

For green development

# MONGOLIAN ECONOMY

NOVEMBER, 2014, ISSUE №18 (076)

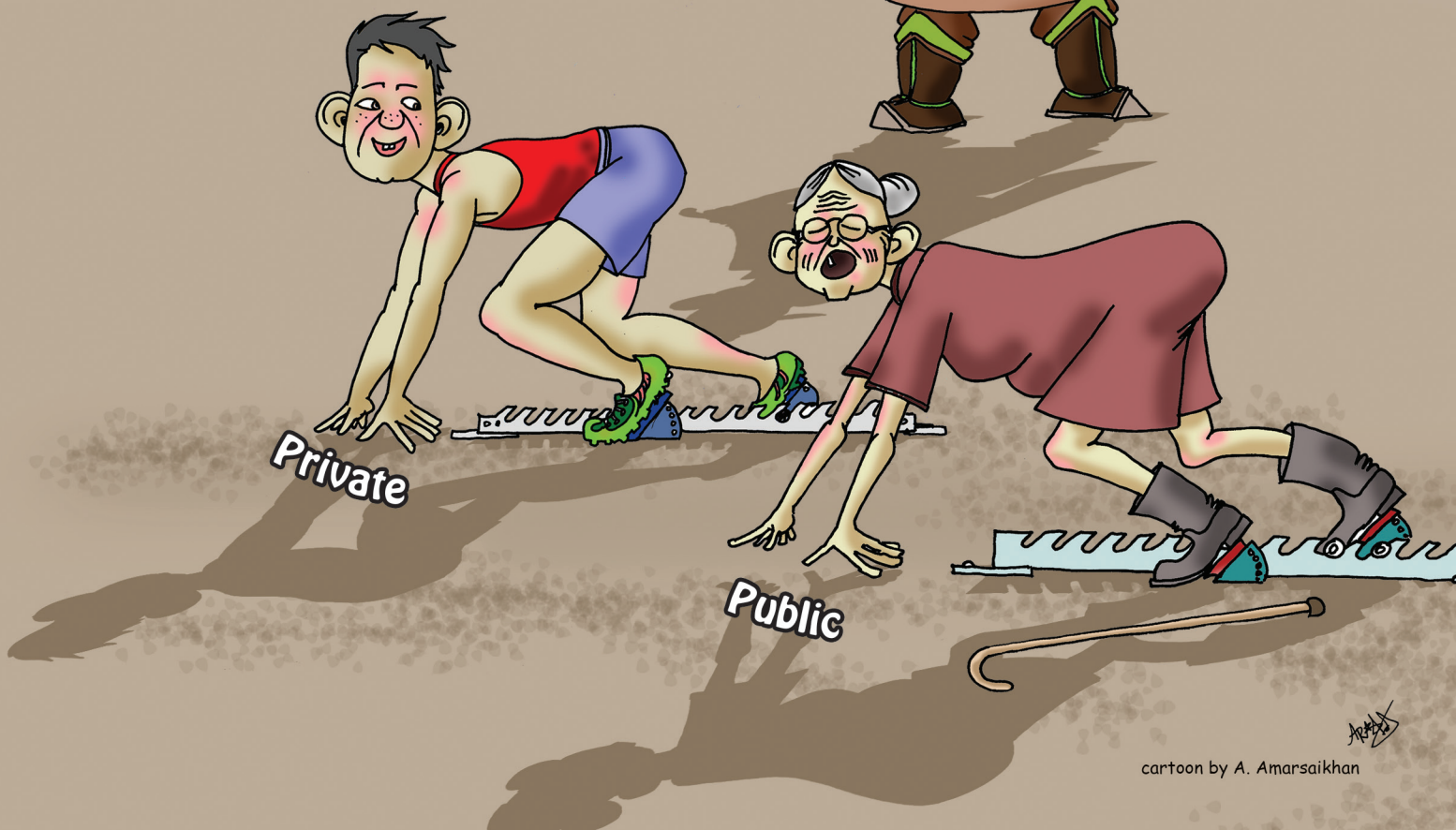
ECONOMY  
IMPROVING HEALTHCARE

TAXATION  
UNCERTAINTY FOR THE COAL  
INDUSTRY

www.mongolianeconomy.mn

Leave us to make  
our own choices.

## ILLNESS IN THE HEALTH SECTOR



cartoon by A. Amarsaikhan



ALGERIA, BAHRAIN, BRUNEI DARUSSALAM, COLOMBIA, CÔTE D'IVOIRE, EGYPT, GABON, GHANA, INDONESIA, JORDAN, KENYA, KUWAIT, MALAYSIA, MEXICO, **MONGOLIA**, MOROCCO, MYANMAR, NIGERIA, OMAN, PAPUA NEW GUINEA, PANAMA, PERU, QATAR, SENEGAL, SAUDI ARABIA, SOUTH AFRICA, THAILAND, THE PHILIPPINES, TUNISIA, TURKEY, UAE: ABU DHABI, UAE: DUBAI, UAE: RAS AL KHAIMAH

# It pays to read the signs

In business, it's rare to find a road that's clearly mapped out. Our reports give you the kind of intelligence you need to drive your business successfully into new markets.

*"Vital information for anyone considering working in the country"— Financial Times*



YEARS OF  
EXCELLENCE

THE INSIDE EDGE

[www.oxfordbusinessgroup.com](http://www.oxfordbusinessgroup.com)  
[mongolia@oxfordbusinessgroup.com](mailto:mongolia@oxfordbusinessgroup.com)



**Wolf Petroleum**  
Mongolian Oil Exploration Company

[www.wolfpetroleum.net](http://www.wolfpetroleum.net)

ASX: **WOF, WOFO, WOFOA**

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



*For a green development*

# MONGOLIAN ECONOMY

## FOUNDER, EDITOR-IN-CHIEF:

D. Bekhbayar / 9999-4248

## FOUNDER, DEPUTY EDITOR:

I. Otgonjargal / 8800-6228

## ENGLISH EDITOR:

Eland Robert Mann

## MEDIA TRAINER:

Lizzy Hoo

## WEB EDITOR:

B. Enkhtsetseg

## JOURNALISTS:

B. Bayartogtokh

E. Zorigt

B. Uuriintuya

S. Batzaya

## DESIGNER:

Sh. Oyundari

## MARKETING MANAGER:

D. Barianjav / 9409-2904

## MONGOLIAN ECONOMY'S PROFESSIONAL COUNCIL

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

B. Bold,  
President of Copper International at RioTinto

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

D. Jargalsaikhan,  
President atMIH Group

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

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

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

## Address:

AB centre-503 Ikh surguulyn Street

6th Khoroo Sukhbaatar District

Ulaanbaatar, Mongolia

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

Ulaanbaatar, Mongolia

URL: [www.mongolianeconomy.mn](http://www.mongolianeconomy.mn)

E-mail: [info@mongolianeconomy.mn](mailto:info@mongolianeconomy.mn)

Tel/Fax: 976 - 7011 5476

Printed at Ulaanbaatar Print Co., LTD

[www.ubprint.mn](http://www.ubprint.mn)

## EDITOR'S NOTE



We are dedicating this issue to healthcare, a topic as relevant today as when we featured it in a previous issue a year and a half ago. The current inefficient health system hasn't changed much in the intervening years. Yet today, we are on the brink of major reform, with a newly proposed Health Mandatory Insurance bill in discussion during this fall session of parliament. Two years ago, few parliament members were interested

in the reforms proposed in the Citizen's Health Insurance bill. Since then, despite the bill's name change, the potential for progressive reform still remains. The law must be passed through parliament this fall. It does not matter how it is named. If it's passed, immediate benefits for every strata of society will follow. Expect to see major changes in the public healthcare system, which for too long has neglected Mongolians. We asked many in the healthcare industry, and they all agreed—the time is now for reform.

A question for you: why should you pay for healthcare?

Shouldn't we pay to prevent health risks and receive medical treatment and services when it's needed? Isn't that the reason why the government's healthcare system—financed by the public Health Insurance Fund—exists?

Every month, two percent of wages from both employees and employers are given to the Health Insurance Fund. Today, the average salary of Mongolians is just MNT 760,000, according to the National Statistics Office. That means employees and employers give away over MNT 14,000 each to health insurance every month—a yearly total of MNT 336,000 paid per working person in order for them to receive medical coverage. Yet in return, few receive even minimal care—a lousy return on investment. We pay, we get sick, but where's the care?

People who have proper jobs prefer to go to private hospitals rather than stand in long lines for low quality services at free public hospitals—it is often impossible to take such a long time off during the day when one works a paying job.

The General Law of Mongolia, Constitution of Mongolia, Article 16-6, states citizens have the "Right to the protection of health and medical care. The procedure and conditions of free medical aid shall be defined by law."

The State pays for the healthcare of the rural herder and the unemployed. The money that the state is obliged to pay is several times lower than that paid by the employed citizens of Mongolia.

The Constitution's article about equality in health protection is not functioning as well as it should—instead it is a system where the heaviest burden is given to the employed population of Mongolia. The people of Mongolia must demand a healthcare system that is fair, in addition to one that has increased competition and access to options.

Today we have only one Health Insurance Fund, a trigger for politicians' interest and greed. Public healthcare means ▶

- ▶ admittance to only public hospitals—already undermanned, undertrained, and underequipped. Allowing public healthcare at only public hospitals is the largest current obstacle to progress in the system.

How can Mongolians happily pay their health insurance when the system itself is so sick? In many foreign countries, people receive proper medical services as long as they have some form of health coverage. When insurance is this reasonable, people pay for it willingly.

Our articles in this issue feature many perspectives on healthcare reform. As long as health is strongly connected to the economy, we will continue with regular updates in the future.

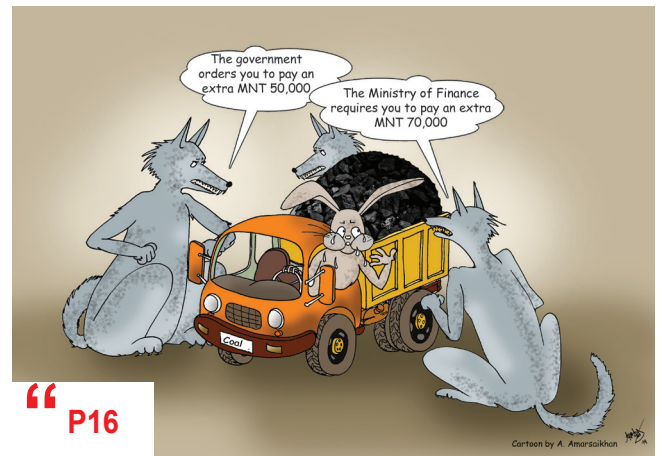
One final piece of news: the next issue of Mongolian Economy will be all about the stock market. The stock market theme is in step with the 20th year anniversary of the establishment of the Financial Regulatory Commission, previously known as the Securities Exchange Commission. To mark this anniversary, we will bring you in-depth coverage on the stock market, in collaboration with the Financial Regulatory Commission, on such topics as stock market products, services such as IPOs, bonds, big players, insurance funds, savings and credit cooperatives, and nonbanking organizations, as well as features on the legal environment, challenges and perspectives. Mongolian Economy will see you soon with a brand new issue full of stock market history, development and regulation. Until then, enjoy our coverage of healthcare reform.

DEPUTY EDITOR I. OTGONJARGAL

## CONTENTS

### ECONOMY

- 8 Healthcare Reform Brought To Life
- 9 Improving Healthcare
- 12 A prescription For Better Healthcare
- 13 Revising VAT
- 16 Uncertainty For The Coal Industry



“ P16

- 18 Aviation Industry Must Spread Its Wings
- 20 Responsible mining and rehabilitation

#### Selling points:

Internom bookstore  
Flower center  
Minj plaza

Altantulkhuur bookstore  
Nomin supermarkets  
Max supermarkets  
Fresco supermarket  
BTSI supermarket

Zig zag autoservice  
Az orchlon bookstore  
Bileg store  
Grand Plaza supermarket  
Mir bookstore:

Grand plaza  
Metro mall  
Sky supermarket  
Ulaanbaatar store  
Max mall



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



facebook.com/MongolianEconomy



twitter.com/EconomyMongolia



youtube.com/user/MongolianEconomy

## MONGOLIA



### Foreign trade deficit

In the first nine months of 2014, the balance of trade deteriorated to a larger than expected deficit, due to stalled mineral exports and low commodity prices on the worldwide marketplace. Mongolia has exported 13.4 million tonnes of coal, 966,000 tonnes of copper concentrate, five million barrels of oil, 80,000 tonnes of zinc ore, and 5.1 tonnes of gold. The subsequent foreign trade total balance shows a deficit of USD 24.4 million, far higher than the mere USD 1.7 million after the same period last year.

### Stock market app

A mobile app for the Mongolian stock exchange is now available on the Apple Store under the name 'MN Stocks'. The finance app provides information about stock prices in near real-time—a less than five minute delay. In addition, users can create their own profile, to create and share lists and favorite stocks.

### Airport infrastructure

Construction that began in June 2013 on the new Ulaanbaatar international airport—south of the city in Khushigtiin Khundii—has achieved 25 percent completion. This includes land development surrounding the airport that is zoned for

industrial and commercial activity, which will provide facilities for the airport and help spur development for the largely unpopulated region. An office building accommodating 1,200 employees, a large-scale well, and heating and waste treatment plants also have been built and furnished. Projects surrounding the airport include three concrete manufacturing facilities and an adjacent laboratory under construction, say officials from the city government. According to the development contract, the new airport is scheduled to open for operation in 2016.

### Railway approved



On October 24th, parliament finally ended its near decade-long debate and passed into law the government's proposed rail transport policy concerning rail gauge and railway construction. In the approved policy, the Tavantolgoi-Gashuunsukhait, Sainshand-Zamiin Uud, and Khuut-Bichigt railway lines are to be built with the narrow gauge, as used by China, and the Erdenet-Ovoot-Arts Suuri, Tavantolgoi-Sainshand-Baruun-Urt-Khuut-Choibalsan, and Khuut-Numrug railway lines are to be broad gauge, as used by Russia. The policy stipulates that if further negotiations with China lead to a more cost-effective and efficient plan for several rail lines connecting to the south, then an update to the

policy may be necessary, as China may facilitate the development and financing of certain bilateral projects including a connecting processing plant. Worldwide, the narrow gauge or standard gauge accounts for 63 percent of all rail tracks, while only 18 percent of tracks use the broad gauge.

## WORLD

### Beijing visit



Z. Enkhbold, chairman of the State Great Khural, met with his Chinese counterpart Zhang Dejiang in Beijing, to discuss increased legislative cooperation between the two countries. In recent months, China has reached out to its 14 neighbors with a new diplomatic agenda defined by policies of “amity, sincerity, mutual benefit and inclusiveness.” The two legislators signed a Memorandum of Understanding, an agreement setting up regular exchanges between the Mongolian and Chinese legislatures. Ties to China have increased since President Xi Jinping's August visit to Ulaanbaatar, when Mongolia agreed to upgrade bilateral relations to a comprehensive strategic partnership.

### Ukraine elections

Pro-West political parties won an overwhelming majority of seats in Parliament, roundly defeating far-right nationalists in a decisive break against Russia's recent meddling influence and Ukraine's

communist past. No candidate from the Communist Party was elected—the first such communist failure in nearly a hundred years of Ukrainian elections. As the pro-Russian insurgence continues to rage in Ukraine's embattled east, separatists were accused of blocking access to polling places throughout their eastern strongholds. Ukraine has been in turmoil since pro-European protests in February forced disgraced former President Victor Yanukovich to flee to Russia.

### China tops US

China has surpassed the



United States as the world's largest economy based on purchasing power parity, according to the IMF. Purchasing power parity (PPP) compares what you can actually buy with your money to the relative cost of living in other countries—that is, how much bang for your buck. Despite the milestone, the US—which has held the top spot in PPP since 1872, according to the Financial Times—remains the leader in nominal GDP. China is projected to exceed the US in nominal GDP in 2020, according to The Economist.

### Singapore best for business

For the ninth year in a row, Singapore is the best country in the world for “doing business,” according to a new report by the World Bank. The World Bank surveys such metrics as the strength of legal institutions, ease of gaining permits, paying taxes, and the length in ▶

▶ time of opening or closing a business. "Economies in the top 20 continued to improve their business regulatory environment," says the report, which also notes that emerging economy improvements correspond with the fostering of better practices and increased regulatory reforms to advance business. The top places in Asia for doing business include Hong Kong at number three, South Korea at five and Mongolia at 72. The World Bank highlights that the ease of doing business has improved in Mongolia, after the implementation of positive reforms designed to protect minority investors and ease the payment of taxes.

#### In advance of APEC



The Asia-Pacific Economic Cooperation summit is being held in Beijing November 10-11 to address regional economic integration, with an expected focus on trade and infrastructure development. President Ts. Elbegdorj is arriving to the conference early to attend the 'Dialogue on Strengthening Connectivity Partnership.' Mongolia is pushing a bid to be the 22nd member of APEC. Both Russia and China support Mongolia's entry into APEC, as reaffirmed during a September meeting of all three heads of state in Dushanbe, Tajikistan. US President Barack Obama is to attend, as is Japanese Prime Minister Shinzo Abe—despite frosty cross-strait relations with rival China that have remained cool ahead of the summit. ■

## # MONGOLIA THE LATEST ON TWITTER

**Asia FrontierCapital** @AsiaFrontierCap – Oct 29

[#Mongolia](#) petitions [#China](#) to waive [#coal](#) import duty [english.news.mn/content/193452.shtml](http://english.news.mn/content/193452.shtml)

**Speaker Z. Enkhbold, during his diplomatic visit to Beijing, insisted that China needs to lower its high coal import tax, to alleviate the pressure put on Mongolian coal miners. China accounts for more than 90 percent of Mongolia's coal exports.**

**Charlotte Simon** @amneris987 – Oct 29

Top 5 Fastest Growing [#Consumer](#) [#Markets](#) in 2014 <http://shar.es/10giQ5> [#Malawi](#) [#SierraLeone](#) [#Turkmenistan](#) [#SaudiArabia](#) [#Mongolia](#)

**Mongolia is the fifth fastest growing consumer market in the world, projected to expand at a year-on-year rate of nearly 12 percent in 2014. Per capita spending is to reach USD 1,785. As Mongolia has a small population and yet one of the highest rates of economic growth over the past decade, medium-term prospects for the Mongolian consumer market remain promising, according to Euromonitor International.**

**MFA Mongolia** @MFAMongolia\_eng Oct 27

MOU on est. Asian Infrastructure Investment Bank signed by [#Mongolia](#) and other 21 states [http://www.mfa.gov.mn/en/index.php?option=com\\_content&view=article&id=3546%3A memorandum-of-understanding-on-establishing-the-asian-infrastructure-investment-bank-signed&catid=94%3A2011-04-18-11-02-11&lang=en](http://www.mfa.gov.mn/en/index.php?option=com_content&view=article&id=3546%3A memorandum-of-understanding-on-establishing-the-asian-infrastructure-investment-bank-signed&catid=94%3A2011-04-18-11-02-11&lang=en) ...

**A Memorandum of Understanding was signed in Beijing on 24 October by Ambassador to China Ts. Sukhbaatar on behalf of Mongolia, regarding the establishment of the Asian Infrastructure Investment Bank (AIIB). Delegates from 22 Asian countries participated in the signing ceremony. The AIIB is to be a Chinese-led alternative to the World Bank, International Monetary Fund and Asian Development Bank. China is to provide most of the initial USD 50 billion in capital.**

**Erdenebulgan Oyun** @oerdenebulgan - Oct 31

In the aftermath of government resignations, stock index of [#Mongolian](#) companies has been decreasing. For instance, MMC sees fall of 27.18 percent in their shares, by 11.50 am today/ 10.31.

**Mongolian mining corporation shares fell due to severe debt pressures. Big news, such as Mongolian government resignations and MMC's additional new shares that are to decrease the percentage of ownership shares, were also strong factors on the drop.**

**GeregMN** @GeregMN – Oct 31

Construction sector sees rise in employment. [#Mongolian](#)

**With 2012's 'Mongolian with job and income' program, 150,000 jobs are targeted to be created by 2016. In the first nine months of this year, 39,935 jobs were added across the country. Most of these jobs, around 7,425, were in the construction sector.**

## HEALTH

# HEALTHCARE REFORM BROUGHT TO LIFE

BY S. BATZAYA

Mongolians spend about USD 70 million to USD 120 million on medical treatment trips abroad every year, say officials from the Health Ministry. This enormous capital outflow for seeking diagnosis and treatment shows the Mongolian health system needs considerable development. To have a job, maintain an income and live happily, you need to stay healthy. This is why every employed person pays a small amount of money from their wages to the public Health Insurance Fund every month. But this contribution from a citizen's salary to their health is not benefiting them. Lately, representatives from the public and private sector have levied heavy criticizing against this abnormal system, calling for changes to be made.

Though the spring session of parliament saw a draft bill introduced to reform the current health insurance law, lawmakers withdrew it. Since the withdrawal, The Ministry of Population Development and Social Protection has reconstructed the law, which is now submitted to Parliament under a new title: Health Mandatory Insurance. We have yet to be informed exactly what or how the new law is to reform public healthcare.

According to a public study, one of every four Mongolians are diagnosed with the virus Hepatitis B or C. Though each citizen pays public health insurance, a more advanced level of medical treatment that requires additional payments is necessary to test whether or not one has Hepatitis. This is one of many examples that highlight the inefficiencies and deficiencies of the current public healthcare system fed by workers' salaries.

## Solidarity breaks

The government budgeted MNT 570 billion for health sector financing in 2014. This sum will be increased by another MNT 200 billion in financing from the Health Insurance Fund. In other words, the healthcare system is spending around MNT 770 billion, but the budgeted financing is mostly finished spending on products and services purchased and given away to hospitals.

Jobless citizens, the elderly, disabled citizens, and children are paid by the state MNT 670 per person per month, a sum of only MNT 8,040 per year. The state paid portion makes up only six percent of the public Health Insurance Fund. On the

contrary, 59 percent of the fund is spent on the aforementioned citizens for their medical needs. In the meantime, working citizens contribute from their salaries about MNT 16,000 monthly, MNT 192,000 per year. It seems unfair to pay health insurance differently—yet this is the basis of the solidarity system.

Ministry of Population Development and Social Protection officials believe that the current system creates inequality in society and leads to negative effects on solidarity.

When a working contributor to the Health Insurance Fund uses services from public hospitals, they aren't protected from facing financial risk. There are many medical services not included in the public ▶



▶ healthcare package. So, even though Mongolians pay the monthly mandatory health insurance, they still need to pay for certain additional services—especially expensive ones. Large payments add huge pressure on working Mongolians, pushing many into poverty. The Asian Development Bank (ADB) has performed research on the correlation between poverty and the health sector. They concluded that people always try to get back good health at any cost, even when they have to sell everything they have if they or any member of their family gets sick. This process leads many families to poverty, states the ADB.

The current hospital system is financed with inpatient and overnight-stay fees imposed by the underfunded hospitals. In other countries, about 3 to 8 percent of the population needs to stay in the hospital for medical service. In Mongolia, this number is at an alarming 25 to 30 percent. It means some patients who don't need to stay at the hospital are lied to and forced to receive inpatient care so that hospitals can charge more from them and the Health Insurance Fund later on for 'service provided'. This practice is tantamount to public healthcare fraud.

## A competitive healthcare system

We need to have choices in health services. Mongolian Investment Holding (MIH) group president D.Jargalsaikhan says, "We want to have a second type of insurance. It can be either private or public. Then the service providers will be forced to compete with each other. Insurance is a financial service. In other words, it's better to disassemble the social welfare components of the Health Insurance Fund. If healthcare is divided into many competing parts, there will be more choices. Now we have the wrong system so we don't have any selection. Money we give to social insurance should be ours. Money concentrated in a public fund which is supposed to provide us services has been mixed with the budget. Now it's time to disconnect these two."

Private sector representatives say that there is no ready recipe for how to achieve healthcare reform. However, instead of saying that there is no recipe, we should at least define our direction.

In order to do that, we should study other countries experience with this issue, say sector representatives.

"The power of policymaker needs to be shifted to hospitals, and insurance organisations should be in charge of financial power in terms of assistance and services in order to develop," says, Ts.Natsagdorj, health economist. Countries such as Estonia and Kyrgyzstan that used to have socialist systems have achieved great success as a result of complex, relevant development policies. One major change was in the governance of hospital. Hospitals became an independent body with the power to manage their human resources, financing and management. Such a process creates responsibility and good practices for everyone who is required to follow.

MIH group president D.Jargalsaikhan insists, "Rather than looking at a country's development level, we can bring good practices from any country who achieved success in a particular sector. But it is important to know in what direction it directs us and if it will benefit us. The health issue is forever. So we should have people's interest set right. But we don't have this right now."

Why shouldn't we receive services differently depending on the amount of money we pay? There is the need to create a legal environment where people can pay to any insurance provider they want, rather than just pay a percentage to the state. If that can happen, and competition enters the marketplace, then the long wait for better, more efficient healthcare will be over. ■

## INTERVIEW

# IMPROVING HEALTHCARE

BY S. AZ

The fall session of parliament will discuss a draft bill for redesigned public healthcare. Spearheading the working group responsible for the bill's development is Member of Parliament S. Odontuya. She also led the working group for a draft bill on healthcare that was discussed during parliament's spring session.

**What is the concept of the proposed healthcare reform bill? How is it different than the previous one?**

The concept is pretty much the same in terms of its subject matter, which was



developed by the working group from the Standing Committee on the previous healthcare draft bill. Few resolutions were added or deleted. Although the new draft, where opinions and ideas from hospitals, ▶

► experts, associated government or non-governmental organisations and citizens were reflected, is improved in various ways. Thus, parliament appointed a new working group to lead the current draft bill's development.

**Although people are taxed for civil healthcare, they still pay for certain medical services that should be covered publicly. For example, if a person wants to be tested for the Hepatitis B or C virus, they will need to pay out of pocket. Citizens give two percent of their monthly salary to public healthcare. Yet they still can't fully benefit from it. How will this problem be solved by the government?**

The proposed law broadens the scope for subsidy and service expenditures that can be paid for by the state's public Health Insurance Fund. In addition, citizens will be able to get medical services at a discount rate from the public Fund, independent from what public or private hospital the citizen visits.

**The current health system is one of social solidarity. However, uneven fees might cause troubles for the sector's further development. Would the law have any impact on this situation—the balance between individualism and solidarity?**

Government healthcare systems around the globe are showing a tendency toward transferring away from individualism and back to solidarity basics, because citizens are more financially pressured when it comes to healthcare costs. An unemployed citizen's healthcare, paid for by the government, differs from the insurance fee paid by working citizens. Although every citizen should pay a certain amount of money to the insurance fund, the monthly MNT 670 fee the government pays into the Health Insurance Fund for non-workers is still too little. For this reason, the insurance fee paid by the government for each citizen should correlate with the minimum

wage level. Thus, the draft bill states that the fee will be set each year depending on the changes in the minimum wage limits. For example, if the fee is said to be 2 percent of the minimum wage limit, then the sum will become MNT 3,844 monthly. And the government will pay that for non-workers, lessening the burden workers now have to contribute more and receive less.

**Up to MNT 780 billion will be spent in the health sector in 2014, about 2.7 percent of Mongolia's GDP. According to the World Health Organisation, a**

---

For Mongolia, at least 5 percent of the GDP should be spent on the healthcare system, to improve and develop the sector. The current 2.7 percent is too little, compared to other countries.

---

**country should spend at least 7 to 9 percent of its GDP in order to develop its health sector. Where is Mongolia's health sector at this juncture?**

If you look at the statistics from other countries, Canada spends USD 6,000, China USD 4,000, and the United States USD 8,000 per capita. The GDP to health services ratio in Canada is 11 percent, China 11 percent, and the USD 17 percent. The social healthcare sector receives quite a large portion of money in these countries. For Mongolia, at least 5 percent of the GDP should be spent on the healthcare system, to improve and develop the sector. The current 2.7 percent is too little, compared to other countries.

**Patients staying in hospitals for treatment pay additional fees, which finance the current outpatient health system. This has led to a situation where those who do not need to be hospitalized are put to bed rest in the hospital to generate more income. Is there any regulation on this matter in the new draft?**

There is. The draft says every service given during the day will be financed from the Health Insurance Fund. In addition, family clinics and rural hospitals will have financial support for outpatient care as well. As such, the hospital will have no need to increase inpatient care to finance outpatient services.

**What kind of innovations do you think the health sector needs? What reform methods would be most beneficial?**

There are 12 national programmes, 19 strategies, and 5 governmental policies approved in the health sector. Although different documents state the need for reform in the sector, an integrated vision is more important. Creating a legal environment that would allow state-owned health service providers to operate independently from the government in the business environment is crucial. This does not mean privatisation. Most hospitals in Mongolia are state-owned. Enabling the possibility to participate in the marketplace fairly and to compete with their services is very important. One important part of the legal environment is the Health Insurance Law. However, that one law has not been enough—we need reform. A few members of parliament and I have recently finished developing a draft bill for healthcare service reform. It soon will be presented to parliament. The most vital part of this bill would be hospital governance, administration and finance. The draft bill presents an integrated vision for healthcare reform. ■



**Green Economic Growth**  
non governmental organization

[www.greengrowth.mn](http://www.greengrowth.mn)

## INSURANCE

# A PRESCRIPTION FOR BETTER HEALTHCARE

BY E. ZORIGT

Both publicly funded healthcare and the private healthcare industry have been topics of debate for some time. G. Mongolkhuu, executive director of National Life Insurance, was invited for an interview to talk about the need for public and private cooperation, to provide the country with better healthcare services. National Life Insurance has been operating since 2007 helping the insured overcome health risks without any financial hardship—less an alternative and more a supplement to public healthcare.

**As executive director of an insurance company, why do you think the insurance system in Mongolia's health sector is underdeveloped?**

The current health system has many issues. First of all, every citizen pays a certain amount of money to the state for healthcare. According to the law, if you are a working person, you have to pay 2 percent from your salary, and your employer pays an additional 2 percent. This means, a total of 4 percent must be paid into the public Health Insurance Fund to be able to get healthcare services. That 4 percent is a uniform threshold. If a person earns high wages, the amount of money that is paid into the Fund will also be high.



The healthcare percentage for the minimum wage limit of MNT 192,000 is about MNT 8,000 a month. For some people who do not pay, like children, pensioners or the unemployed, the government pays into the Fund only MNT 8,000 for an entire year. What is the reason for such a discrepancy? Issues with the government's limited budget could be one reason. On the other hand, the more likely reason is that government wants to mix social welfare with public healthcare. Public healthcare has become a cheap solution for the government's policy on social welfare—to the detriment of everyone. In reality, social welfare and health insurance are two different concepts, which should have two separate funds. The government pays annually a MNT 8,000 healthcare fee for those who need social welfare, especially old people and

children. However, that fee amount is not enough to provide for realistic medical services. So, who is paying for the rest? Those who work and give 4 percent from their salaries. Such healthcare cost pooling is called a system of solidarity. However, the solidarity system in general imposes steady fees for uneven risks. In other words, the working class is asked to carry a bit more of the burden.

**The working class pays more than those that are unemployed, but they often don't get medical services through their healthcare. People who are paying less benefit more. What is the solution for this gap?**

The very first option could be increasing the current sum paid by the government into the fund, bringing it up to the level of minimum wage. This is fair. Healthcare is directly linked to the public Health »

► Insurance Fund. The annual MNT 8,000 should be paid monthly. Then the fund will increase. With increased funds, medical services will improve as well. The Health Insurance Fund as it is today has reached its limit. You have all sorts of discounts even if you go to the public family clinics. In addition, healthcare system services are not sufficient. The solution for these issues is setting a higher government threshold for the Fund's fee.

Unfortunately, people think of the private sector as businesses that seek only profit. This is not the case. The private sector brings out the most healthy and profitable system.

#### Could participation of the private sector improve the competitiveness of the healthcare industry?

Private insurance companies need to involve themselves in this sector. However, this shouldn't be regarded as competition. It should be seen more as cooperation. Unfortunately, people think of the private sector as businesses that seek only profit. This is not the case. The private sector brings out the most healthy and efficient system. Today, a cancer patient sells all his assets or borrows money from relatives to get treatment abroad. Others who don't have any of these options lie there waiting for his day. This is sad. The government should give the private sector the opportunity to operate in this area. The government itself cannot reach these people. Thus, it should cooperate with the private sector in places where the government itself is not able to reach. There are many examples of such cooperation between public and private sectors in other countries. If the government does not want to cooperate, it should at least support the sector with appropriate policies in order to let it function in the healthcare sector.

**What appropriate policy measures could there be?**

In western countries people are able to receive any kind of medical services through their insurance. People can get medicine or have surgery using their insurance. That is not the case in Mongolia. The public and private sector should not be against each other. What is more common? Flu or cancer? Then the government should take care of the flu, while medical services for cancer patients could be provided with the help of the private sector. On the one hand, the government is fulfilling its responsibilities. On the other hand, the risk of cancer is less than that of flu. So, if the private sector becomes involved with the healthcare and insurance issues, the public Health Insurance Fund could have more flexibility than it has today. The more funds, the more improvement in quality of service—however, to implement this, a degree of support is needed. The primary way of support would be bringing the healthcare threshold to a non-percentage

level that is the same across the board for everyone. This would be a universal insurance fee of MNT 8,000 monthly. This is 4 percent of the minimum wage limit. If you have a monthly salary of MNT 500,000, the 4 percent you pay will become MNT 8,000 per month, instead of the current MNT 20,000. You will have MNT 16,000 leftover for yourself. Maybe, with that money you can insure yourself in private insurance companies. This would make your healthcare coverage and access to services better and more efficient. No one should be left out of the future of Mongolia, just because they have an illness. Sadly, the current situation in Mongolia is hard for people who don't have enough money. The blue book you get for public healthcare is mostly useless. In a just system, the working class is protected as well. Those who don't work will try to work in order to pay for their insurance. This would result in a much healthier society. ■

## TAXATION

# REVISING VAT

BY B.BAYARTOGTOKH

It has been while since the government handed a draft bill for VAT (Value-added tax) reform to Parliament. "The bill aims to create a stable business environment by fulfilling fair and clear regulations for taxation as well as supporting economic growth," says Former Minister of Finance Ch.Ulaan. Scheduled for debate in the spring session, the bill was shifted to the fall session for further discussion. If the delays continue, the bill might not see progress until next year.

Mongolia's VAT law, introduced in 1998, has been revised around 30 times in the past 16 years. Changes made so frequently have caused tax loopholes and discounts to expand beyond a reasonable limit, say experts. This has crippled today's taxation system,

states the National Committee for Supporting the Private Sector. The Ministry of Finance opposes such an argument, however, saying it is the nature of taxation to allow discounts and loopholes. As a result, disputes related to taxation have increased.

Reformed VAT draft bills were handed to Parliament twice in the past three years. Neither were approved. The newest try is the third for VAT. This time it's the current government and not the opposition group that is proposing the law—thus, there's an expectation that it will be approved.

## Why VAT?

VAT is considered to be the most effective form of taxation for small countries. However, some criticize VAT ►►

▶ for encouraging small-scale, cash-based services that avoid paying taxes. According to unofficial data, there are over 2,000 enterprises operating illegally in Mongolia—doing business while paying no VAT.

Additional changes have been considered for the current VAT law, such as incorporating trade taxes. According to parliament member S.Bayartsogt, VAT is more efficient for Mongolia than trade taxes. Mongolia has some experience in trade taxes, which have been imposed on manufacturing, import and wholesale trades. Trade taxes are deducted apart from other forms of taxation, which can lead to tax duplication and sometimes tax evasion—reason enough to reject this form of taxation.

Since 2000, taxation income has increased by 23 times, while the state budget increased by 10 times and the economy expanded by 14 times. For this reason, taxation regulations need additional changes and updates. The VAT reform bill aims to improve the current law, enable a more streamlined tax code, and expose the underground economy.

“VAT is regarded as a mechanism to bring order to the financial reports of an organization, enterprise or person. It also decreases the shadow

economy and brings the monetary flow under government monitoring”, said D.Onchinsuren, Director of Deloitte Onch Audit in Ulaanbaatar. The threshold bracket of MNT 50 million in the bill has caught much attention. According to private sector associates, the threshold of MNT 50 million—under USD 27,000 per year—to be imposed by the Minister of Finance might cause tax evasion by many smaller

---

According to unofficial data, there are over 2,000 enterprises operating illegally in Mongolia—doing business while paying no VAT.

---

enterprises. That VAT bill also looks to enable 50 percent of enterprises throughout the country to shift from a paper-based report and invoice system to an online taxation service.

Senior lecturer at the Institute of Finance and Economics Ch.Unurjargal says, “VAT has become a tool to increase the budget. This has caused the true nature and ideology of the law to disappear. One disadvantage of the

law is there are too many discounts and loopholes. If the government wants to support manufacturers, it should go for income taxation and not indirect consumer taxation.” Parliament member Ts.Oyunbaatar, supporting Unurjargal’s ideas, says “Everyone must pay VAT. To make people pay taxes, unnecessary discounts and loopholes must be eliminated. Only a few policy related discounts must stay. The others must be eliminated to as few as possible.”

Entities that pay VAT account for 34 percent in total taxed income, and 85 percent in state budget income. But they make up only 1.25 percent of total enterprises. According to Ch.Nergui, Head of the Policy Planning and Coordination Department at the Mongolian National Chamber of Commerce and Industry, the draft bill, if approved, will increase taxation pressure on tax payers. Many experts criticise the fact that VAT has already been a burden to those who pay it. Businesses insist decreasing VAT to 5 percent will be significant for Mongolia, as it is a developing country and needs government assistance to spur growth.

Currently, VAT exists to make money for the state budget. Total taxation income consisted of 19 percent from VAT in 2000. Now the number has reached 32 percent. As VAT’s importance in the budget grows, reform must follow. ■

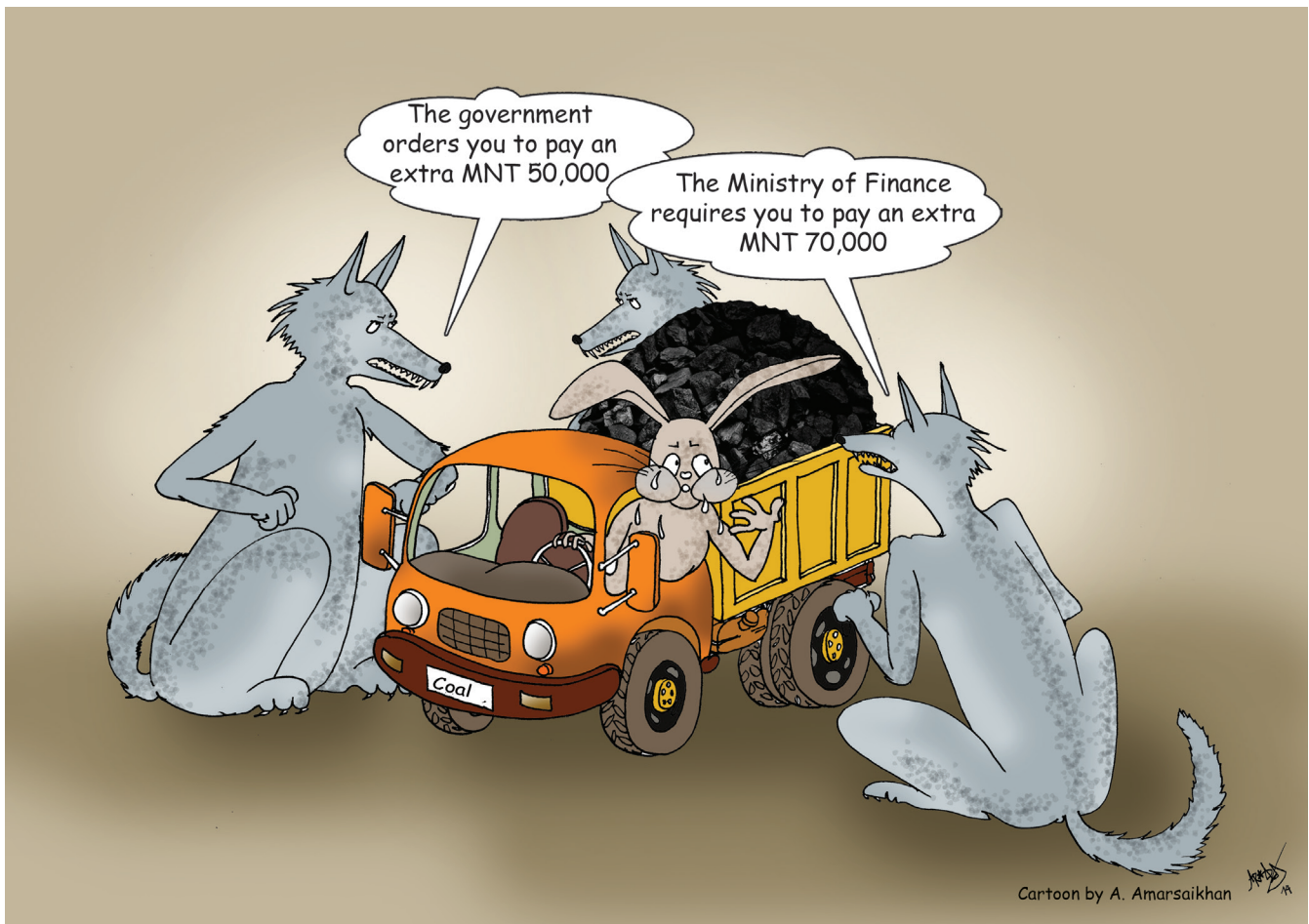


# MONGOLIAN ECONOMY



Mongolian Economy, a bilingual magazine issued twice a month, is the top economics and business news publication in Mongolia.

WEB: [www.mongolianeconomy.mn](http://www.mongolianeconomy.mn)  
E-MAIL: [info@mongolianeconomy.mn](mailto:info@mongolianeconomy.mn)  
TEL: 7011 5476



## TAXATION

# UNCERTAINTY FOR THE COAL INDUSTRY

BY B. UURIINTUYA

There were times when foreign costumers flocked to Mongolian coal. Now Mongolia is nearly begging for its mining products to be bought. Today, only four domestic mining companies out of 10 possible are exporting coal. The industry is struggling to survive the changes in the international coal market—with little help from the government.

## Royalty pains

The coal industry is looked to as a leader in the mining sector, since most of Mongolia's exports come from coal. In theory, the government supports coal exports. Yet the road to hell is paved with good intentions. Last April, the government of Mongolia approved a resolution to allow mining companies to deduct certain taxes from prices signed

in contracts. This would have enabled coal exporters to pay taxes on only the more realistic prices in the marketplace, rather than from the high benchmark prices set by the government. However, the approved resolution is legal only on paper—in practice the law is broken every day.

There are around 20 laws and regulations and 18 types of taxation and fees related to mining. Royalties from ▶

► these cause major problems between the government and exporters. A recent taxation reform draft bill presented this fall session did not include any provisions on mining taxation reform. Some experts in the field feel there is an urgent need to include the matter of mining taxation in this proposed draft bill. Others state the opposite, stating mining is very special for Mongolia and that it needs to have an entirely different tax policy of its own. “You don’t have to put everything in one pot. However, the taxation environment needs to be improved in general. Only then can we talk about tax reforms in mining,” says T.Naran, Director of the Mongolian Coal Association.

## Boom years are over

2009 to 2012 were boom years for mining both internationally and nationally, a time when Mongolia devoted 90 percent of its exports to coal. The government might have thought the boom would last forever. Sadly, commodity prices have dipped globally, while uncertainty in Mongolia’s coal sector has only grown. According to T.Naran, with China’s economic slowdown, Mongolian policymakers have yet to fully understand the opportunities in the new market. In addition, increased competition and interest that other countries have shown in supplying China has caused Mongolia to become one of many on the list of potential providers.

competitiveness,” says T.Naran. “Coal shipments from Australia to China cost around USD 12 to USD 15 per tonne. For Mongolia, the expense for a tonne of coal from Tavantolgoi to Gashuunsukhait costs USD 20 to USD 25. Mongolia should be able to deliver its coal to China’s seaports. Then it will have a chance on the international market. Mongolia shouldn’t push its entire supply onto the Chinese market. It can’t, and it’s also not necessary.”

## Adhering to taxation reform

According to domestic industry experts, the taxation environment is quite flexible in countries where mining plays an important role in the economy. The nearest example is the recent taxation reform imposed by China to support its domestic coal producers. Major players in the world mining market such as China Shenhua Energy Company and China Coal have been losing a sizable portion of their market share to coal imported into China. According to economists and experts from around the world, the Chinese government is implementing this reform in order to overcome the current fall in mining with the least possible risks. The reform will impose a 3 to 6 percent import tariff, or RMB 10-20 per tonne of coal. This would result in profit increases of 8 percent for Shenhua and 16 percent for China Coal, and a 9 percent average for other domestic coal companies.

Mongolia’s national security. Coal exports have a crucial impact on the reserves. Unfortunately, the sector doesn’t know what rules to follow anymore. Although the government has approved the new resolution for taxation imposed on coal exports, producers are still paying royalties based on benchmark prices set in 2012 when coal prices were high. The institutional framework to deduct the taxes at the end of the year is nonexistent.

There are a few reasons for not implementing the new law, officials say. The Ministry of Finance and the General Department of Taxation insist exporters must bring up their standards and classifications for their products. On this matter Ch.Unurjargal, a senior lecturer in the Accounting Department at the Institute of Finance and Economics states, “It is not that taxation is high. The mechanism is at fault.” She adds, “In order to export mining products, exporters must have approved results from the Central Laboratory of Customs. But when their products reach their customers, the results sometimes fail to match the results from their counterparts. This causes taxation issues.”

The issues related to taxation are persistent. Exporters are often accused of secrecy when giving financial reports to the related authorities. “Market price fluctuation might cause problems when calculating royalties based on contract prices,” says Ch.Unurjargal. “Accounting practices have not been very good in Mongolia. The habit of hiding, lying or decreasing real income has always been a huge issue.” Nevertheless, burdening the whole sector because of a few bad cases is having a devastating effect on the sector as well as the economy of Mongolia, said T.Naran.

If the government followed its own law that allowed exporters to deduct taxes from contract prices, then at the end of the year—if financial statements are proved to be correct—tax returns would be given. One of the government’s main aims is to support exporters. At present, iron ore and fluoride exporters are ready to throw in the towel. “Coal could be the next to close its doors,” warned T.Naran. ■

“Coal shipments from Australia to China cost around USD 12 to USD 15 per tonne. For Mongolia, the expense for a tonne of coal from Tavantolgoi to Gashuunsukhait costs USD 20 to USD 25,” says T.Naran, Director of the Mongolian Coal Association.

Mining is a cyclical sector characterized by rises and falls. Currently, the world is facing a fall. For Mongolia, this is the time to try to hold onto its place in the market. “Infrastructure and transportation are the main causes for weak

Mongolia’s foreign exchange reserve is USD 1.3 billion, according to an official statement from the Central Bank. However, if the Central Bank were to pay its foreign debt, this value would be down to USD 0.5 billion, critically jeopardising

## DEVELOPMENT

# AVIATION INDUSTRY MUST SPREAD ITS WINGS

BY B. ENKHTSETSEG

A vast land, an increasing number of millionaires and an overflow of aviation staff is a good foundation for Mongolia's general aviation—but can the country's infrastructure development cater to the sector's growth?

General Aviation (GA) refers to all non-scheduled, non-airline civil aviation both private and commercial—such as gliders, corporate jets, helicopters, flying clubs, and flight training. Although there are only 10 aircraft currently in Mongolia that are classified as GA, that number could increase significantly in the coming years. Mongolia is an emerging economy with a huge territory, two huge factors known to trigger rapid development of GA. Currently, scheduled non-GA flights take up 99 percent of the civil aviation market, while GA companies for recreational flights and air taxi services share only one percent.

GA is the foundation of the airline industry internationally, yet Mongolian GA lags far behind. It is unfortunate that Mongolia, despite its status as the second Asian country to send a cosmonaut into space, still has trouble sending aviators into the clouds.

The groundwork for Mongolian GA was first laid in Socialist times, and initially grew fast. But the sector's importance has waned since democracy took over. According to official statistics, Mongolia initially had 21 aircraft that delivered 363,000 kg of cargo and carried 11,605 passengers in 1958. By 1970, 80 percent

of all Mongolian Airlines (MIAT) flights went to and from 130 different provinces and soums. Even today, 17 out of 21 provinces have aircraft runways—six paved—and control towers.

are flown for business purposes.

In the international marketplace, Asian officials and businesses have been taking GA seriously. Last September, the transport ministers of the 21 member



## An economic boon

The positive economic benefits of GA are many. In the United States, GA contributes more than USD 150 billion to the US economy annually, and employs more than 1.2 million people, according to the General Aviation Manufacturers Association's (GAMA) 2013 General Aviation Statistical Databook & 2014 Industry Outlook. The data also shows that approximately 70 percent of the world's aircraft (209,000) are based in the US. Every year, GA logs almost 25 million flight hours, of which two-thirds

economies of the Asia-Pacific Economic Cooperation (APEC) forum adopted a set of core principles to facilitate business aviation in the region. The Asia-Pacific region more than doubled its market share of annual business aircraft deliveries between 2007 and 2012. "This strong growth is proof that economies in this region recognize that business aviation is not only a productivity tool for business but also helps countries achieve their economic and regional development objectives," said GAMA President and CEO Pete Bunce.

Moreover, Mongolia's two giant ▶▶

▶ neighbors are not just sitting and doing nothing in this sector. China has opened its aviation sector step by step to the outside world, even christening an aircraft supermarket in Beijing last year. In the meantime, Russia announced that an action plan for developing GA, prepared by the government and a special presidential commission, was approved last October.

## Letting general aviation fly

Throughout the world, there are 360,000 aircraft and more than 700,000 pilots that serve in GA. The US and Canada are the biggest players in the market due to their GA development capacity—yet they are also countries with large amounts of land. GA is considered a much needed sector in countries where administrative units are located far apart from each other, especially in areas where the population is scarce.

In Mongolia, there are currently six GA companies that run private commercial flights at a rate of USD 1,500 to USD 4,000 per hour, depending on the type of aircraft. Those prices, however, are 30 percent higher than the world average—they could be brought down to USD 300 to USD 400 for small aircraft in the future.

“Due to seasonal weather difficulties, there are 250 days good for small recreational aircraft flights, which could mean up to 500 to 700 hours annually of flight per aircraft in Mongolia. This would mean a profit per plane of USD 200,000 per year, after fuel and maintenance costs,” said Buren-Erdene Khuldorj, President of the Mongolian General Aviation Association and CEO of Thomas Air, a private aviation company.

He also said that this sector could be built up with only private sector involvement and without the state’s participation or financing—all the government needs to do is establish clear regulations for private pilots, and separate regulations for scheduled big airline and cargo flights from GA legal regulations for smaller aircraft.

Today, Mongolia has reasonable GA facilities, such as take-off and landing runways, pilot training programmes, and

an adequate supply of small aircraft. But there are no regularly employed private pilots, nor a dedicated legal environment to support the industry.

Though GA has de facto inclusion in the Civil Aviation Law of Mongolia, the sector’s policies have always left GA out of sight. Mongolia’s Civil Aviation Law and its regulations, lifted directly from New Zealand’s own, have changed little since 2001. The current law doesn’t support development, nor the ability to maintain, manage and control the stable operation of GA. The government must act urgently to reflect certain GA dedicated policies in the law, and pass a related package of regulations to remove the development barriers of GA.

---

General aviation is considered a much needed sector in countries where administrative units are located far apart from each other, especially in areas where the population is scarce.

---

The aviation sector has potentially many flexible opportunities in the market due to the far-reaching capacity of its services. Some Mongolian companies have been expanding their operation by competing in tender projects outside of Mongolia, surviving by providing services for foreign markets. However, they say that domestic market expansion and legal environment promotion are of the utmost importance for GA development and private growth.

In May 2014, domestic Mongolian airlines Eznis Airways folded, leaving 200 employees without a job. If GA had been developed, those 200 employees could have made a transition to the GA market. Unfortunately, the miniscule existing GA market could do nothing but sympathize with the unemployed,

a situation they are all too familiar with themselves.

The one area that fills most job vacancies in the aviation sector internationally is GA. “According to international standards, it is the chosen method to let young pilots build up their experience and complete flight hours through GA,” says E. Enkhzorig, pilot and Director of the Youth Pilot Association.

The cost to train pilots in developed countries costs an average of USD 80,000 to USD 90,000—often enough to buy a small aircraft. If such aircraft were available in Mongolia, it would be possible to use them to train commercial pilots.

“Due to the employment opportunity shortage in Mongolia’s aviation sector, the rare hiring is followed by a fall in the pilot’s value. Furthermore, hundreds of thousands of state dollars spent on preparing a workforce to meet international standards are wasted. Airline companies drag the value of pilots down, keep the wages low, and use the work agreement as a trap,” says E. Enkhzorig.

Every year, pilots graduate universities in GA leading countries such as the US and Canada. Do they all get jobs as soon as they graduate? No, they say. But an educated and trained workforce is the first step in building the industry. Luckily, GA has this capacity to be launched in Mongolia.

If the high growth of Mongolia stays on track, and the development of local areas is intensified in the coming years, GA is expected to grow rapidly thanks to the private sector. A new civil aviation law, which clarifies some issues facing GA, removes barriers to development, and opens opportunities, is waiting for its turn for reshaping in parliament. A law passed will mean the beginning of a new era in Mongolian aviation—and a new wing to help a diversified Mongolian economy take off. ■

## MINING

# RESPONSIBLE MINING AND REHABILITATION

BY S.AZ

The Mongolian countryside extends in every direction, a beautiful expanse of grassy steppe—flowers dot the ground and trees line the hills. Could this really be the site of a former mine in operation only several years ago? “The field was rehabilitated. Now the grass and plants have grown so fast,” remarks a representative from Mining National Operator LLC, at the site of their recently reclaimed mine in Zaamar soum, Tuv aimag. “Right after exploitation, we start the rehabilitation process.”

Mining National Operator (MNO) has operated a gold mine in Baga Khailaast and Bayangol since 2010. The mining territory is surrounded by mountains, where pine and elm grow in a forest. To the north is grass and various wild plants.

In September 2014, Mining National Operator handed over the former mining territory to the local authority after completing a years-long restoration. First in 2010 they restored 28.1 hectares of an initial field mined in Zaamar. And now again a rehabilitated field mined in 2012 has been returned to the local community of Zaamar. The locals are very content with the MNO’s work.

MNO plans future for rehabilitation before ever breaking ground on a new mine. Fertile soil is removed from the ground, to be later reused in the rehabilitation process. In mountainous areas, fertile soil is about 70-80 cm thick; in other areas the thickness ranges from 20 to 50 cm. MNO performs the rehabilitation process in a very short amount of time. After the technical rehabilitation process, a biological reclamation is performed. MNO grows over 10 different types of plants and flowers. To help the process, MNO often leaves certain patches of

land in the mining field untouched. When rehabilitating, the untouched patches help convert the mine back to its former natural state.

Reviving the ecosystem of a mined field requires hard work and plenty of money. In the first year of rehabilitation, MNO protects the field from animals and grazing cattle. They also install a

drainage system to protect the plants from floods. After a period of diligent work and observation, the local herders are allowed to graze again. MNO also uses standard mining management practices from Australia and Canada that involve the community. They provide local residents jobs through the establishment of the Zaamar Arvijikh cooperative, and employ forestation ▶



*The former mine after rehabilitation..*

MNO's recent accomplishments show technical rehabilitation of 61.9 hectares and biological rehabilitation of 71.75 hectares for the former Bagakhailaast and Bayngol mines. Restoration was completed in September 2014.

- ▶ students from vocational training centres. Locals and students have cooperated in building roads, landscaping and planting trees. Recent accomplishments show technical rehabilitation of 61.9 hectares and biological rehabilitation of 71.75 hectares for the former Bagakhailaast and Bayngol mines. Restoration was completed in September 2014.



## Safety and social responsibility

“Don't be hasty”, “Hello” and “Caution. Caution. Don't hurry”. These words are on printed stickers attached to the vehicles and equipment of the workers, calling for a safe working environment. Safety is the MNO's primary principle. There is a hospital onsite. Facilities also include a laboratory, a vehicle service centre, and employee rest and recreation houses that were developed in Canada. Mining National Operator likewise believes in social responsibility. MNO has completed numerous construction projects in Zaamar soum, and supports local business and enterprise. Last year, MNO invested more than MNT 100 million in the region. “We are presenting what we have accomplished to the local residents, so that they have the right perception of the MNO's operation. This is the second time we have organised such a presentation. It is very important for us that locals have a good understanding about what we do,” said Sh.Lhamsuren, Executive Director of Mining National Operator.

Mongolia has witnessed rapid development in mining in recent years. There are companies that take treasures out of the ground and leave nothing but unproductive holes, eyesores, and an angry local community. On the contrary, there are leaders like Mining National Operator that work hard to return nature to its original state, while supporting local initiatives. Responsible mining and rehabilitation are positive trends that must see continued implementation and development in Mongolia.

**What do residents of Zaamar soum think of Mining National Operator's work?**

**Nyamdorj, head of the Zaamar soum Council**



“Mining National Operator, which conducts mining in the region of Zaamar soum, has presented what they have done. They successfully organised ‘National rehabilitation training’ in 2013. The company is one of the best in implementing rehabilitation according to the highest standards. It cooperates closely with local residents and administrators. In the scope of this cooperation, MNO invested over MNT 100 million in the soum for the 90th anniversary of its establishment. In addition, a mutual agreement was signed to cooperate in agriculture. In order to build infrastructure, 20 families were included in creating an example district. There are 23 enterprises operating in mining in Zaamar soum. Mining National Operator has been conducting rehabilitation on time and with great responsibility. We, as a council, are satisfied with their work.”

**Ch.Bayartsetseg, Deputy Mayor of Zaamar soum**



“Mining National Operator has been operating actively in Zaamar since 2011. Besides cooperating with the locals, it is one of the companies that has accomplished a great deal of technical and biological rehabilitation in the region. It was wonderful to see them presenting their work to the residents. MNO should be a role model for other mining companies. We are very satisfied with the way rehabilitation is done after exploitation.” ■