naadam Complex' on September 4, 2013. The complex is going to be built in Khui Doloon Khudag valley. The distance from Genghis square to the new complex's main parking in Khui Doloon Khudag valley is 32 km by road to the western aimags. The total area of Mongol Naadam complex is to be 9,500 hectares.

Construction materials wholesale complex



The Mayor of Ulaanbaatar's decree to relocate the markets for construction materials was issued on October 30, 2013. The plan is to relocate to 113 hectares of land in Nalaikh district on the far eastern outskirts of the city. The location was chosen due to its proximity to rail, and Tuushin LLC will provide freight transportation and logistical services will two km from the new complex. A Construction Material Industrial and Technological Park will be built 3.6 km from there as well.

Downtown's B.Shirendev Street sidewalk

The Municipality plans to build a MNT 2.7 billion elevated sidewalk on B.Shirendev Street in downtown Ulaanbaatar. The sidewalk is to be built from Government Building-4 to the Mongolian Stock Exchange. Ulaanbaatar's nature and environment has become unbalanced following the centralisation of the population. For example, everyone knows about the current air pollution and dust level. In addition, noise disturbance is another pressing problem. The world's major cities set permissible limits to it. According to research by Dr. N.Tugsuren, the noise level along Ulaanbaatar's central road is 71.08- dBA, which is considered as relatively unfavorable. Potential health risks occur if noise levels reach 81 dBA. Speech can't be heard at 71 dBA. A person can talk normally at a lower dBA, around 40-60. In addition to environmental degradation, city residents are lacking housing and social infrastructure. More than 60 percent of Ulaanbaatar's population lives in ger districts throughout the city. According to the general plan, the Municipality Administration has set a goal to bring the modern housing level to 79 percent by 2030.

TEHCHNOGY

Smart Ulaanbaatar

G.Zorig /"Smart Ulaanbaatar" program advisor/

The Smart Ulaanbaatar programme's objective is to establish a city with a streamlined structure, clear regulations, and civil services that meet people's demand and that support the business environment. The programme aims to change the city's operation through subdirectives such as smart governance, smart economy, smart residents, smart services, smart environment and smart life. (Picture 1)

Picture 1. The scope of the programme.

In doing so, the Smart Ulaanbaatar programme will bring local government services closer to citizens and streamline the city's operations. A combination of technologies from developed countries will be incorporated in Ulaanbaatar.

The programme will be implemented in three phases (Picture 2)

Picture 2. Implementation phases

The three phases are: Electron-Ulaanbaatar in 2014-2016; Digital Ulaanbaatar in 2015-2016 and Smart Green Ulaanbaatar in 2016-2020.

Implementation of the programme will see the following changes to be made:

- The city will give cheap, fair and fast service to citizens
- Will establish intelligent information management
- Will become uncorrupted and business friendly city
- Good municipality governance will be established
- A city with an integrated services system
- Public service speed will increase by 50 to 90 percent
- Business operation cost in Ulaanbaatar will reduce by 20 to 50 percent

- Crime will be decrease by more than 20 percent
- Municipality's operational efficiency will increase by 10 to 100 fold in every sector
- People will receive more than 300 services from one window
- A disclosed information channel will be open to every citizen

The programme intends to create a smart city that has compact structure, coherent rules, fast services, comfortable living and work environment, and technological advances. The first step is to introduce fast and civilised advanced technological services and city governance to all sectors of the capital. (Picture 3)

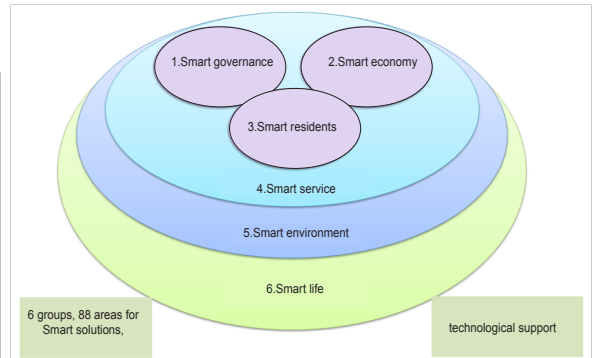
Picture 3. Electron Ulaanbaatar

As a result of these innovations, and with advanced technology, Ulaanbaatar will transform into a modern city. (Picture 4)

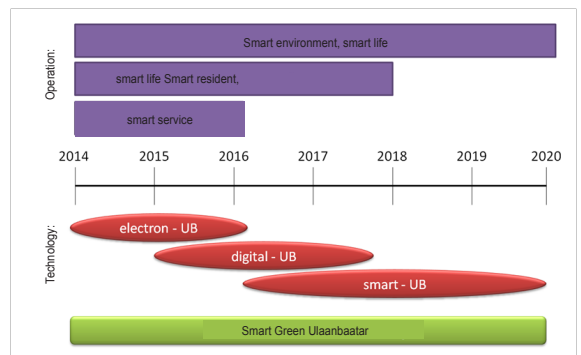
By introducing technological advancements:

- Ulaanbaatar will be a city of high technology.
- Its infrastructure will be administrated more efficiently.
- The entire city will be a wifi zone.
- Every citizen will have access to all the information they need.
- Every citizen will have access from their residence or work to any services, and will be able to control much of those services.

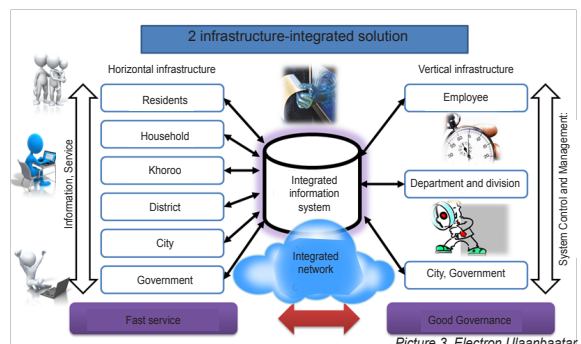
Because of the programme, citizens will have access to fast, fair, cheap, and practical services, and city will have good governance that will administrate more efficiently and without corruption. Most importantly, the introduction of technological advancements means that Ulaanbaatar will become a more ecologically friendly, greener city.



Picture 1. The scope of the programme.



Picture 2. Implementation phases



Picture 3. Electron Ulaanbaatar



Picture 4. Digital Ulaanbaatar

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