

*For green development*

# MONGOLIAN ECONOMY



MARCH, 2014, ISSUE №05 (063)

THE  
WATER  
ISSUE  
PART I

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WATER  
CHANGES  
EVERYTHING

WHERE DID ALL  
THE WATER GO?

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# MONGOLIA ECONOMIC FORUM 2014

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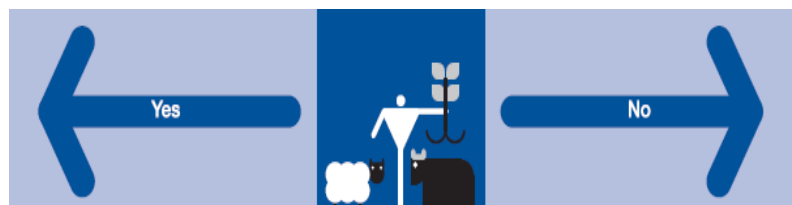
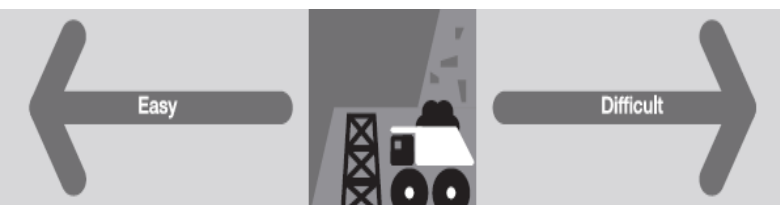
5<sup>th</sup> annual meeting of Mongolia Economic Forum will be held on March 24<sup>th</sup> and 25<sup>th</sup>, 2014 at State Palace.

During this two day meeting participants will discuss topics related to future of Mongolia and many more social and economical hot topics. World Economic Forum's project team will also present The Scenarios for Mongolia during the meeting.

Online registration: <http://meforum.mn/registration/>

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# MONGOLIAN ECONOMY

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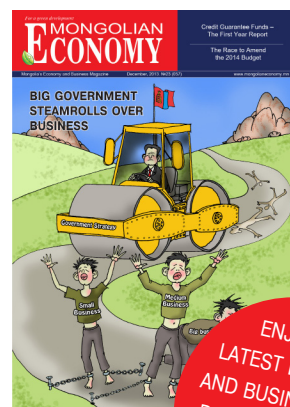
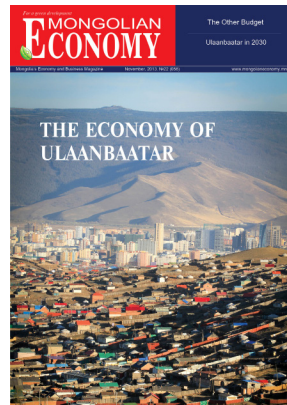
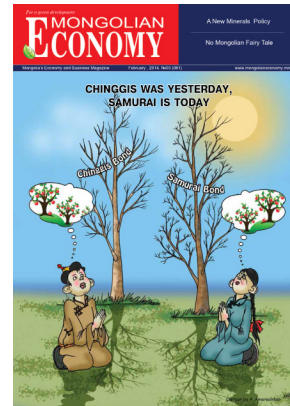
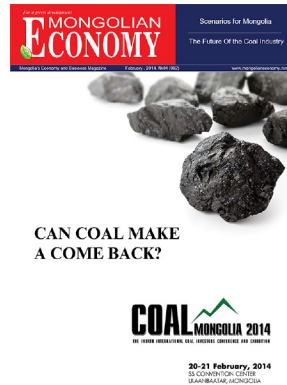
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Without grey water, some estimates see Mongolia's water resources exhausted by 2020.

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Mongolian Economy journalists went to Arkhust to interview local herder Ch. Purevjal, a three-time recipient of the 'Best Herder' award for Tuv.

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### MONGOLIAN ECONOMY'S PROFESSIONAL COUNCIL

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Grand Plaza supermarket  
Mir bookstore:  
Grand plaza  
Metro mall  
Sky supermarket  
Ulaanbaatar store  
Max mall

## MONGOLIA

### Tax

The State Great Khural will discuss amendments to the Law on Value-added Tax (VAT) to evaluate the criteria for registration as a VAT payer.

The amendment would raise the ceiling of the tax to MNT 50 million and the ceiling for voluntary registration to MNT 10 million. By raising the ceiling of registration, some 50 percent of small business tax payers would be exempt from requirements such as reporting on VAT payments, book-keeping, and the collection of receipts. According to an estimate by the Ministry of Finance, the sales revenue of most tax payers ranged between MNT 50 million to MNT 1.5 billion by the end of last year.

### Industrialisation



The government has received 1,151 project proposals for its programme to help finance the drive towards the industrialisation of Mongolia. Of the proposals received, 776 projects have the goal of replacing imported goods with domestically produced alternatives, and 121 projects would provide greater exports.

The main theme of this year's Mongolia Economic Forum to be held this month is "Let us create in Mongolia."

### Employment

The government has launched eight programmes that aim to enhance employment opportunities in Mongolia, creating 52,000 new jobs nationwide. That includes 29,000 new jobs outside of Ulaanbaatar. Some 40 percent of jobs created were in construction and processing industries.



Last year, the number of graduates from vocational training centres totalled 6,417 while the government was employing its programme to prepare specialised employees in Mongolia, with 79 percent graduates receiving employment. Since then the employee market has seen 7,000 recruitment orders for job vacancies from 1,000 organisations.

The number of registered individuals wanting vocational training was 12,000 when last counted. Also a database has been created at the national level for the establishment of an online job exchange programme in 345 locations, reaching every county and district with Internet in Mongolia.

### Extractive Industries

Mongolia had 1,514 mining licence holders, 11 companies that entered into oil production sharing agreements, and six companies that held radioactive minerals licences in Mongolia

in 2012, according to an Extractive Industries Transparency Initiative (EITI) report. The financial statements of the 200 companies that paid more than MNT 40 million were undergoing audits. The sum total of taxes paid by these companies was MNT 594 billion, or 33 percent of 2012 budget revenue.

### Transportation

2013 saw the construction of 1,560 kilometres of road in Mongolia for the total cost of MNT 974 billion, paid for by the state budget and with foreign aid. Additionally, some 264 kilometres of unfinished road from 2012 was also commissioned last year, increasing sum total length of roads in Mongolia to 1,824 kilometres, which is the equivalent to the length of road between 2007 and 2013.

Mongolia has had the goal to connect every province with Ulaanbaatar for six years. There are still some unfinished roads in the



provinces of Khuvsgul, Dornod and Umnugobi, but this year these unfinished roads are expected to be completed. That is in addition to the roads that connect to Sukhbaatar, Gobi-Altai and Zavkhan.

### Water Management

The government has introduced new regulations for its repayment to companies



employing groundwater exploration so that repayment will be reflected in the annual budget estimate. The government hopes to reduce exploration costs through the programme. Mongolia had 218 water deposits as of 2013, at sites where exploration was carried out and resources were proven using state financing.

### Banking and Finance

The Mongolian Bankers Association (MBA) will partici-



pate in Global Money Week, an international event for the promotion of child and youth finance to be held March 10 to 17. This international event aims to provide helpful information to youths, such as how they can save money and how to find employment.

A total 33,000 children from 21 countries participated in the event in 2012; while last year the event welcomed more than a million children from 80 countries and involved some 403 organisations. The Mongolian Bankers Association also plans to organise several activities to support financial education for young people as part of the event.

## WORLD

## Euro Zone

Eurozone consumer prices fell in January at their fastest-ever pace on a monthly basis, Reuters reported, citing the EU's statistics office Eurostat. The inflation rate dropped by 1.1 percent in January when compared with December, keeping the annual inflation rate at 0.8 percent for a second month in a row. The annual rate was influenced by a 1.2 percent decline in the highly volatile prices of energy and was dragged down by a slump in the cost of non-energy industrial goods.

## China

China home prices have suggested a potential cooling off in the housing sector at the start of this year. Average new home prices in China's 70 major cities rose 9.6 percent in January from one year ago, easing from December's 9.9 percent increase. This is the first slowdown in the rate of price increases in 14 months, since November 2012.

## Ukraine

Ukrainian lawmakers have appointed Stepan Kubiv, the ex-chairman of Lviv-based VAT Kredobank, to head the central bank. The bank's new chief plans to invite an International Monetary Fund mission. The temporary Ukrainian government earlier said it needs USD 35 billion of financial assistance. Arseny Yatsenyuk, the leader of the Batkivshhina parliamentary faction and a candidate for the prime minister, said that the new authorities should put the National Bank "under control." The national treasury "has been embezzled and the country

has been made bankrupt," he said.

## Foreign Banking and Finance

JP Morgan announced it would cut 8,000 jobs in its mortgage and retail banking sections as those businesses continue to shrink. The bank had previously announced about half of those cuts, but said it was eliminating more positions to save costs. Last year, JP Morgan laid off more than 16,500 bankers in those areas. It has been hit particularly hard by a decline in mortgage refinancing due to rising interest rates. Interest rates have been rising in the United States as the Federal Reserve begins to slow down its stimulus efforts.

## Silicon Valley

Facebook Chief Executive Officer Mark Zuckerberg

said WhatsApp, which his social-media company agreed to buy last week, was "worth more than \$19 billion," Bloomberg reported. The mobile-messaging startup was "a great fit for us," Zuckerberg said at the Mobile World Congress in Barcelona. "It's the most engaging app we've ever seen exist on mobile by far." Zuckerberg said he is seeking three to five phone companies as partners to connect billions of people to the Internet that don't yet have access.

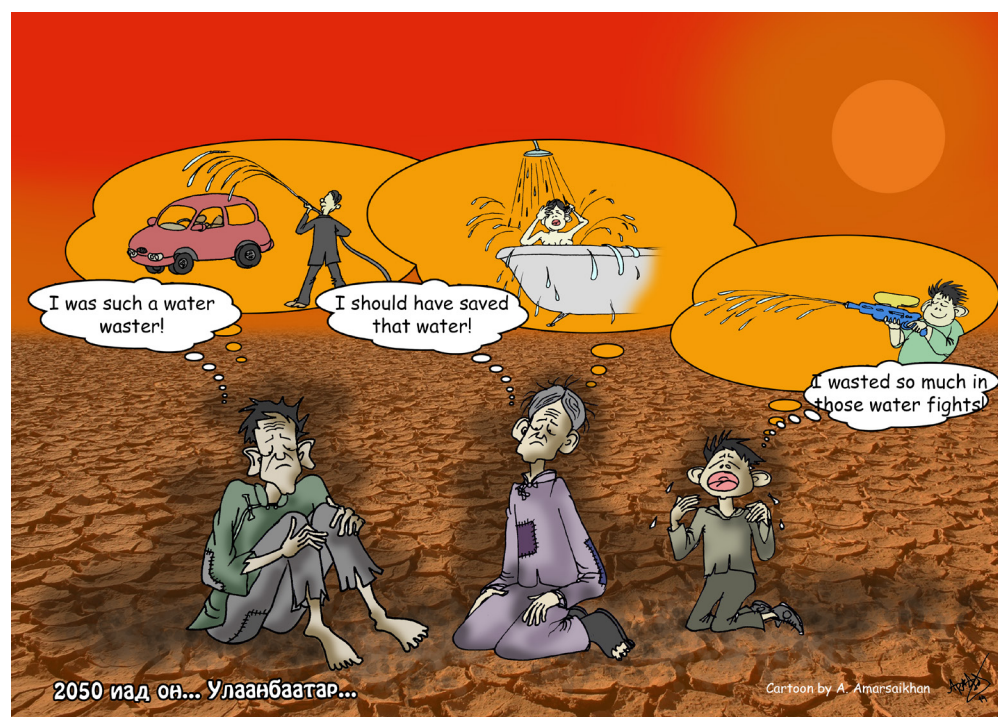
## Mobile Tech

The next iteration of Samsung's Galaxy smartphone range will feature biometric security, the company has announced. In a similar way to Apple's iPhone 5, the main button on the front of the device doubles as a fingerprint scanner used to

unlock the device. The S5, which is water and dust-resistant will be available in April. South Korea-based Samsung, the market leader in smartphone sales worldwide, also claimed to have made the "world's fastest" auto-focusing camera.

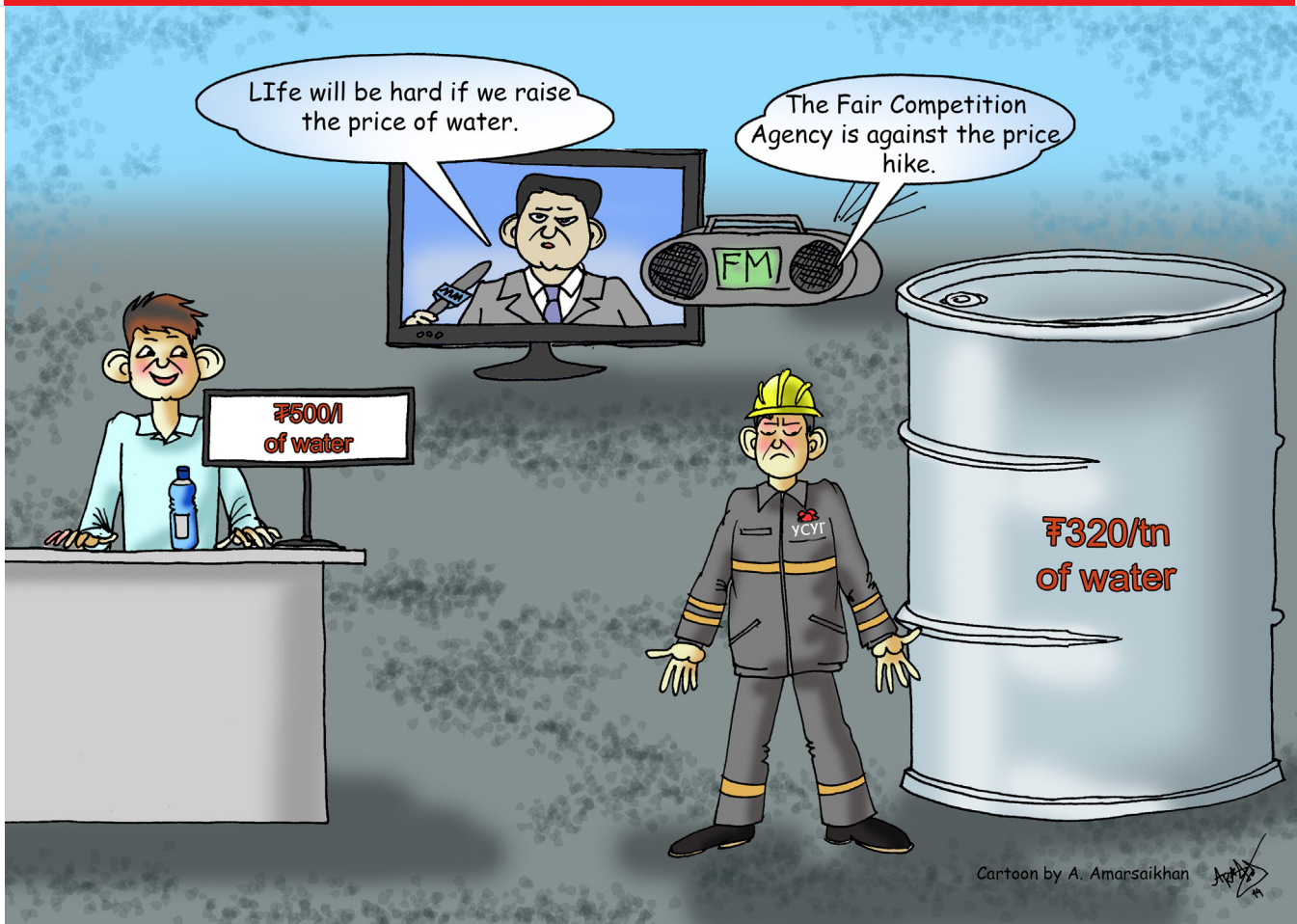
## Social Networking

Professional networking service LinkedIn has launched a beta or test version of its Chinese language site. The firm said the move was aimed at offering a more localised service to its users in China. It is expected to boost LinkedIn's growth in China – where rival social networking firms such as Facebook and Twitter continue to remain blocked. China is the world's largest internet market with more than 500 million internet users. ■



2050 иад он... Улаанбаатар...

Cartoon by A. Amarsaikhan



## FEATURE

# THE VALUE OF WATER

BY I. OTGON

**W**ater is the life source of all living creatures and the foundation of development. This edition is the first of a two-part series on water management in Mongolia. Mongolian Economy aims to provide readers with a true depiction of what water means to this country and its people in the lead up to World Water Day on March 22.

This issue includes information about the current water challenges in Mongolia, the solutions to address these challenges and the outcomes of projects both ongoing and completed. There are also some simple and useful tips on how you too can save water each day.

As urbanisation and industrialisation increases in Ulaanbaatar, the issues around water demand are coming to the surface. Today, the price of water is a paltry sum per litre. The value of water in Mongolia is not reflected in its price. Water service providers here struggle to operate and some are nearly bankrupt. Comparatively in other countries the cost for water has grown, forcing their residents to consider how much water they are using.

For our month-long campaign Mongolian Economy has collaborated with several organisations, including the Water Supply and Sewerage Authority of Ulaanbaatar City, the Water Service Regulatory Commission, the Mongolian Water Partnership and several Mongolian scientists and researchers in the water sector. We urge the public to join us in our campaign.

Local media involvement in raising awareness among the general public regarding water management issues is very important to prevent water scarcity and create the environment for appropriate water consumption and use. It is also important for companies to consider their water usage as part of their corporate social responsibility campaigns as well.

Today we need to highlight the rate of our country's water consumption. How we use water and whether we need to revise the price of water – a rate unchanged since 1990 – are questions fast becoming crucial to Mongolian society. This special edition coverage on water is motivated by our desire to share our concern with the public. The value of water is a global theme that affects everyone. Join us in raising the awareness on the value of water. ■

## ISSUE

# WHERE DID ALL THE WATER GO?

BY I. OTGONJARGAL

Mongolian Economy explores Ulaanbaatar's water threat as part of this issue's 'water theme'

Much attention is given to mining and the industry's effect on groundwater supply, but the battle for Mongolia's urban water supply is also of great concern.

In Ulaanbaatar, water is used inefficiently by its citizens, organisations and factories connected to the centralised water supply and sewerage network. The land of the eternal blue sky gets a measly 230 millimetres of annual rainfall. In 70 percent of the country surface water is very limited; meanwhile 22 percent of total water resources originate from the Gobi and 78 percent from the mountains. Grey water is largely unheard of so the same water used for drinking is used to flush toilets. (See Figure 1)

There is an obvious water supply problem in Mongolia. Raising the price of water may change the way residents think about water use. The price of water has not changed since the 1990s, when Mongolia transitioned from a planned to a market economy. There is also a huge disparity in the price people pay for water, depending on the type of home. Apartment dwellers pay MNT 0.32 per litre, while ger district residents pay triple that amount for MNT 1 per litre. Companies pay MNT 0.55 per litre.

Water agencies in Mongolia are meanwhile on the brink of bankruptcy. The Water Supply and Sewerage Authority (USUG) operates at a loss of MNT 10 million a day. For example, USUG spends MNT 7,900 on a single truck able to transport five tonnes of water for delivery to ger districts. With a price tag of MNT 1 per litre, that five tonnes of water stands to earn just MNT 5,000 for a loss of MNT 2,900.

Half a year ago USUG and other water

agencies handed in a proposal to the Water Services Regulatory Commission of Mongolia (WSRC) that argued for the need to increase water prices to recover the losses they were experiencing. In WSRC's revision of the proposal it suggests that the price of water paid by ger district consumers should not be changed because those residents already have access to alternative water truck services and the incomes of households in those areas were already low. The commission also noted that ger households had much more controlled daily consumption than their counterparts in Ulaanbaatar's apartments.

According to a study by USUG, water consumption per ger district household ranges from eight to 10 litres a day while apartment dwellers consume 250 litres of water a day. Raising the price of water may affect the way those living in apartments treat their water. In addition to price increases, an integrated water management policy is also needed.

WSRC suggested that apartment residents pay an additional MNT 0.18 per litre to MNT .5 per litre. However, the proposal has not received a decision by the Authority for Fair Competition and Consumers Protection (AFCCP), and its position on the proposal is unclear.

The Law on Water puts the responsibility of price setting with WSRC, which

was established in 2012. But AFCCP must grant permission to WSRC to do change prices, according to WSRC Director Ch. Erdenenchimeg,

"Since October 2012, WSRC has been carrying out research and submitting the outcomes to AFCCP on the necessity of increasing the price of water aimed at addressing the financial difficulties of water service providers," she said.

AFCCP held on to the proposal for a year and was supposed to make a decision this past January, but the agency put off the decision to a new, undetermined date. Its concern is largely what public reaction to the price hike might be. Also, AFCCP said the organisations are biased in their conclusions in the proposal and instead they should focus on raising public awareness for better water management.

There is also the suggestion by some that USUG's water price hike proposal for apartment residents to MNT 0.5 per litre is too low. Instead, the price should have been increased to MNT 1 per litre – the current price paid by ger district residents.

Water pricing is a very important issue related to Ulaanbaatar's water security. There are 366 kilometres of fresh water pipelines in Ulaanbaatar, which were built in the early 1960s. There has been no maintenance and renovation to these pipelines since then. This is the freshest ▶

## Water resources in Mongolia

| No. | Type of water resource | Total estimated resources by km <sup>3</sup> | Total proven resources by km <sup>3</sup> |
|-----|------------------------|--|---|
| 1   | Surface water          | 597.5  | 4.96                                      |
| 2   | Lakes                  | 500  |   |
| 3   | Glaciers               | 62.9   |   |
| 4   | Rivers                 | 34.6   | 4.96                                      |
| 5   | Groundwater            | 12   | 5.6                                       |
| 6   | Total water resources  | 609.5  | 10.56                                     |

► groundwater in Mongolia, according to USUG.

Urban growth and development of the mining industry will put tremendous pressure on the groundwater supply at the Tuul River. Water professionals say a complete study on Ulaanbaatar's water resources has never been done. However, some smaller studies are under way by both foreign and Mongolian research organisations. For example, a number of ger district households and factories in Ulaanbaatar own private wells, and no study has ever looked at their impact.

Water experts at USUG say that water resources could be exhausted by 2016 if no change is made in today's unregulated water consumption and use by Ulaanbaatar. Monitoring is needed, and more value should be

placed on resources.

Grey water technology would be on way to help retain water supplies.

Mongolia already has its state policy for water resources. It also set a strategic goal aimed at protecting water resources and increasing surface water consumption to meet the growing water demand with the approval of the 2012 Law on Water and the 2010 National Water Programme. Implementation of such legislation has been challenging, however.

Water scarcity is not just a problem for the capital. Big mining operations in the Gobi desert constantly put water resources to the test. The Gobi has very little surface water, comprising 0.03 percent of total surface water in Mongolia.

The main source of water in the Gobi is underground aquifers, with 60 percent of

total groundwater resources in Mongolia located in Gobi areas. That groundwater is not of much use for drinking, however, due to high levels of substances such as fluoride, iron and uranium.

Water consumed for agricultural uses is also cause for strain. In some places the volume of water consumption per head of livestock is low – and the same often goes per individual. Many herders transport water from far off distance to give their livestock.

It is hard to imagine a life without water while there is currently always a fresh supply readily available. Better water management through measures such as raising the cost for its consumption may be what Ulaanbaatar's citizens need to place more value on their freshwater supply. ■

## MONGOLIAN ECONOMY MAGAZINE QUESTION

### Do you think water is valued in Ulaanbaatar? Do you think it is necessary to increase the price of water?

#### S. Enkhjargal, 16th Khoroo, Sukhbaatar district:



Water is the most valuable thing on our planet. If the price of water really needs to be increased, it should be for the largest water users. For instance, ger district residents need to fetch water from water kiosk throughout the year. First, services provided by the

water kiosks needs to be improved. Then, the price of water could be increased if necessary. For apartment residents, they are doing everything according to current regulations, such as having a water metre installed and making water payments on time.

#### Ch. Batsukh, 13th Khoroo, Bayanzurkh district:



Every Mongolian knows that water is the most precious thing. This is a tradition from ancient times. Recently, an increasing number of manufacturers and companies have caused water pollution. Because of this, water protection issues seemed to be more important than

water use issues. On the other hand, the price of water could be increased. At the same time, the quality issue needs to be considered and whether the water quality meets a hygienic standard or not. Today we find tap water with too much chlorination. Sometimes there is even rust and chalk in tap water. Hence the quality of water is poor, and if the price is increased, would there be anybody who will like it? So, if tap water is cleaned completely, then we can bring up the price issue.

#### D. Ganzorig, 13th Khoroo, Sukhbaatar district:



My answer to this question is yes. But we need to consider some issues. How many apartments have water metres? If the water metre is not installed in the majority of them, the price increase could cause high water bills. In this regard, there might

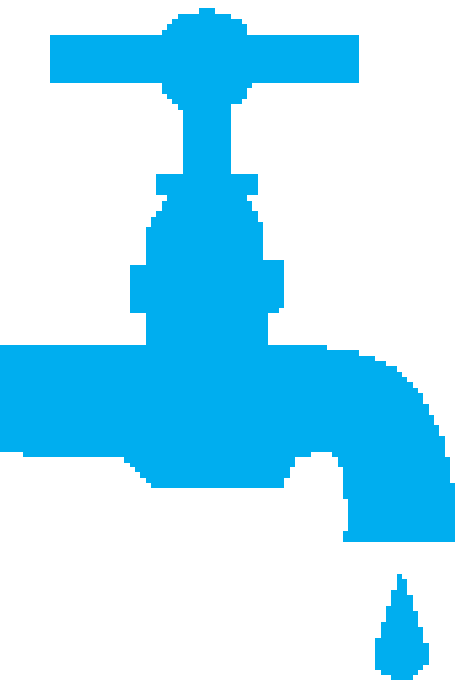
be criticism and comments from citizens. Are price increases the right step forward to increase the value of water? Instead, public awareness on the value of water might be better for the next generation. I think that more intelligent people can achieve more results in this area rather than more wealthy people.

#### Yu. Oyunsuvd, 12th Khoroo, Chingeltei district:



One thing surprises me – ger district residents pay a higher price for water even when they have to collect it from the water kiosk. But, apartment residents just turn the tap on to have water and pay a much cheaper price. Yet they consume

much more water. In general, apartment residents consume water inefficiently. For example, ger district households consume a litre of water for washing dishes and afterwards they may use it for washing the floor. But apartment households don't even turn the tap off when they wash a single dish. When we wash floor, the same fresh water is used. The price of water needs to be increased. ■



When the Ulsan/Seoul population grows, water consumption rises. As a result, the groundwater level that is replenished from the Tual River Basin is reduced by 15 metres **6 years**

**2. INITIAL WATER ECONOMIC GROWTH**



# BE WATER WISE



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



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



Take shorter showers and try not to use the bath.



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



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



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



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



Wash your dishes by hand and avoid using the dishwasher.



Install water saving showerheads and toilets.



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



**Green Economic Growth**  
non governmental organization

## LAW

# IS GREY WATER NEEDED?

BY S. ZAYA

Mongolia's water consumption is quickly running its supply dry. Fresh water is used for most every daily chore. And there is never any mention of treatment and reuse of water to produce so-called grey water for the use of chores at home, irrigation, and replenishing water sources or creating new ones.

Grey water has become a hot topic among members of the State Great Khural, but has not yet been formally addressed. The inaction is despite the fact that there was talk that grey water use would be included in Mongolian law by the end of 2011.

Without grey water, some estimates see Mongolia's water resources exhausted by 2020. It is very important for Mongolia to use grey water. Ulaanbaatar Mayor Erdeniin Bat-Uul in December 2012 ordered that grey water use be reflected in the design of new apartments in Ulaanbaatar. Unfortunately, projects did not adhere to this order because there is no specific standard for grey water use.

The framework for grey water use is still in the early stages. Feedback from within the government shows that the Construction Development Centre at the

Ministry of Construction and Urban Development was largely blamed last year for Mongolia's delay in implementing the use of grey water. However, the Construction Development Centre argues that creating standards for the use of recycled water is difficult without specific mention of it in Mongolia's Law on Urban Water Supply and Sanitation.

The 2012 Law on Water Pollution Fees will also play a role. The law sets out to regulate the treatment of wastewater and when companies should be fined for the mistreatment of water resources, although it has not yet taken effect while government continues to try and strike the right balance between environmental needs and that of private business.

"If factories and plants treat and reuse grey water, they would get 70 to 80 percent incentives on water payments," said Sanjaasurengiin Oyun, minister of environment and green development. "This is how it is going to be a main point of leverage to introducing advanced technology for the use of grey water at factories, both big and small."

The Law on the Use of Urban Water Supply and Sanitation states that grey water treatment and recycling

technology should be included at wastewater treatment plants. G.

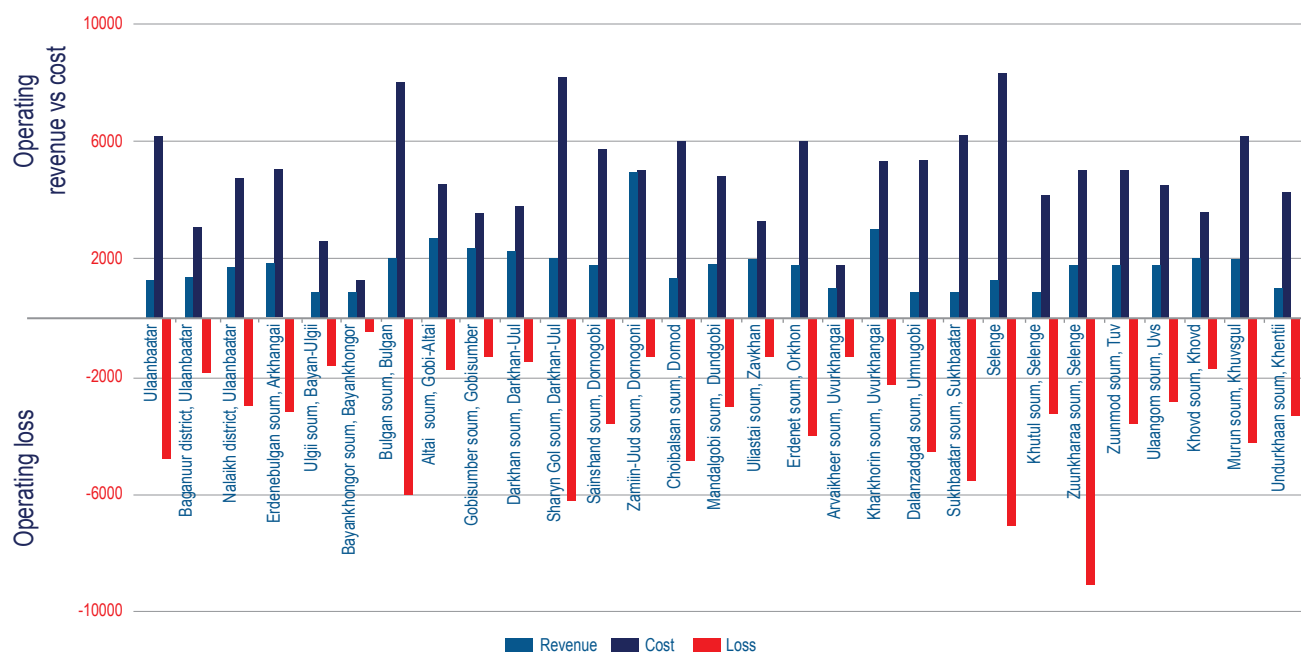
Narantuya, an officer at the Water Service Regulatory Commission, said that the result is mining companies are treating the water they consumer for reuse.

Mongolia has more than 100 mining companies in operation. If every one of those companies used grey water, it would result in tremendous water savings for the country. If government can get on board and enlist these companies to operate with water savings in mind we might save the country from dire thirst. ■

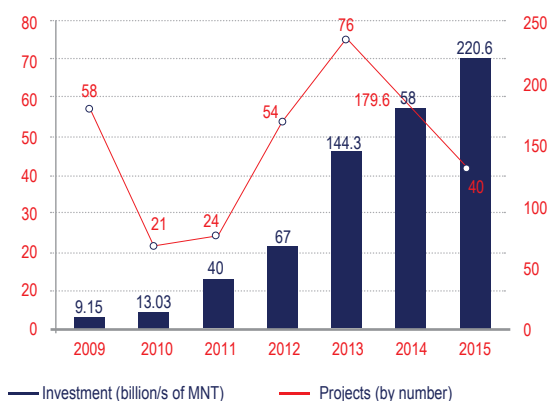


NEWS IN FIGURES

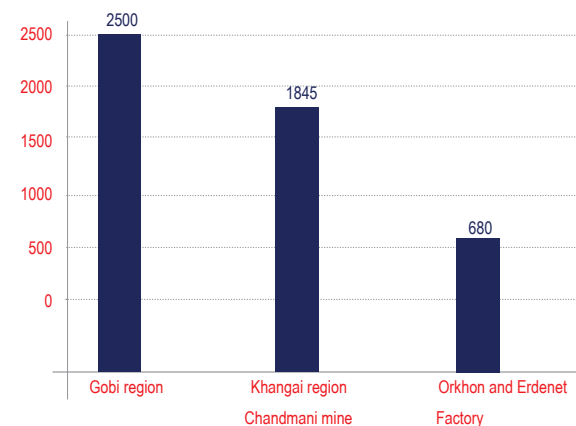
Operating revenue, cost and loss in the water sector (by province and in Ulaanbaatar)



State budget investment in the water sector



Water evaporation (by region)



Current status of water supply

| No. | Regional centre | Fresh water         |                        |                         |          |                        |                       | Wastewater              |                            |                        |
|-----|-----------------|---------------------|------------------------|-------------------------|----------|------------------------|-----------------------|-------------------------|----------------------------|------------------------|
|     |                 | Number of reservoir | Capacity (cubic metre) | Length of pipeline (km) | Borehole |                        | Number of water kiosk | Length of pipeline (km) | Wastewater treatment plant |                        |
|     |                 |                     |                        |                         | Number   | Capacity (cubic metre) |                       |                         | Number                     | Capacity (cubic metre) |
| 1   | Western         | 14                  | 15700                  | 100.6                   | 22       | 7600                   | 54                    | 77.7                    | 5                          | 8350                   |
| 2   | Khangai         | 26                  | 14300                  | 197.7                   | 27       | 3817.5                 | 136                   | 80.6                    | 6                          | 29350                  |
| 3   | Central         | 20                  | 30800                  | 457.4                   | 39       | 25970                  | 128                   | 320.2                   | 7                          | 63850                  |
| 4   | Eastern         | 9                   | 11000                  | 130.9                   | 10       | 5500                   | 48                    | 45.1                    | 3                          | 12400                  |
| 5   | Total           | 69                  | 71800                  | 886.6                   | 98       | 42887.5                | 366                   | 523.6                   | 21                         | 113950                 |

Source: the Ministry of Construction and Urban Development and the Water Service Regulatory Commission

## EXPERT INTERVIEW

## FOR MORE THAN DRINKING

BY B. SANJAAKHAND

*Mongolian Economy* interviewed Mr. Davaagiin Basandorj, chief executive at Mongolian Water Partnership (MWP), a non-governmental organisation established on World Water Day held on March 22, 2013. He is a professor and lecturer at the Mongolian University of Science and Technology and has many years of experience in the water sector. Our interview focuses on issues around water resources, surface water consumption and use, and water management.



### Can you briefly tell us about the Mongolian Water Partnership?

Last year, World Water Day's main theme was Water Partnership. In this connection, it was considered that creating a partnership between public and private sector and non-governmental organisations could be a solution to deal with a number of challenges for the water sector of Mongolia. So, we gathered some 200 delegates from the public and private sector, non-governmental organisations and individuals, and we signed the MoU [Memorandum of Understanding] on water partnership. As a part of the MoU, we reached a deal to establish the Mongolian Water Partnership (MWP), a non-governmental organisation.

The only member in the parliament who has majored in water is Mr. Dogsomyin

Battsogt. We handed in our proposal to him to work as a head of MWP and act as a bridge between MWP and the parliament. He agreed to the proposal. MWP has a steering committee consisting of 17 representatives, including three members of parliament, officials from the Ministry of Environment of Green Development, the Ministry of Construction and Urban Development and the Ministry of Industry and Agriculture, and an advisor to the President of Mongolia on environmental issues.

We made a co-operation agreement with Sweden-based Global Water Partnership (GWP). This organisation has a number of branches in 189 countries and some centres in 13 regions of the world. As a researcher, I was already a member of this organisation before MWP. There have already been about 10 Mongolian organisations that have become members of GWP. There have also been several delegations from GWP to Mongolia aimed at carrying out some studies on the water sector in Mongolia and they set up 2 to 3 workshops. As we consulted with the delegates, we decided to have our MWP registered at GWP's Central Asia and Caucasus Region. Based on this decision, I participated in the GWP meeting held in Moscow and handed in our request.

The response that was given to our request was: "Mongolia has made a very good initiative. We are delighted to work with you." Then, we also initiated to host the Asian Water Symposium in Mongolia this year and we have made a tentative schedule for the symposium under the President of Mongolia. We have not set the symposium date yet.

### What would be the main role of MWP for the water sector?

MWP organised "Challenges in Water

Sector of Mongolia", a national water forum at the State Palace on December 28 last year. We had more than 300 participants from the public and private sector and non-governmental organisations. In Mongolia, there are usually a number of discussions on water issues. During the forum, we discussed about ranking water challenges for Mongolia's water sector. We have set a goal to seek a systematic solution of water issues by prioritising them in terms of time and investment.

### What issue was given the highest priority?

There were three main issues that were given priority. First, the institutional structure of the water sector needs to be improved. So far, there is no state institutional structure that is solely responsible for water issues. Water management and organisation is very weak. Thus, the water sector institutional structure and legal setting needs to be improved.

Also water-related laws need to be amended. In this regard, we also focused on what we could do towards a possible decentralisation of the government's roles. We established a working group to carry out a study and make a proposal on the decentralisation issue. One of the non-governmental organisations, such as MWP, could be responsible for the institutional structure and management in the water sector of Mongolia.

Second, we considered the fact that there have already been many discussions in the past but there is still no result, which could be translated to the devaluation of water. So, we talked about how the proposal on increasing the price of water and creating expense for water could be addressed by carrying out a poll for the State Great Khural and the government. ▶

▶ Third, we needed to focus on the volume of water resources in Mongolia. The volume needs to be determined in detail; including how much water consumption will grow and how mining, drinking and agricultural water consumption and usage are increasing, and how water resources and water management should be looked at for the short-, mid- and long-terms.

These are three issues that need to be addressed as priority, according to our discussion during the forum. In general, water professionals also agree that a complete overhaul is needed in Mongolia's water sector. They decided not to wait until the state decides whether or not to establish a Ministry of Water, which would waste time. They considered it more appropriate to develop our initiatives on our own. Also, the working group was already established with the aim to creating ideas for amending the laws related to water. We held some discussions on this issue and reached a deal to submit our initiatives to the Khural through Mr Battsoigt, head of MWP and a member of the Khural.

One of our policies is for us to consider the importance of creating a mechanism with the aim to create value for water and getting the private sector more involved in the appropriate usage of water resources. For instance, the production of a litre of the carbonated drink Coca Cola some five litres of water is used. Sustainable development could be made by getting the biggest water consumers to focus on water issues. This is something that we can do.

**What effect have you seen the state policy have on the water usage of mining and agriculture activities? What more do you think can be done?**

The government has made several decisions in relation to water. We appreciate it. For instance, if a company treats and reuses its wastewater, the company is exempt 100 percent from water fees. If a company pollutes water resources, it has to pay penalties. In this way, the recent legal setting that has been created protects water resources against possible pollution.

Unfortunately, the enforcement of the laws is insufficient. The Law on Water Pollution Fees was approved some two

years ago, but enforcement is still not good today. There were supposed to have been few regulations and standards in relation to the law, but nothing has been done so far. If the state decision is timely implemented, a number of issues could be addressed including what we've discussed.

The Prime Minister Mr Norovyn Altankhuyag had a meeting with water professionals regarding surface water use. He said: "There are some projects for the construction of reservoirs called "Orkhon Gobi" and "Kherlen Gobi" aimed at delivering water from these rivers to the Gobi, but the projects somehow cannot be accepted by the general public because of the names of the largest rivers in Mongolia.

"We need to establish reservoirs to accumulate water. Then you call them whatever and those can be used for any purpose. At the initial stage, it needs to be established on the bank of the Tuul River, near Ulaanbaatar". I think that his idea was good.

According to the National Water Programme, there are already 10 areas where some reservoirs are planned to be established. In general, there are some natural places which could be used as reservoirs for the storage of rain and snow water. If we use these reservoirs, we could have large reservoirs after some 10 years by storing water that leaves the country [flowing across the border] without being used.

According to an International Transboundary Law, a country can use some 20 percent of water that leaves the country, but we are talking about a mere 3 to 5 percent. Our position is to deal with this issue under the international law. It is good that the Prime Minister is supportive. These reservoirs could be used for any purposes including Oyu Tolgoi, fishery, tourism, agriculture, energy production and so on.

Water resources should be used in this way to bring development to the country. For example, the Asian Tigers – Hong Kong, Singapore, South Korea, and Taiwan – were developed by using 60 to 70 percent of water resources. Development is based on water.

Unfortunately, Mongolians think that water is only consumed for the purpose

of drinking. Indeed, this is quite the wrong attitude. Water is the source of development so we have to change the way we think in order to create value for water.

**How much investment would be required to establish a reservoir on the bank of the Tuul River?**

It would need between USD 500 million to USD 700 million, but it is important to establish a large multi-functional reservoir. There is no other way but to establish it, especially at a time when urbanisation is rapidly taking place in Ulaanbaatar.

**There have been a number of projects by international organisations concerned with water consumption in Mongolia. What have been the outcomes of some of the projects?**

A number of projects have been implemented in water sector of Mongolia after receiving a number of loans from the Asian Development Bank, World Bank, International Monetary Fund and even the government of the Netherlands, covering areas such as improving water supply and sanitation in Ulaanbaatar and rural areas. The final outcomes from those projects were not satisfactory, especially for those funded by those financial institutes. Should these loans be repaid it would mean big debt for the government of Mongolia.

On the other hand, local organisations that received loans and services have not been succeeded so far.

As a professional in the water sector, [I believe] if the core issue was found and solved through such projects then those local organisations would have been able to repay the loans. Most importantly, this was due to a low valuation of the services. The loan should not have been available if those organisations could not make repayment.

But the loan was issued due to a guarantee by the government on loan repayment. There were many projects implemented by different countries. As a result, there were some improvements in the capacity building and the supply of some new personal computers. These all showed that what was missing in the water sector of Mongolia was that strict monitoring, regulation and policy by the Mongolian state. ■

## DEVELOPMENT

# THE WATER WE DRINK

BY B. SANJAAKHAND

## Multi-Service Water Kiosk

ACF Mongolia has been implementing some projects in four fields: water; sanitation; hygiene; monitoring and evaluation. These are the most challenging issues in Ulaanbaatar at a time when the city is suffering from rapid urbanisation and increasing population. As a part of the projects implemented by ACF Mongolia, Mongolian Economy talked to ACF Country Director Mongolia Mr. Christian Ferrier about water supply related issues.

For Ulaanbaatar ger district residents, water supply is not really sufficient and some residents especially in newly settled areas have to fetch water from springs nearby. So, in 2008 ACF Mongolia's project team kicked off a project aimed at renovation and protection of some springs and water sources. The team took samples from water sources in ger districts and did some analyses on the samples. The outcome was – relatively polluted. Then, the team decided that it was not efficient to only protect springs and water sources in densely populated area and it was not helpful to improve hygiene. So, the project team wrapped the project up. Instead, they saw the necessity of raising awareness among the general public that fetching water from far distances is much safer than fetching water from water sources nearby and establishing a multiservice water kiosk, which is connected to the centralised water supply system.

“We had two reasons to interest in water kiosks in ger districts. First reason was that possible risk of pollution while transporting water by truck as most water kiosks in Ulaanbaatar are supplied by water

trucks. Second reason was that all water kiosks cannot recover operating cost. That is why we wanted to create a new water kiosk with a different design, which would be an innovation in the management of water kiosk. So, we provided maintenance for several water kiosks in Songinokhairkhan district. We also built a new multiservice water kiosk in remote ger district near Ulaanchuluut landfill by installing pipelines connected to the centralised water supply system,” Christian Ferrier said.

Multiservice means that it does not only provide a water delivery service. It also could suggest some other services including hairdresser, washing and tailor. The multiservice water kiosk is differentiated from others by its possibility to recover the current loss made by the Water Supply and Sewerage Authority (USUG). Half of the total cost for the new water kiosk was spent on installation of the pipeline to connect the kiosk to the central pipeline. And now the water kiosk has been commissioned to

Tolgoit local state-owned organisation. The challenge here is the heating cost is much more than its revenue even though the kiosk could generate revenues from other services, he highlighted.

The project team is now aiming at making the multiservice available for three other water kiosks owned by USUG, which is currently making loss. The team are taking actions for the society through recently organised training on preventing water pollution among more than 500 water kiosk workers in Ulaanbaatar. Christian was satisfied with the action and he intends to get all water truck drivers involved in training in the future.

“I have seen from the eyes of those who involved in the training and it is really good thing for the society. It is good to see that how they were acting actively and happily about their attendance”, he said.

The project team also organises some trainings on the appropriate water consumption and environmental



► hygiene among the school and kindergarten children in Songinokhairkhan district. The project health club children set up training for other children and even for their teachers. Something very important that is missing among Mongolians is that lack of intention to make them understand how to save water which is valuable thing from their childhood.

## 20,000 Water Containers

Analysis of the samples taken from water ACF Mongolia's water kiosks in the ger districts of Ulaanbaatar did not reveal signs of contamination, but samples from households on the other hand showed poor results for sanitation and hygiene. The problem was the water containers most people use to store their water were also used to hold other liquids, such as milk and airag.

"There is no standard method for how people store their drinking water in Mongolia," said Ferrier. "There should be a standard for the plastic container dedicated to water storage," he said.

ACF Mongolia has partnered with the Mongolian University of Science and Technology to develop just such a standard. They selected a Mongolian manufacturer to produce 20,000 water containers that meet the standards they came up with, and production is already under way.

The process of manufacturing 20,000 water containers is strictly monitored by Ferrier and his team to ensure the containers meet the standards they laid out. They take a sample per every 2,000 containers and put it through rigorous testing before production can continue. The manufacturer is expected to complete production of all 20,000 containers by June this year, later to be sold at a reasonable price.

*On World Water Day last year, ACF Mongolia announced a children's picture and photo competition where entrants tried to best capture the themes of water supply, sanitation and hygiene. A gallery exhibition for submissions was held at the Khaan Ger restaurant. Some of the pictures and photos from this competition can be found in this edition of Mongolian Economy, including the winning photo, titled "Water in My Life."* ■

## PROJECTS

# YOUTH SPEAKS OUT

BY E. ZOYONOO

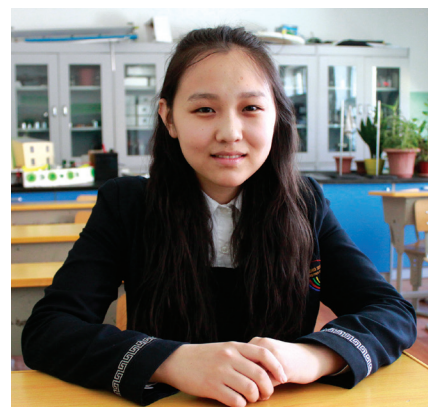
In association with the Water Service Regulatory Commission and the Metropolitan Education Department, ACF Mongolia organised a video and photo competition called "Water is in our lives" for school children from grades 7 to 11 as part of last year's World Water Day. The best photos were used in a commemorative calendar distributed by ACF Mongolia. The best photo was awarded to B.Uranzaya, a grade 11 student at Shine Ekhlel School, with her picture titled "No Water, No Life". Mongolian Economy interviewed Uranzaya about her motives behind the picture and the value she places on water.

**Your idea to abstain from water for 24 hours is an interesting way to make you understand the value of water. How did you come up with this idea?**

I am interested in photos. My parents bought me a HD camera last year. Immediately after I had the new camera I noticed that ACF Mongolia announced a photo competition for World Water Day held on March 22 last year. Then I decided to participate in the competition. I tried to take nice photos, but it did not work well. I asked myself many questions about how I could have nicely taken photos with the theme "Value of Water." I struggled to find the best answer. We do not know the value of water. However, people often talk about how water is the most important thing and if there is no water, then there is no life. So, I decided not to drink water for 24 hours to feel it for myself.

**What changes in your body did you notice after spending 16 hours without water?**

It was more difficult than I expected. Originally, my decision was to not drink water for 24 hours. Maybe if I was born in the Gobi I could have been more



B. Uranzaya, student of 11b grade at Shine Ekhlel School

tolerant. Without water, I found it difficult when I was at school or hanging out with my friends. Everywhere I looked, everybody seemed to be drinking water. It was quite difficult. Then I felt so dizzy, my mouth was so dry and I was not able to concentrate in class. During break, when I saw myself in the mirror, my face looked horrible. At that time, I came up with the idea of taking a photo of my dry lips.

**What do you think the value of water is?**

Water and gold are very similar to me. Both are limited natural resources. Just like people are greedy for gold, people also greedy for water. Why is it that water is so undervalued while gold is very expensive? This is quite interesting to me.

Perhaps, we would have preferred water to gold if we were born in Africa. For me, I had a chance to feel how water is needed in the human body, even if it was just for a while. But 16 hours without water is very difficult and since this activity, I have always focused on how I can save water. I talk with my family and friends about how we consume water more efficiently. For example, we can use a small glass of water while brushing our teeth instead of leaving the tap running. ►►

► To me, it seems that some people forget to save water. But you can do it easily. So I think that everybody has to change their attitude towards water whenever they consume it. I do not mean to blame anyone. All those who have some idea about the value of water have to share it with others, I think. Abstaining from water and taking part in the photo competition was my attempt to make others feel the value of water

**What would be the starting point of saving water?**

Water is something which is common in Mongolia. When learning to save water, every step we take is very important. If there is any spring or water source, we cannot pollute it. You can start saving water in your everyday life by not consuming water unnecessarily, I think.

**Is there any lesson taught about the value of water at your school?**

There are no lessons related to water in the current programmes taught at our school. If there was such a lesson in the programme, every child would have learned to save water. I heard that there are a number ecology lessons taught at schools in foreign countries.

**What would you say about the value of water? Are you open to speaking out to the general public through our magazine?**

Thanks. I have a question. Today you could have everything including drinking water and wealth. Probably, your wealth can be passed on to the next generation. But could Mongolia's fresh water and wild life be maintained in the same way? Would it be possible to drink your wealth instead of water if you and your family cannot find water in the future? ■



*"We need water everyday, every night, every hour, every minute, every second"* photo by B. Urantzaya  
10b grade student at Shine Ekhlel School, winner of the Water In My Life Competition 2013



*"How much water are we wasting? How many people do not have enough water to carry out their day to day activities?"* by T. Bayarbaatar and Ch. Munkhjin  
11a grade students at School No. 84, contestants of the Water In My Life Competition 2013



*"Nature is so beautiful. If we waste water in the future we will lose this beauty"* by J. Batdorj, G. Buyandelger, M. Delger and B. Oyun  
11th grade students at Orchlon School, contestants of the Water In My Life Competition 2013

## SPECIAL REPORT

## BUSINESS-MINDED HERDER

BY S. BATZAYA

Arkhusht soum is 100 kilometres from Ulaanbaatar and is the smallest soum in Tuv. Mongolian Economy journalists went to Arkhusht to interview local herder Ch. Purevjal, a three-time recipient of the 'Best Herder' award for Tuv.

In their 60s, Purevjal and his wife continue to work hard, after enduring some of the toughest winters and economic times, to provide for their family. Together they have raised eight children, some of whom are now herders and university graduates. With a keen business sense and awareness of available opportunities, Purevjal believes that herding is an attractive career.

Since making the switch from driver to herder in 1994, Purevjal has received the best herder award from the Tuv governor's office three times because of his forward-thinking herding techniques.

"It seems to me that herds grow faster-than-expected if you focus your effort on taking care of your livestock," said Purevjal. "Our family became the owner of about 1,000 livestock in 2006, for the first time. Then in 2008 and 2009 our numbers reached more than 2,000. Increasing the number of livestock can cause overgrazing and our neighbours have treated us not so well. So, we needed to share our livestock with some of our children."

Purevjal's family and other herders rely on the sale of meat, milk and dairy products, skin, hide, cashmere and wool to sustain their lives. The cost of breeding livestock is high because of veterinary services, fodder and fences. Herders are also challenged



by harsh weather conditions, such as dzud, which is a Mongolian term for the extreme winter conditions typified by chilling cold and heavy snow fall.

Herders must also always be on alert for wild animal attacks on their livestock. Overcoming these challenges will naturally increase livestock ►►

► numbers and increase the revenue for herder families.

A herder's revenue correlates with the seasons. On average, Purevjal's family earns MNT 20 million to MNT 30 million a year – he considers this an average income. The most detailed budget for his family members is required and includes how much to pay for tuition, food and clothes.

The government has various measures to protect the country's proud agricultural heritage, such as wool subsidies. The government pays MNT 2,000 per kilogramme of wool supplied. Previously, the herders needed to trade with a wool merchant. With 2,000 livestock, Purevjal and his family have capitalised on this subsidy. It is no surprise to hear that Purevjal favours this with current state policy.

However, herders of Arkhus – including Purevjal's family – express a concern for the lack of updated information about the Mongolian Agriculture Commodity Exchange. Established in 2012, the exchange was designed to regulate the price of agricultural products. Purevjal has seen the exchange on television news programs; however, he has seen little sign of the exchange's influence in his community. The price of agriculture commodities, including wool and cashmere, is still not fixed in Arkhus. Purevjal said a fixed price would make life easier.

Living a herder's life means work hard day and night. They wake up early in the morning and work through until sunset. It is not uncommon for herders to work overnight to protect their livestock from wild animal attacks.

"One person cannot take care of livestock. My family's achievement is the result of hard work by everyone in the family. The majority of our livestock is sheep. In recent years, we focused on increasing the number of goats and sheep," said Purevjal.

"When breeding we try to keep the livestock on their own, but sometimes we have to bring another male to the herd to improve the breeding. Most importantly, we need to take care of livestock, especially in spring. Our livestock numbers never lessened, even during the dzud; very few large livestock died."

In this age of information, herders now have access to the latest news and information. They have up to 70 channels and are well aware of the policy changes occurring. They know about the new mortgage programme, the reducing pension age and the other options available to them. Purevjal believes herders should be more active to participate in the programmes offered by the government.

"It seems that some herders with large numbers of livestock could be involved in the mortgage programme. For us, revenue is dependent on seasons. So, we would be able to make the mortgage repayments in spring and autumn. Herders never retire from breeding livestock," he said.

However, herders will have to learn to best utilise some of the new options available to them, such as insurance,

and have the market create programmes that fit their needs.

"There is also something we do not understand about how livestock is currently insured. Although we have already insured our livestock, if there was a 6 percent reduction in the number of the overall livestock in our county then the insurance would be our first thought. But even if I could insure 1,000 livestock and some of the livestock were dead we could not get any compensation.

Purevjal says anyone can feed themselves with hard work and expresses his concern for the decline in the number of young herders since the collapse of the Socialist era in 1990. But he insisted that a hunger to improve herding techniques and an awareness of the policy changes taking place and opportunities available, herders can live fulfilling lives and provide for their families. ■

## CONSTRUCTION

# SHAKE UPS IN CONSTRUCTION

BY S. ZAYA

For many, the development of a country can at some level be determined by the appearance of its streets and buildings as well as the life-style of the people and the living standards of its citizens. If true, how does Mongolia measure?

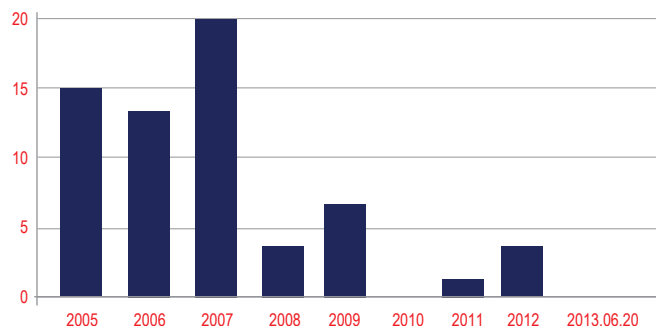
The construction work underway throughout Ulaanbaatar is readily apparent, but this extensive urbanisation does not retain much space for playgrounds or quiet, secluded spots for the elderly to sit and relax. And the growing number of new buildings does little to reduce the number of ger district residents. In fact, the number of ger district residents is on the rise. Currently, 189,000 households reside in ger districts.

Between 2010 and 2012, around 30,000 new apartments were commissioned each year. Professional organisations in construction said this was not enough, however.

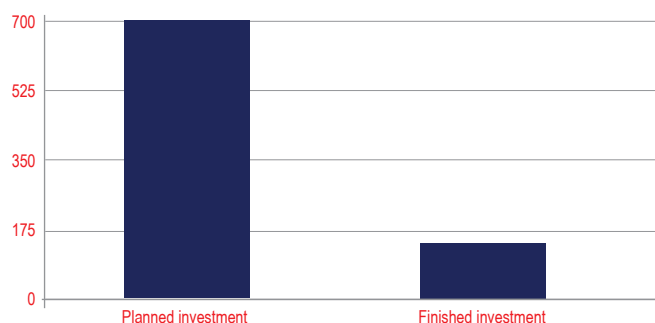
The crux is a lack of foreign investment for construction – but it is not for a lack of trying. For example, the sector comprises 10 percent of total foreign direct investment in Mongolia last year. Yet, only a mere USD 150 million of investment out of a potential USD 700 million made it to companies.

These figures are low for an emerging market such as Mongolia. Foreign investors interested in Mongolia see the economic growth, opportunities for investment, and the development of financial structure, but, despite the need for foreign investment, Mongolia's ►

Number of foreign invested engineering construction and building materials manufacturers that are registered in Mongolia



Foreign investment in the construction sector of Mongolia (as of 2013)



Source: the Ministry of Construction and Urban Development

- ▶ mistreatment of foreign investors has chased them away.

### Mongolian-made materials

Meanwhile housing construction is on the rise. A research team established by a partnership between the Ministry of Construction and Urban Development and the Construction Development Center found that 20,000 apartments received registration certificates last year compared with 35,000 to 36,000 this year.

Construction output increased 70 percent last year from the commissioning of 20,000 apartments in Ulaanbaatar and 7,000 outside the city. Some 17,105 citizens have transitioned to a new mortgage programme thanks to the 8 percent a year loan interest program backed by the central bank. That program opened the door to home ownership to 14,685 new citizens, lending MNT 430 billion to 97 construction companies to help finance the completion of unfinished construction projects.

One of six mechanisms brought out by the Price Stabilization Programme is still running today. This year the Ministry of Construction and Urban Development is more focused on contributing to the production of building materials rather than whether or not their prices remain consistent. Mongolia is set to rid itself of its dependence on imported building materials, including cement and steel reinforcement.

The government recently announced that it would provide funding of MNT 1 billion to projects that would help domestic production replace imported goods. The government has so far approved 50 out of 1,151 projects submitted.

“A Khutul cement and chalk factory, for example, has been established in Khutul. Darkhan and Nalaikh factories and are to produce 700,000 tonnes of cement a year,” said Construction and Urban Development minister Tsevelmaagiin Bayarsaikhan. “There will be some stone crushing plants with the capacity of crushing more than 300,000 tonnes of stone a year.

“In this case, land and infrastructure issues to install these plants need to be tackled by the government so that the price of apartments could be decreased,” he said.

Two amendments for the current mortgage programme have been written. They would, for example, create the opportunity for mortgages to apartments of more than 80 square metres. There is also a resolution for the state to lead the way for the construction of up to 200 houses. Infrastructure will be built for new apartment blocks at what are currently ger districts. MNT 5 million to MNT 7 billion is expected to be spent from the proceeds of the Chinggis bond for the engineering of a pipeline network to connect with 1,000 new apartments.

Infrastructure issues are also being tackled in the provinces of Dornogobi, Umnugobi, Uvurkhangai, Khentii, Selenge, Tuv, Bayankhongor, Orkhon, Darkhan-Uul, Bulgan and Arkhangai.

Additionally, production for building and insulation materials is being developed. Last year more than 150 new factories and plants opened, according to the Mongolian Association of Building Material Producers. Some 260 types of equipment were exempt from customs tax totalling MNT 2.9 billion and value-added tax worth MNT 6.2 billion.

### Investment vs. Management

Construction and real estate are seen by many investors and analysts as far less risky than mining. Still, legal uncertainties triggered a mass exodus of foreign investors, which was detrimental to the economy as a whole rather than any one sector.

When investors employ their due diligence to measure market potential in Mongolia they often find that yields fall short of inflation and decide to save their money instead. A common mistake made by Mongolian companies is they completely forego the need to develop a strategy for management.

“Mongolian companies do nothing with management after they’ve attained foreign investment,” said B. Naranjargal, chief executive at UMC Alpha.

“Typically, if a company can satisfy its investors with initial project goals, the next investors become more willing to invest in those companies. But this does not happen in Mongolia, mainly due to the lack of management among these companies,” she said.

For government, special attention will be needed in the tax environment to protect investors’ interests. The role of companies will be to ensure that projects start without too many problems. And although guarantees can ease some investor anxieties for project financing, Mongolian firms are rarely able to provide it.

Freeing up the market and providing additional players in finance – such as a sovereign funds, pension funds, and insurance agencies – would provide more routes to lead investment towards real estate. If the government could get the ball rolling inside the country, perhaps the foreign investors would take notice. ■

## FOREIGN RELATIONS

## NEW OPTIONS FOR BRITISH VISAS

Dominique Hardy is a regional manager of the British Visas and Immigration Home Office. She is based in Beijing and is responsible for Britain's visa operations in China, Mongolian and North Korea. Dominique discusses the changes to the British visa process in Mongolia.



### What are the main changes regarding the British visa process for Mongolians?

We have previously had an in-house operation, in the embassy, but from the 31st of March we are going to outsource the delivery of the service to our global partner – VAS Global. They will establish a visa application centre (VAC). This visa application centre is going to be in a new convenient location, in UB, the address is the first floor, Peace Avenue, DHL building.

So, some of the benefits as a result of the new contract will be extended opening times. Currently, at the embassy, we have appointments available in the mornings four days a week. We are moving to a five-day operation, Monday to Friday and that visa application centre will be open at nine in the morning to three in the afternoon.

In addition to the visa application services, there are going to be new services such as translation services, and photocopying. Customers who lodge an application at the visa application centre

then have the option of electing to pay a courier to return their decision to their home rather than having to go back to the visa application centre.

### Will you charge extra money for the additional service?

So we expect the user fee of our VAC to cost customers 59 pounds (subject to our Parliament approving that fee). The VAC user fee is in addition to the visa fee. The alternative would have required people in Mongolia to travel outside Mongolia, and that's something we didn't want to do. We wanted to protect our services in Mongolia.

### What is the processing time now and what will it be after the new contract takes places?

So currently we have a global service standard of 15 working days. So if they lodge an application they will get a decision in 15 working days. But, actually, in Mongolia, for the first six months of last year, we exceeded that service. We averaged 11 working days for making a decision on Mongolian applications.

Applications are currently couriered to Beijing for decision. In the future, from the 31st of March, anyone that lodges an application in Mongolia will have their decision made in Manila, in the Philippines. There are a number of reasons for that.

By sending it to Manila, we immediately gain a day on the end-to-end processing time. From our perspective, Manila is not only a quicker courier route it is also cheaper. From our global perspective, we have more capacity in Manila to ensure that we remain within the service standard.

**Prior to the new VAC there was an average turnaround time of 11 days in Mongolia. If the new couriering route saves one day, will decisions take an average of 10 days?**

I can't commit to that. But our global commitment is a 15-working-day service. But as I said we will do everything we can to try and speed things up.

### Are Mongolian visitor numbers to Britain declining?

Declining? Some may say numbers are going down, but the facts are that there continues to be growth. So the growth is around 5 percent at the moment. There are rumors and myths that it's really difficult to get a UK visa.

Across all visa classes, 86 percent of Mongolians that apply for a visa are successful. And for those going for business, you'll see that 96 percent of people that apply for a business visas in Mongolia are successful. So the changes that we're making to the visa service are very much to complement what the wider UK government is doing to show the globe that we are very much 'open for business'.

### Are multi-entry visas available and how many can I get at the one time?

Our standard product is a six-month multi-entry visa. But if people have got business interests in the UK and expect to be going backwards and forwards to the UK regularly, then one of our longer term multi-entry visas might be more convenient. In addition to the six month we have a one-, two-, five- and 10-year multi-entry visa. They are available globally for people that wish to consider those. They have a different price but they also have an added convenience.

When we're considering long-term multi-entry visas, we take into consideration travel history, but that travel history doesn't just have to be the UK. So if someone has travelled to Schengen area countries (European countries) or to the US, Canada, New Zealand or Australia from Mongolia, that is relevant to our consideration and provides confidence in considering a longer-term visa. ■

## 2014 COAL MONGOLIA

## THE COAL CHALLENGE

BY B. TOGTOKH

This year Mongolia plans to export 31.4 million tonnes of coal that is expected to generate half a billion Mongolian tugrugs for the state budget. Amid such huge expectations, last month was the 2014 Coal Mongolia, the fourth international coal investors' conference and exhibition.

The coal industry constitutes one-fourth of Mongolia's total exports. At this year's conference was the announcement that Mongolia would improve the coal industry's competitiveness and create a pleasant investment environment. Despite those promises, the conference was overshadowed by a more difficult economic situation from that of previous years.

Over the two days of the conference were a number of addresses by ministers and investors. The government's message throughout the conference was a pledge to deliver a better investment environment and create innovative policy.

### Correcting Mistakes

Mongolia will export one billion tonnes of coal to China this year, said Prime Minister Norov Altankhuyag in his opening address for the conference. The ministers of economic development, foreign affairs and finance each delivered their own addresses where they said their ministries would work to contribute to the development of the coal industry.

The statements given by these officials indicate that they have taken a look back at what transpired in 2013, including the 45 percent decline in foreign direct investment, a temporary halt to construction of the underground mine



shaft at the Oyu Tolgoi copper mine, and a large drop in the volume of coal exports because of poor state policy.

Mongolia ranks number 10 in the world for its coal resources, which totals at 175.5 billion tonnes for proven coal resources. In the past three years, the volume of coal mined has tripled, but the volume of exports has not followed the same trend. Coal exports represented just 26 percent of total exports last year, said Mining Minister Davaajavyn Gankhuyag.

### One-Point Policy

Gankhuyag said Mongolia will face two major challenges in its coal industry: infrastructure and pricing. The fall in the volume of coal exports was largely due to bottlenecks in Mongolia's capacity to move coal past the border, he said.

"Mongolia's logistical costs to China

are almost twice as much as other coal exporting countries. This is because Mongolia's coal is transported via auto road," said the head of Mongolian Coal Association, T. Naran.

Naran added that the high costs for coal transport were an effect of transit tariffs and red tape at the border points. Mongolia's coal industry has also had difficulty maintaining competitiveness because the Gashuun Sukhait and Shivee Khuree border points do not operate around the clock, he said.

Gankhuyag said Mongolia will continue to miss out on potential profits as long as China maintains the upper hand in relations. One solution suggested at the conference was the establishment of a Mineral Commodities Exchange to set prices. Such an instrument at Mongolia's disposal, said Gankhuyag, could provide a better deal for Mongolian coal producers. The average price of exported

► coking coal last year was USD 73, which was half the average price found in other countries.

### New Developments

Another issue raised during the conference was the need to launch projects for coal gasification. Mongolia has the potential to produce 50 million to 80 million tonnes of brown coal a year for 15 billion cubic metres of synthetic gas. Mongolyn Alt Corp. (MAK) has plans to construct a 300-megawatt power plant and a fuel manufacturing plant at its Aduunchuluun deposit. MAK will need USD 2.7 billion to finance this endeavour.

MAK project Manager J. Zoljargal said the company could make a return on its investment after six years.

Another complicated issue, one that is discussed every year at Coal Mongolia, is the new railway and the gauge that will be used.

“There has not been any estimate over what international and local railway standards should be used in the construction of the new railway or how to increase the railway future load capacity,” said L. Purevbaatar, head of the Mongolian Railway Engineering Association.

With pricing, transport, and political relations with China to tend to, Mongolia has a laundry list of issues to deal with if it is ever to lift its coal industry up to its potential. But Mongolia’s government officials expressed a willingness to meet those challenges and raise the bar for coal imports each year moving forwards.

“The price of coal cannot be stabilised without a fixed coal exchange in Mongolia to set the price of coal,” said Ochirbat Chuluunbat, vice minister of economic development. “The government this year sets the goal to raise the volume of coal exports to 30 million tonnes.” ■



Photo By B. Byamba-Ochir



## CORPORATE GOVERNANCE

## BANK GOVERNANCE

BY B. TOGTOKH

The level of corporate governance in Mongolia's banking industry has been making sincere strides to improve the operations of the country's banks, according to a report last year by Mongolia's National Council on Corporate Governance.

None of Mongolia's banks were in terrific shape as far as corporate governance was concerned, according to the report, but improvements are clearly being made. It said six of the 13 commercial banks in Mongolia had some corporate governance structure in place while seven others were putting their foundations in place. Just one was absent of any structure at all.

Mongolia has had 31 commercial banks in total over the past 22 years, of which 15 have gone bankrupt. Three others were acquired or merged. No banking licence has been established since

2005. Banks represent 97 percent of Mongolia's financial market and their circulations which is the equivalent of 80 to 90 percent of GDP – and six have foreign shareholders. These banks comprise 43 percent of the banking system in Mongolia.

Mongolia has 2.4 million bank depositors and 650,800 borrowers, according to the 2013 Financial Stability Report of Mongolia. The banking sector has total assets worth MNT 15.1 trillion, of which 25.6 percent is cash liquidity, 9.6 percent is in short-term investments, and 54.6 percent is non-performing loans.

#### Financial Statements by Commercial Banks (as of 2013):

**Golomt Bank:** Golomt has been caught up in disputes with its shareholders – some of which have not yet been resolved. The bank's assets total MNT 3.7 trillion, of which it owns MNT 320 billion. Last year, its net profit earnings

were MNT 47 billion. The bank employs 1,750 employees.

#### Trade and Development Bank:

Mongolia's largest bank, Trade and Development has total active assets of MNT 4.7 trillion and MNT 422 billion in owned assets. Deposits stood at MNT 1.8 trillion. Net profits were MNT 20.7 billion in 2010, MNT 48.5 billion in 2011, MNT 64.8 billion in 2012, and MNT 111.9 billion last year.

**State Bank:** After incorporating Savings Bank last year, State Bank's total active assets rose to MNT 1.8 trillion. Deposits increased 45 percent to MNT 1.6 trillion. Last year the bank earned a net profit of MNT 5.6 billion.

**Khan Bank:** With over 4,500 employees, Khan Bank received the award "Excellence in Good Governance" last year from the Mongolian National Chamber of Commerce and Industry. With total active assets of MNT 4.8 trillion, MNT 470 billion in owned assets, and deposits of MNT 4 trillion, Khan Bank has 520 branches throughout the country. Last year, its net profits were MNT 96 billion while lending totalled MNT 2.4 trillion.

**Khas Bank:** Khas bank has 107 branches throughout the country and more than 600,000 customers. It employs more than 1,600 people. Total active assets were MNT 1.8 trillion, owned assets were MNT 33.8 billion and revenue of MNT 29.9 billion before tax last year.

**Capital Bank:** Capital had some of the strongest criteria measured by the report. The bank's active assets grew 91.6 percent along with 54.7 percent growth for deposits. Owned assets were worth MNT 11 billion last year. The bank has more than 400 employees. Total active assets were MNT 255.8 billion and owned assets were MNT 23.8 billion. ■



## Information on members of boards at commercial banks in Mongolia

| No.                      | BANK                       | Name of board member     | Attendance at corporate governance training | Certificate number |  |     |
|--------------------------|----------------------------|--------------------------|---|--------------------|--|-----|
| 1                        | GOLomt BANK                | 1                        | L. Boldkhuyag                               | Yes                |  |     |
|                          |                            | 2                        | Ch. Munkhtsetseg                            | Yes                | 0420014  |     |
|                          |                            | 3                        | Z. Telmuun                                  | Yes                | 0720016  |     |
|                          |                            | 4                        | D. Munkhtur                                 | Yes                | 0420015  |     |
|                          |                            | 5                        | Urs E. Schwarzenbach                        | No                 |  |     |
|                          |                            | Independent board member |   |                    |  |     |
| 2                        | KHAN BANK                  | 1                        | Hideo Sawada                                | 2012.06.26         | Seiw Audit Corporation                                   |     |
|                          |                            | 2                        | Yoshiaki Mishima                            | 2012.06.26         | Seiw Audit Corporation                                   |     |
|                          |                            | 3                        | Ts. Baatarsaikhan                           | 2012.05.23         | Mongolia's Corporate Governance Development Centre MCGDC |     |
|                          |                            | 4                        | D. Khulan                                   | 2012.05.23         | MCGDC  |     |
|                          |                            | 5                        | Jemal-ud-din Kassum                         | 2012.08.21         | MCGDC  |     |
|                          |                            | Independent board member |   |                    |  |     |
|                          |                            | 6                        | Robert Dressen                              | 2012.08.12         | MCGDC  |     |
| 3                        | TRADE AND DEVELOPMENT BANK | 1                        | D. Erdenebileg                              | Yes                | 220014   |     |
|                          |                            | 2                        | Z. Shagdarsuren                             | Yes                | 220015   |     |
|                          |                            | 3                        | Ch. Enkhbold                                | Yes                | 220017   |     |
|                          |                            | Independent board member |   |                    |  |     |
|                          |                            | 4                        | Randolph S. Koppa                           | No                 |  |     |
|                          |                            | 5                        | T. Tsolmon                                  | Yes                | 220018   |     |
|                          |                            | 4                        | KHAS BANK                                   | 1                  | Ch. Ganbold  | Yes |
| 2                        | M. Bold                    |                          |   | No                 |  |     |
| 3                        | D. Bat-Ochir               |                          |   | No                 |  |     |
| 4                        | Richard Ranken             |                          |   | No                 |  |     |
| 5                        | Shuji Irie                 |                          |   | No                 |  |     |
| 6                        | Michael Madden             |                          |   | No                 |  |     |
| 7                        | Sabrina Dziurman           |                          |   | No                 |  |     |
| 8                        | N. Tselmuun                |                          |   | No                 |  |     |
| 9                        | P. Erdenejargal            |                          |   | No                 |  |     |
| Independent board member |                            |                          |   |                    |  |     |
| 5                        | STATE BANK                 | 1                        | J. Ganbat                                   | No                 |  |     |
|                          |                            | 2                        | Ch. Sainbileg                               | No                 |  |     |
|                          |                            | 3                        | J. Tumurbaatar                              | Yes                | 53   |     |
|                          |                            | 4                        | B. Battsetseg                               | No                 |  |     |
|                          |                            | 5                        | D. Boldbaatar                               | No                 |  |     |
|                          |                            | 6                        | T. Dorjkhanda                               | No                 |  |     |
|                          |                            | 7                        | O. Altangerel                               | No                 |  |     |
|                          |                            | Independent board member |   |                    |  |     |
|                          |                            | 8                        | M. Batjargal                                | No                 |  |     |
| 9                        | A. Ganzorig                | No                       |   |                    |  |     |
| 6                        | CAPITAL BANK               | 1                        | T. Batbayar                                 | No                 |  |     |
|                          |                            | 2                        | B. Undarmaa                                 | No                 |  |     |
|                          |                            | 3                        | M. Sukhee                                   | No                 |  |     |
|                          |                            | 4                        | B. Norjinkham                               | No                 |  |     |
|                          |                            | Independent board member |   |                    |  |     |
|                          |                            | 5                        | Sh. Gookhuu                                 | Yes                | MCGDC  |     |
| 6                        | Ts. Dorjgotov              | No                       |   |                    |  |     |
| 7                        | CHINGGIS KHAN BANK         | 1                        | Gromov S.B.                                 | No                 |  |     |
|                          |                            | 2                        | Dontsova A.G.                               | No                 |  |     |
|                          |                            | 3                        | Philippe Meyer                              | No                 |  |     |
|                          |                            | 4                        | L. Ariunaa                                  | Yes                | 130009   |     |
| Independent board member |                            |                          |   |                    |  |     |
| 8                        | CREDIT BANK                | 1                        | Mikhail Yuriyevich Volkov                   | No                 |  |     |
|                          |                            | 2                        | A.Y. Melekhov                               | Yes                | 620042   |     |
|                          |                            | 3                        | D.S. Sazonov                                | Yes                | 620017   |     |
|                          |                            | 4                        | O.D.Tulin                                   | Yes                | 620016   |     |
|                          |                            | Independent board member |   |                    |  |     |
| 5                        | T. Oyunchimeg              | Yes                      | 620018                                      |                    |  |     |
| 9                        | NATIONAL INVESTMENT BANK   | 1                        | B. Bayarsaikhan                             | No                 |  |     |
|                          |                            | 2                        | Ch. Maralmaa                                | No                 |  |     |
|                          |                            | 3                        | J. Erdenebileg                              | No                 |  |     |
|                          |                            | 4                        | Akira Minamino                              | No                 |  |     |
|                          |                            | Independent board member |   |                    |  |     |
| 5                        | G. Dambiinyam              | Yes                      |   |                    |  |     |
| 10                       | DEVELOPMENT BANK           | 1                        | B. Shinebaatar                              | Yes                | 0420 004   |     |
|                          |                            | 2                        | B. Batzaya                                  | Yes                | 0630 077   |     |
|                          |                            | 3                        | D. Boldbaatar                               | No                 |  |     |
|                          |                            | 4                        | Ch. Otgochuluu                              | No                 |  |     |
|                          |                            | 5                        | M. Bayanmunkh                               | Yes                | 0630 055   |     |
|                          |                            | Independent board member |   |                    |  |     |
|                          |                            | 6                        | B. Lkagvasuren                              | No                 |  |     |
|                          |                            | 7                        | B. Naidalmaa                                | No                 |  |     |
| 8                        | Ch. Nergui                 | Yes                      | Training teacher                            |                    |  |     |
| 11                       | CAPITRON BANK              | 1                        | D. Dagvadorj                                | No                 |  |     |
|                          |                            | 2                        | B. Medree                                   | No                 |  |     |
|                          |                            | 3                        | O. Khurelbaatar                             | No                 |  |     |
|                          |                            | 4                        | D. Erdenebayar                              | No                 |  |     |
| Independent board member |                            |                          |   |                    |  |     |
| 5                        | U. Ganzorig                | No                       |   |                    |  |     |
| 12                       | EREL BANK                  | 1                        | D. Erdenebat                                | No                 |  |     |
|                          |                            | 2                        | D. Tumurkhuu                                | Yes                |  |     |
|                          |                            | 3                        | D. Sergelen                                 | No                 |  |     |
| Independent board member |                            |                          |   |                    |  |     |
| 4                        | B. Erdenesanaa             | Yes                      |   |                    |  |     |
| 5                        | Rolf D. Worle              | Trainer                  |   |                    |  |     |
| 13                       | ULANBAATAR BANK            | 1                        | D. Batjargal                                | Yes                |  |     |
|                          |                            | 2                        | A. Enkhmend                                 | No                 |  |     |
|                          |                            | 3                        | S. Uranchimeg                               | Yes                | 220005   |     |
|                          |                            | 4                        | Sh. Tumurbaatar                             | No                 |  |     |
|                          |                            | 5                        | R. Munkhtuul                                | Yes                | 220004   |     |
| 14                       | TRANSPORT DEVELOPMENT BANK | 1                        | D. Enkhtaiivan                              | Yes                | 520007   |     |
|                          |                            | 2                        | N. Tserendorj                               | Yes                | 520008   |     |
|                          |                            | 3                        | L. Bayan-Altai                              | Yes                | 520006   |     |
|                          |                            | 4                        | Ts. Soyol-Erdene                            | Yes                | 520010   |     |
|                          |                            | Independent board member |   |                    |  |     |
| 5                        | V. Oyunchimeg              | Yes                      | 520011                                      |                    |  |     |

TOP-20

# RISKY BANKING



BY E. TAMIR

Energy Resource is leader among Mongolian companies – accounting for 42 percent of all coal exports to China – but a tough climate for coal has put some hurdles ahead of it.

Mongolian Mining launched its operations in 2009 and in 2013 commissioned a wash plant with the capacity of 15 million tonnes a year. Prime Minister Norovyn Altankhuyag led a delegation to China late last year where he negotiated a contract with Shenhua Group for 50 million tonnes of Mongolian coal imports a year over the next two decades. The premier also signed a memorandum of understanding for the construction of a railway between Tavan Tolgoi and the Gants Mod border port in China. These agreements will provide Erdenes Tavan Tolgoi and Ulaanbaatar-listed Tavan Tolgoi regular business.

But despite these successes and strong sales, declines in the coal market have put Mongolian Mining at risk. The coal market saw a 28 percent price decline over the course of last year, and if prices continue to fall it might put its operations into serious question.

Moody's retained Mongolian Mining's credit rating of Caa2 and its negative outlook earlier this month because of poor expectations for the coal market in the coming months. Meanwhile Mongolian Mining is already operating at a loss. The credit rater said that despite Mongolian Mining's sale of its road assets to the Mongolian government, it was likely that the negative market conditions would put into question whether or not the company could repay its USD 277 million in debt obligations this year. Moody's also noted a 20 percent decline

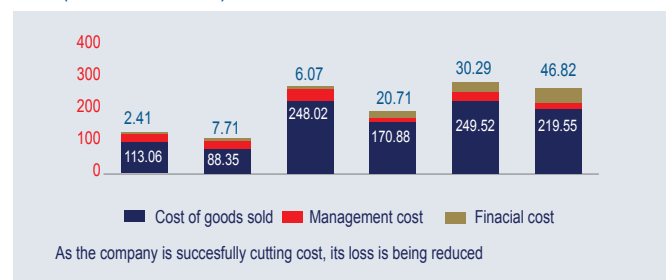
in the volume of coal exports and a sharp decline in coal prices in the first three quarters of last year.

"The proceeds from the sale will temporarily boost [Mongolian Mining's] liquidity position, in particular, the \$80 million cash on hand that we estimated the firm had at the end of last year," said Simon Wong, a Moody's vice president and senior credit officer in the statement. "However, its cash balance is insufficient to address its debt-servicing requirements of \$277 million this year."

## Mongolian Mining reported a USD 25.2 million loss during the first half of 2013.

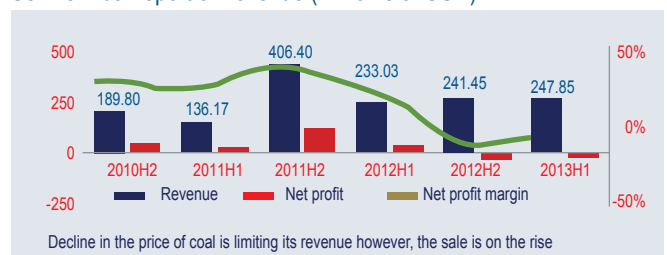
But despite the challenges, Mongolian Mining is one of Mongolia's more responsible companies and is a member of Mongolia's Corporate Governance Development Centre. How the company handles these challenges will likely have a tremendous effect on the way investors look at Mongolian companies as a whole. That goes the most for Erdenes Tavan Tolgoi – a company for which many investors are still eagerly awaiting a public offering. ■

Cost (million/s of USD)



Source: Energy Resource's annual and semi-annual financial statements 2013

Semi-annual report on revenue (million/s of USD)



Source: Energy Resource's annual and semi-annual financial statements 2013



# BCM'S NEWSWIRE HIGHLIGHTS

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

## BUSINESS

### ERDENES TT EYES 2016 FOR IPO

State-owned coal miner Erdenes Tavan Tolgoi LLC still intends for a triple listing in Ulaanbaatar, Hong Kong and London, with current plans targeting a 2016 date, said Executive Officer Yachil Batsuuri at the Coal Mongolia conference last week.

Production is set to rise to 11 million tonnes this year from 5.3 million tonnes in 2013, he said. By 2016, he said, output would be 35 million tonnes. He also said remaining debt to Chalco stands at USD 140 million out of a total USD 350 loan to be repaid in coal shipments. He said the company aims to repay the remaining debt by this coming spring, adding that the company already had enough coal mined to repay its debt.

Repayment, however, will depend on whether the firm

will be able to make those deliveries in the face of transportation bottlenecks. He said Erdenes TT has contracted over 10 Mongolian and Chinese companies for a total fleet of 416 trucks to make the delivery. An 18 kilometer cross-border railway from the Chinese-Mongolian border is set for construction this spring. He said a railway would reduce costs of cross-border shipments from USD 8 per tonne to USD 1 per tonne. Another 247-kilometer railway from Tavan Tolgoi to the border is already under construction.

*Source: Undesnii Shuudan, Bloomberg, Cover Mongolia*

### MIRAE SHUNS MMC JUNK BONDS AS COAL SLUMP DRAINS CASH

Mirae Asset Management Co. is avoiding junk bonds of Mongolian Mining Corp. (MMC) in the absence of a rebound in coal prices, as Moody's Investors Service says any so-called distressed exchange would add to downgrade risks.

The company's 8.875 percent notes due March 2017 have declined 11 percent this year, bringing losses to 17 percent since the bonds were sold in March 2012. The debt, sold to investors at par, traded at about 69 cents on the dollar to yield 23.5 percent yesterday,

Bloomberg-compiled prices show. Moody's lowered its long-term rating on Mongolian Mining to Caa2 in November, its fourth-lowest junk grade, while Standard & Poor's cut to its fifth-lowest level of CCC+ this month.

MMC lost money last year thanks to a three-year slump in benchmark coking coal prices, which reached a record-low on 5 February. The Ulaanbaatar-based, Hong Kong-listed miner is raising cash by selling assets and seeking to roll forward some loans as it faces USD 277 million of debt-servicing obligations this year, Moody's said in a 17 February statement.

"The company has to settle its loans coming due before they get to a distressed situation," said Kim Jin Ha, a money manager in Seoul at Mirae. "We'll only get back in after some positive signs, no matter where the bonds are trading at. We'll wait for a clear improvement before we can say 70 cents is good value."

CreditSights Inc. placed an 'underperform' recommendation on the 2017 bonds in a 13 February report, given the company's "critical" financial woes. The miner produced 9.7 million metric tonnes of coking coal in 2013, meeting 79 percent of guidance, the research firm said in a separate

January report.

MMC raised USD 90.3 million selling its Ukhaa Khudag-Gashuun Sukhait road assets to state-owned Erdenes MGL LLC on 13 February, according to a Hong Kong exchange filing. That will ease short-term liquidity strain, Moody's said.

*Source: Bloomberg*

### SPC TRANSFERS SHIVEE OVOO, BAGANUUR TO ERDENES MGL

The State Property Commission (SPC) has transferred ownership of the Baganuur and Shivee Ovoo coal mines to Mongolia's state-owned mining asset holding company Erdenes MGL.

Erdenes MGL appointed representatives as board chairmen of both companies, and approved each miner's business plans. Competent staff will be selected for each governing board, said Da. Ganbold, Erdenes MGL's Chief Executive Officer.

The state owns 75 percent of Baganuur and 90 percent of Shivee Ovoo, both of which are listed on the Mongolian Stock Exchange. Erdenes MGL has 100 percent ownership of Erdenes Tavan Tolgoi LLC and Erdenes Oyu Tolgoi LLC, and 51 percent of Erdenet Mining Co.

*Source: Unuudur* ▶

## ▶ ECONOMY

### FDI DECLINES 36% IN JANUARY Y-O-Y

Mongolia's January foreign direct investment (FDI) declined to USD 182.1 million from USD 283.4 million a year earlier, a decrease of 36 percent, reported the Bank of Mongolia.

January's current account deficit was USD 75.5 million compared with USD 360.3 million from the same period in 2013. Capital financial accounts saw a USD 290 million surplus, which was a 20 percent decline year-on-year. FDI fell to USD 1.996 billion last year from USD 4.407 billion in 2012.

*Source: Bloomberg, Independent Mongolian Metals & Mining Research*

### GOVERNMENT REVENUE FALLS 21.3% SHORT OF PROJECTIONS FOR JANUARY

State Budget revenue fell 21.3 percent below projections for the month of January.

Income was MNT 353.7 billion compared with planned budget income of 2014 is MNT 6.9 trillion. Revenue was 2.3 percent higher than that of the same period last year. The planned 2014 budget allocates MNT 6.9 billion, with MNT 5.5 trillion for expenditures, MNT 1.1 trillion for investment, and MNT 29.5 billion for the Stabilisation Fund.

Parliament will decide the fate of 240 frozen projects in the upcoming spring session. Those projects will likely be transferred to 2015

if revenue does not pick up.

*Source: Undesnii Shuudan*

### SALES MANAGERS' INDEX SHOWS FLAGGING CONFIDENCE AMONG RETAILERS

An index measuring the attitude of sales managers has shown weak confidence in the market and rapid price growth.

The Mongolia Sales Managers' Index, surveys sales managers and showed that confidence among sales managers was low, registering under the 50 mark. However, the rate of decline is falling, and is now close to the "neither growth nor decline" level. Sales managers' reported that the overall speed and direction of economic growth has begun to fall after unusually difficult weather conditions in February. The key mining and construction sectors have been hit particularly hard, experiencing a month of declining market growth. However non-manufacturing sectors have seen modest economic growth over the past month. The Prices Charged Index registered 61.7 in February, which marks a decrease from the month before but still reflects rapidly increasing prices. The Index suggests sales managers are still passing on large price increases to business and consumers albeit at a slowing rate.

"Sales managers have told us that the weakened tugrik is still causing widespread inflationary problems, with petrol prices in particular rising rapidly," said World Economics Chief Executive Ed Jones.

He said market indexes

began to decline, partly due to harsh weather conditions in February. Conditions such as -40C degree temperatures had key manufacturing industries curtail operations. "Panelists seem confident that strong GDP growth will resume in 2014 despite short term seasonal challenges."

*Source: World Economics*

## POLITICS

### MONGOLIA ECONOMIC FORUM TO BE HELD 24-25 MARCH

The annual Mongolia Economic Forum is scheduled for 24 and 25 March at the Government Palace, with the slogan "Smart State Policy."

This year's agenda will focus on reforming the business environment and the issues standing in the way of sustainable development. It will also feature an overview of the scenarios introduced at the Davos World Economic Forum earlier this year for public debate.

Last year's forum had discussions on a range of issues, including budget reform, the environment and the development of a green economy, reforms to state registration, reforms to the stock market, competitiveness, and reforms for the business environment.

*Source: News.mn*

### MONGOLIA PRESENTS ITS LLDC RESEARCH CENTER

Mongolia on 25 February presented its mid-term implementation report for the establishment of its

Land Locked Development Countries research center.

More than 30 organizations participated at the meeting. Mongolia has partnered with the U.N. Development Program (UNDP) to help finance the research center. The Mongolian government has paid the initial financing of USD 330,000 for the commencement of international research.

*Source: Unuudur*

### BCM THROWS ITS SUPPORT BEHIND MINING POLICY

The Business Council of Mongolia (BCM) voiced its support for Mongolia's Mining Policy passed this month by State Great Khural, with its executive director in an interview saying his hope was parliament would stand by its commitment to draft its mid-term mining legislation in line with the terms outlined by the policy.

"BCM's Chairman, B. Byambasaikhan, has already delivered some comments to the Minister of Mining and there could be more," said BCM Executive Director Jim Dwyer, "but our purpose [for the day's open discussion session] was to just have the press be aware that we support this Minerals Policy. The policy document and the amendments to the Minerals Law have to be consistent."

"We think that it is very important that the current Minerals Law should be amended properly," he said, later adding, "We want it to be friendly towards foreign investors."

*Source: Mongolian Economy* ■