



# GOBI REGION COMPETITIVENESS FORUM 2016

## ONE GOBI ONE VISION



November, 2016

Mandalgobi, Dundgobi province

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## Abbreviations

CO	– Cabinet Office
CRK	– Citizens’ Representatives Khural
CSU	– Credit and Saving Unions
EPCRC	– Economic Policy and Competitiveness Research Center
GDP	– Gross Domestic Product
GO	– Governor’s Office
IDPPD	– Investment and Development Policy Planning Division
MET	– Ministry of Environment and Tourism
MMHI	– Ministry of Mining and Heavy Industry
MNCCI	– Mongolian National Chamber of Commerce and Industry
NBFI	– Non-banking Financial Institution
NPL	– Non-performing loan
SIE	– Socially Inclusive Economy
VTC	– Vocational Training Center

## Supporters



## About the Forum

The Gobi Region Competitiveness Forum was organized by the Economic Policy and Competitiveness Research Center in Mandalgobi, Dundgobi province on 3-4 November in cooperation with the Konrad Adenauer Foundation.

The purpose of the forum was to identify the comparative strengths and weaknesses of the three provinces in the Gobi region (Dundgobi, Dornogobi, Umnugobi) and discuss how to develop and cooperate on main industries.

A total of four presentations and five panel discussions took place among 200 guests and representatives of Governor's offices, the Citizens' Representatives Khural, local Gobi region businesses, The Asia Foundation, Asian Development Bank, Mongolian National Chamber of Commerce and Industry, relevant ministries and agencies. Forum participants also visited a trade fair that took place in Mandalgobi, as part of the forum. Local SMEs (MNCCI members) from the three Gobi region provinces displayed their products during the event. (refer to photo album on page 29-31)



## Agenda

3<sup>rd</sup> of November, 2016

08:30 – 09:00	<i>Registration / Introduction of Dundgobi province</i>
09:00 – 09:10	<b>Opening speech</b> , Erdene-Ochir.N, <i>Secretary of Citizens' Representatives Khural of Dundgobi</i>
09:10 – 09:20	<b>Opening speech</b> , Tsagaan.P, <i>Chairman of the Board, EPCRC</i>
09:20 – 09:40	<b>Presentation 1: “Competitiveness and Development Opportunities of Gobi Region”</b> Odonchimeg.I, <i>Deputy Director, EPCRC</i>
09:40 – 10:00	<b>Presentation 2: “Leading Sectors of Dundgobi province, private sector supporting policy and investment issues”</b> , Bat-Erdene.O, <i>Governor of Dundgobi province</i>
10:00 – 10:20	<b>Presentation 3: “Leading Sectors of Dornogobi province, private sector supporting policy and investment issues”</b> , Bayarmaa.B, <i>Senior Specialist, Investment and Development Policy Department of Dornogobi Governor's Office</i>
10:20 – 10:40	<b>Presentation 4: “Leading Sectors of Umnugobi province, private sector supporting policy and investment issues”</b> , Sukh-Erdene.J, <i>Director, Investment and Development Policy Department of Umnugobi Governor's Office</i>
10:40 – 11:10	<i>Coffee break / Local Business Trade Fair</i>
11:10 – 12:40	<b>Discussion 1: “Supporting the Private Sector: Developing opportunities for small and medium enterprises in the Gobi Region”</b>
13:00 – 14:00	<i>Lunch</i>
14:00 – 15:30	<b>Discussion 2: “Economic Diversification: Developing the tourism sector in the Gobi Region”</b>
15:30 – 16:00	<i>Coffee break / Local Business Trade Fair</i>
16:00 – 17:30	<b>Discussion 3: “Cooperation for developing responsible mining in the Gobi region”</b>
17:30 – 17:40	<b>Briefing of the day</b> , Sarandavaa.M, <i>Deputy CEO, MNCCI</i>
17:40 -- 18:00	<b>Group photo</b>
18:00 – 19:00	<i>Musical Performance hosted by Governor of Dundgobi province</i>
19:00 – 20:00	<i>Dinner Reception hosted by Governor of Dundgobi province</i>

4<sup>th</sup> of November, 2016

08:30 – 09:00	<i>Registration</i>
09:00 – 09:10	<b>Greetings</b> , Dr. Daniel Schmuecking, <i>Country Representative of Konrad-Adenauer Foundation in Mongolia</i>
09:10 – 10:20	<b>Discussion 4: “Developing a socially inclusive economy”</b>
10:20 – 11:30	<b>Closing Discussion: “Gobi region cooperation: Forum review and further steps”</b>
11:30 – 12:00	<i>Coffee Break / Local Business Trade Fair</i>
12:00 – 13:00	<b>Site tour</b>
13:00 – 14:00	<i>Lunch</i>

## Previous Provincial Competitiveness Forums



АЙМГУУДЫН ӨРСӨЛДӨХ  
ЧАДВАРЫН АНХДУГААР ЧУУЛГАН  
2014

2014 оны 10 сарын 8-9, Улаанбаатар хот

The EPCRC organized the *First Provincial Competitiveness Forum* to discuss how Mongolia's provinces can increase their competitiveness, with support from the Konrad Adenauer Foundation, held on 8-9 October, 2014.

Around 60 decision makers took part, including Heads of Citizens' Representative Khurals, Governors of provinces and chairmen of local chambers of MNCCI.

You can find more information on [aimagindex.mn](http://aimagindex.mn)



ЗҮҮН БҮСИЙН ӨРСӨЛДӨХ  
ЧАДВАРЫН ЧУУЛГАН 2015

ХОГЖЛИЙН ТОЛӨӨХ ТҮНШЛЭЛ

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

The second provincial competitiveness forum, the Eastern Region Provincial Competitiveness Forum, was organized by the EPCRC with support from the Konrad Adenauer Foundation on 8-9 October 2014 in Baruun-Urt, Sukhbaatar province.

Over 140 representatives from Sukhbaatar, Khentii, Dornod provinces and Ulaanbaatar city participated in the forum.

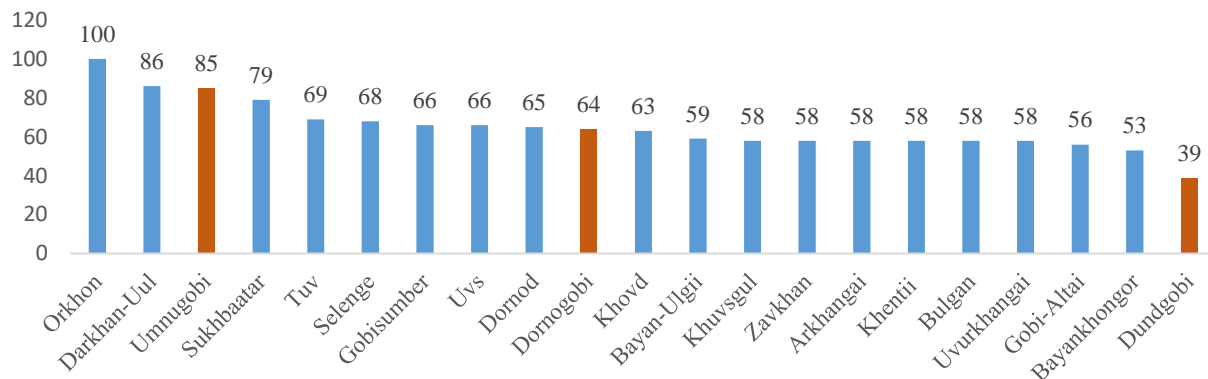
You can find more information on [aimagindex.mn](http://aimagindex.mn)

## I. ABOUT THE GOBI REGION

### Gobi region competitiveness

The three Gobi region provinces (Dundgobi, Umnugobi, Dornogobi) account for 22.3 percent of Mongolia’s total territory. However, only 5.6 percent of Mongolian population live in the Gobi region and this region has the lowest population density nationally. Average GDP growth in the Gobi region was 36% across 2008-13. But GDP fell by 7% in 2014-15 because of a decline in mining industry and the Mongolian economic slowdown.

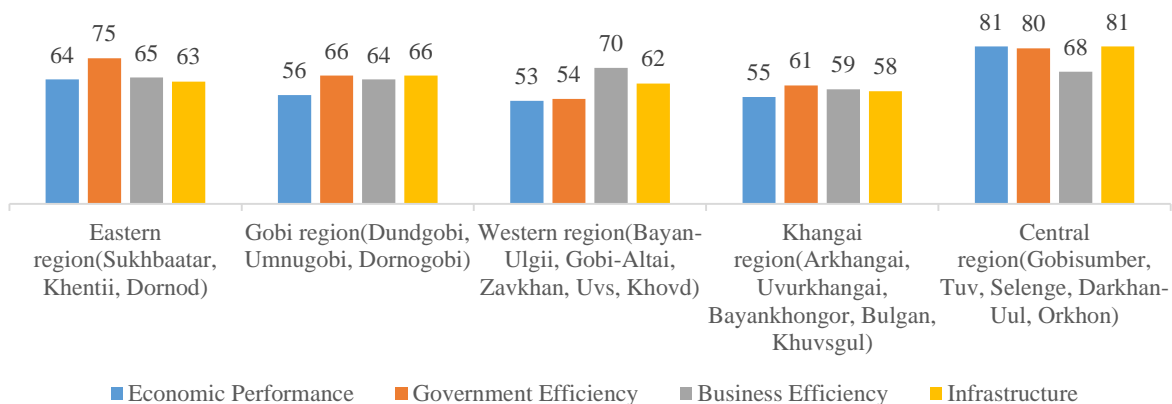
Overall competitiveness scoreboard 2015



**Strengths of Gobi region provinces :** compared with other provinces, the GDP per capita Umnugobi ranked 2<sup>nd</sup>, Dornogobi ranked 9<sup>th</sup> and Dundgobi ranked 12<sup>th</sup> and in average wage Umnugobi ranked 2<sup>nd</sup>, Dornogobi ranked 4<sup>th</sup> and Dundgobi ranked 12<sup>th</sup>.

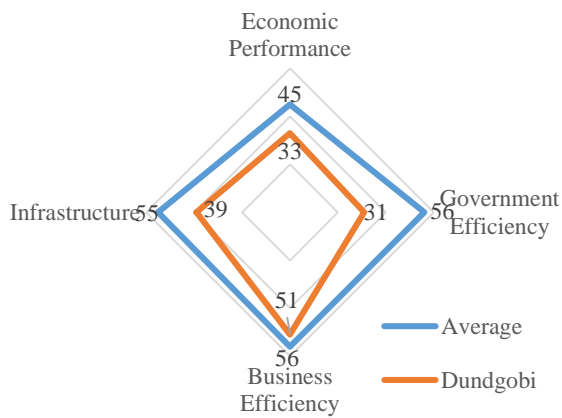
**Weaknesses of Gobi region provinces :** compared with other provinces, in budget revenues Dornogobi ranked 19<sup>th</sup>, Dundgobi ranked 20<sup>th</sup> (despite Umnugobi ranking 1<sup>st</sup>), and in total sown area Umnugobi ranked 18<sup>th</sup>, Dornogobi ranked 19<sup>th</sup>, Dundgobi ranked 20<sup>th</sup>.

Competitiveness, region averages



Source: Provincial Competitiveness Report 2015

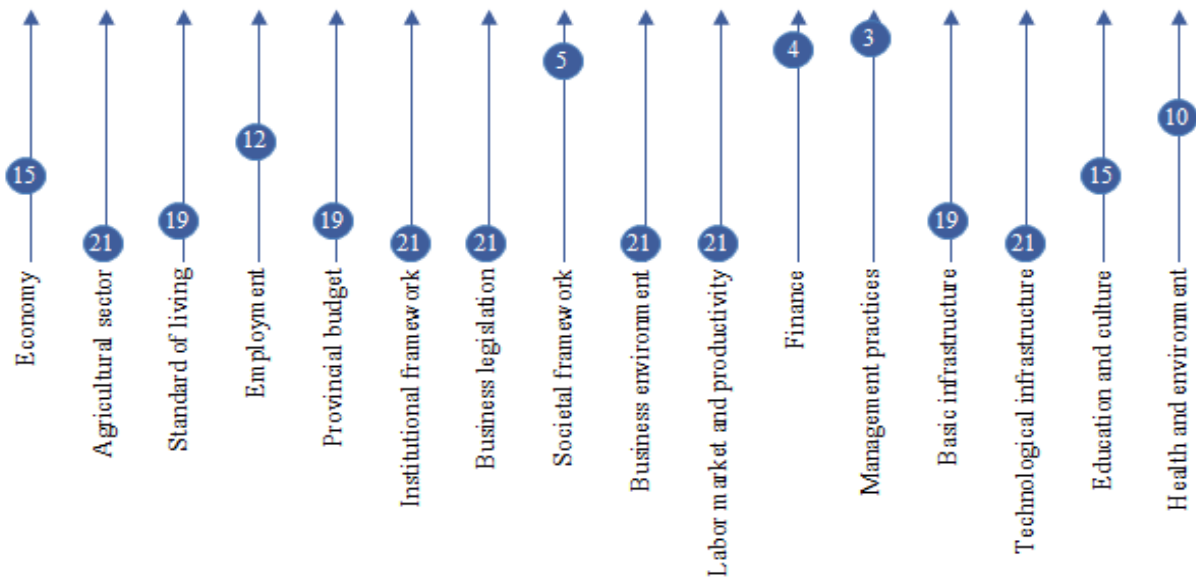
### Competitiveness of Dundgobi province



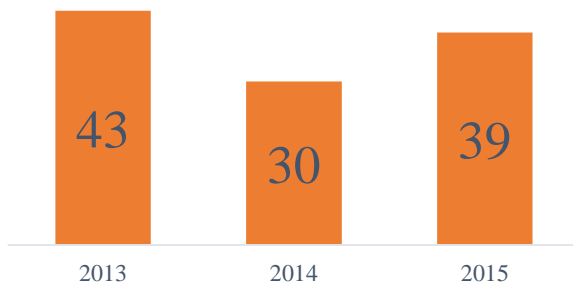
General indicators 2014 ranking

General indicators	2014	ranking
Land area (thousand km <sup>2</sup> )	75	11
Number of soums	15	
Population (thousand)	44	20
GDP (billion tugrug, at current price)	229	19
GDP per capita (thousand tugrug, at current price)	5,235	7
Unemployment rate (%)	5.2	4
Inflation (%)	11.2	11

Competitiveness landscape, ranking:



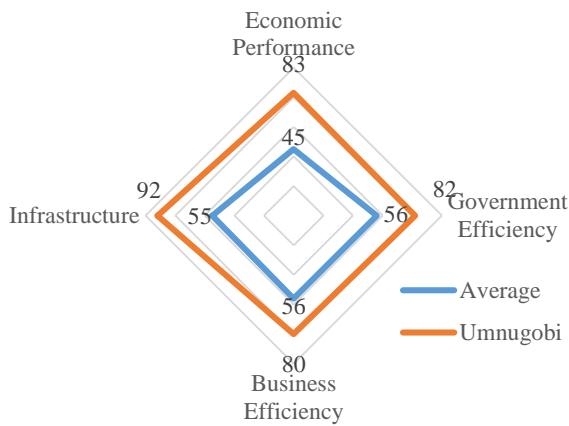
Overall competitiveness scoreboard



Ranking	2013	2014	2015
Overall	20	21	21
Economic Performance	21	21	21
Government Efficiency	21	21	21
Business Efficiency	18	21	18
Infrastructure	5	17	21



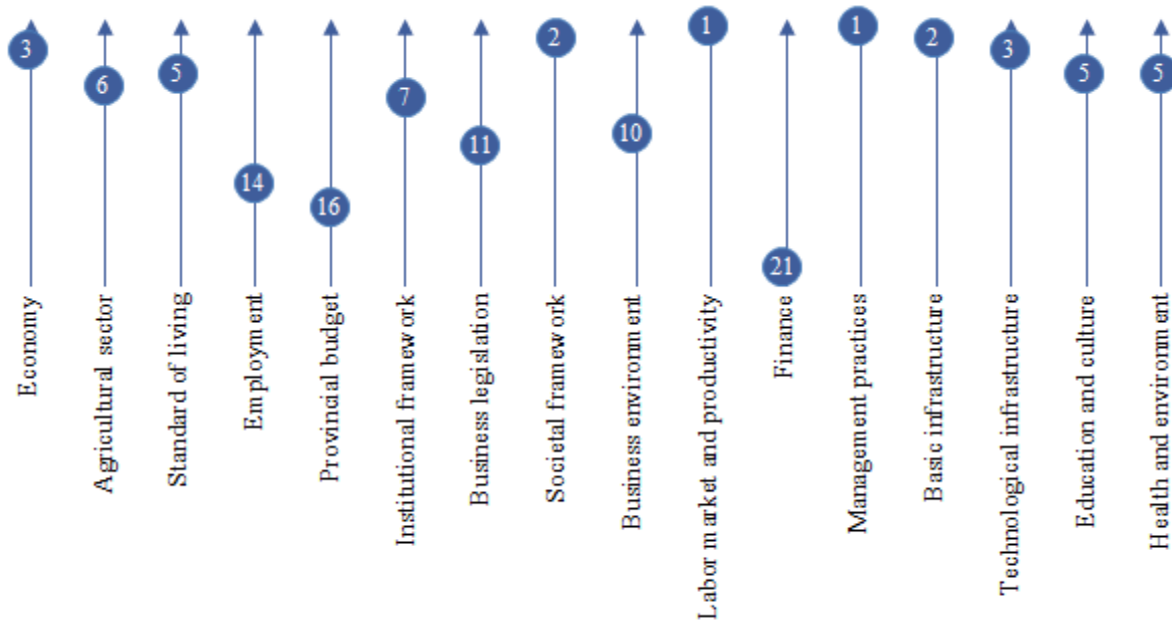
### Competitiveness of Umnugobi province



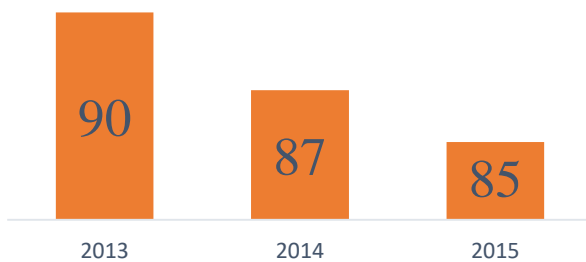
General indicators 2014 Ranking

General indicators	2014	Ranking
Land area (thousand km <sup>2</sup> )	165	1
Number of soums	15	
Population (thousand)	60	16
GDP (billion MNT, at current price)	575	4
GDP per capita (thousand tugrug, at current price)	7694	2
Unemployment rate (%)	11.3	15
Inflation (%)	9.9	5

#### Competitiveness landscape, ranking

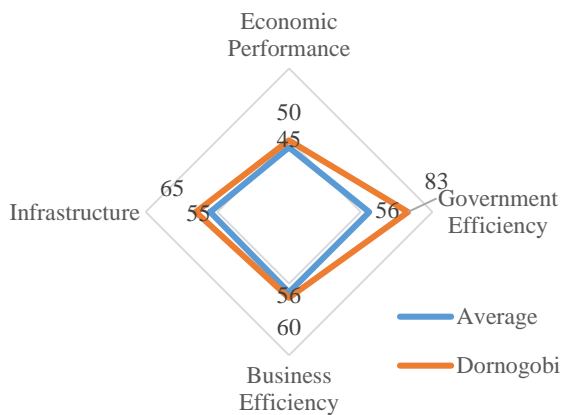


#### Overall competitiveness scoreboard



Ranking	2013	2014	2015
Overall	2	2	3
Economic Performance	2	2	3
Government Efficiency	5	3	5
Business Efficiency	1	3	4
Infrastructure	11	4	3

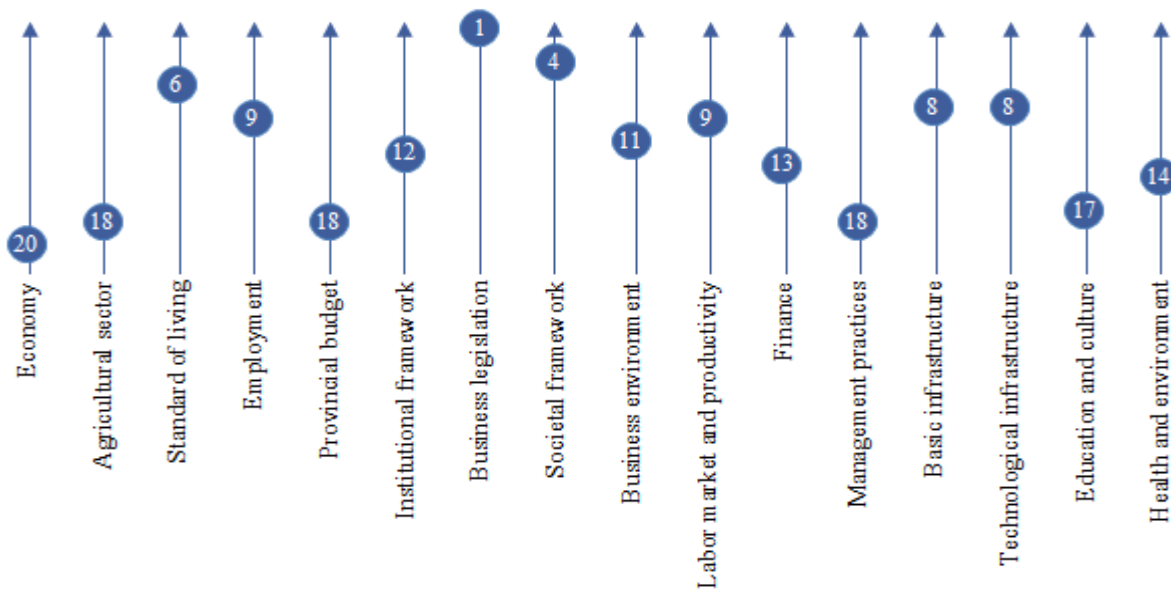
### Competitiveness of Dornogobi province



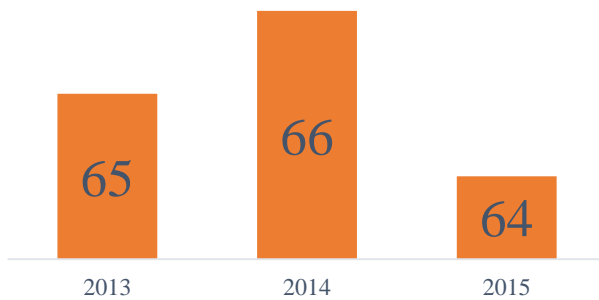
General indicators 2014 Ranking

Land area (thousand km <sup>2</sup> )	110	5
Number of soums	14	
Population (thousand)	63	15
GDP (billion MNT, at current price)	331	12
GDP per capita (thousand MNT, at current price)	4,906	9
Unemployment rate (%)	11.6	18
Inflation (%)	10.3	7

### Competitiveness landscape, ranking



### Overall competitiveness scoreboard



Ranking	2013	2014	2015
Overall	9	9	9
Economic Performance	11	8	9
Government Efficiency	8	14	10
Business Efficiency	7	6	6
Infrastructure	14	10	15

## II. FORUM

### QUOTATION FROM THE OPENING SPEECHES

Erdene-Ochir.N

Secretary of Citizens' Representatives Khural of Dundgobi



*“ It is noteworthy to mention that this event: “The Gobi Region Competitiveness Forum” is being held during the time when the recently elected Governors and Citizens’ Representatives are at the stage of drafting their action plans for the next four years. In the coming days these action plans will be approved. I’m sure that discussions over the next 2 days will help the three participating provinces identify the current status of their economies and directions for further development. I hereby announce the opening of the Gobi Region Competitiveness Forum and wish good luck to all participants”*

Tsagaan.P

Chairman of the Board, EPCRC



*“Good morning, everyone. Today, we are holding the Gobi Region Competitiveness Forum in Dundgobi province. Bat-Erdene.O, Governor of the Dundgobi province, came to our EPCRC office and asked for possibilities to cooperate to improve the competitiveness of Dundgobi. He was the first governor who came to our office after being appointed. At that time we were planning our Regional Provincial Forum and we were delighted to organize the forum here in Dundgobi. I would like to thank the Konrad Adenauer Foundation for all their support and cooperation.*

*Decision makers of Gobi provinces and representatives from ministries, agencies and organizations are participating in this forum. It is very significant that we are organizing the forum at the time when the provincial governors are drafting their upcoming four year action plans.*

*20 years ago, I visited Deren soum with Tsendjav (The cabinet officer of Government), who happens to be present at this event. But we were lost and spent the night in the steppe. However today we just came here by paved road. In 1999, the former Prime Minister Narantsatsralt and myself initiated the “Buman Narni Gerel” project. The main idea of that project was “bringing light to herders”. Today when I was coming to Dundgobi, I saw that all herder households have their own solar panels. This shows us how fast we are developing.*

*Leaders of local and businesses must learn to measure. We cooperated with the IMD World Competitiveness Center to design a metric which can measure development, economic and social states nationally and in the provinces. We measure the competitiveness of provinces using 177 indicators such as household income, employment and the number of teachers to students. Dundgobi has been ranked the last among provinces and we hope this forum will contribute to improve it. Dundgobi has a great potential to develop tourism because it has a lot of beautiful natural places and historical sights. Income from tourism, distribute equally. On the contrary, mining sector creates relatively fewer work places and creates more income gap.*

*If you can use this measurement of competitiveness appropriately, you can succeed. Thereby, I wish you all the best.*

## PRESENTATIONS

### *Presentation*

#### ***“Competitiveness and Development Opportunities for the Gobi Region”***

*Odonchimeg.I – Deputy Director, EPCRC*



#### **Presentation highlights:**

- We measure the competitiveness of provinces according to four sub-factors, comprising of a total of 177 criteria. Of these 177 criteria, 102 or 2/3 rely on hard data. The remaining 75 rely on executive opinion survey results

- In the most recent Mongolia: Provincial Competitiveness Report, Umnugobi ranked 3<sup>rd</sup>, Dornogobi ranked 10<sup>th</sup>, Dundgobi ranked 21<sup>st</sup> among provinces by competitiveness.

- Some of the biggest challenges the Gobi Region facing are desertification, lack of trained staff, poor governance issues and private sector partnership and a heavily dependence on mining sector, etc...

- Citizens' should have equal rights to make choice regardless of where they live.

### *Presentation*

#### ***“Leading Sectors of Dundgobi province, private sector supporting policy and investment issues”***

*Bat-Erdene.O – Governor of Dundgobi province*



#### **Presentation highlights:**

- Leading sectors of Dundgobi: livestock, mining and tourism

- It is possible to reach 3 million live-stock by the end of 2016

- There are 250 mining licenses in the Dundgobi province which cover 16.4 percent of the entire land area.

- Dundgobi has 15 tourist camps based on natural, historic and cultural places.

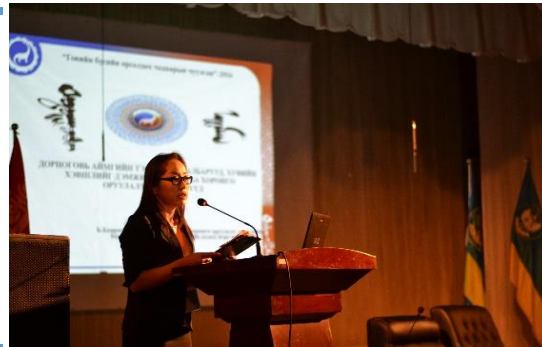
- Dundgobi has 60 percent of Mongolia's proven brown coal reserves.

You can view these presentations on [aimagindex.mn](http://aimagindex.mn)

### *Presentation*

#### ***“Leading Sectors of Dornogobi province, private sector supporting policy and investment issues”***

*Bayarmaa.B – Senior specialist, Investment and Development Policy Department of Dornogobi Governor’s Office*



#### **Presentation highlights:**

- Leading sectors of Dornogobi province: industry, tourism, livestock and agriculture
- Industry and mining sectors: we have commissioned mining and mining processing industries such as the Khukh Tsav cement plant, the Tsagaan Suvarga copper and molybdenum processing plant project, the Moncement project. These projects will redound to the sustainable development of the economy.

- Tourism sector: We are developing the local tourism sector by diversified products. Local tourist highlights include the Khamar monastery, the Khanbayanzurkh Mountain, pilgrimage tours to the Energy Center, special interest tourism, and border region tourism.

- Livestock and agriculture sectors: we are planning to build a vegetable cellar in the province center, obtaining red goat strains and the Gobi sheep meat program.

### *Presentation*

#### ***“Leading sectors of Umnugobi province, private sector supporting policy and investment issues”***

*Sukh-Erdene.J – Director, Investment and Development Policy Department of Umnugobi Governor’s office*



#### **Presentation highlights:**

- Leading sectors of Umnugobi province: mining, livestock and agriculture - tourism. We considered that sustainable tourism, responsible mining and intensive stock raising are the main development directions for Umnugobi. We have three economic regions: west, east, central.

- There are 180 mining exploration licenses, and 90 mining operating licenses in Umnugobi which covers 14.5 percent of the land.

- Goats make up 68 percent of livestock.

- Umnugobi has 23 tourist camps which can host 1,513 tourists at same time.

You can view these presentations on [aimagindex.mn](http://aimagindex.mn)

## PANEL DISCUSSIONS

### Discussion 1: “Supporting the Private Sector: Developing opportunities for small and medium enterprises in the Gobi region”

Facilitator: Sarandavaa.M, Deputy CEO, MNCCI



#### Panelists:

1. Dashzeveg.S, *Specialist, Research and Risk Analyses Division, FRC*
2. Enerelt.E, *Investment Officer, ADB*
3. Munkhchuluun.J, *Deputy Governor of Dundgobi province*
4. Buyankhishig.A, *Specialist of SME Policy Implementation, Food and Agriculture Department, Dornogobi Governor’s office*
5. Sukh-Erdene.J, *Director, Investment and Development Policy Department of Umnugobi Governor’s office*
6. Gankhuyag.O, *Director, “Gan-Ilch” LLC, Dundgobi province*

#### PRESENTATION

### “Impact of financial markets on the development of SMEs”

Dashzeveg.S, *Specialist, Research and Risk Analyses Division, FRC*



Presentation highlights:

- Non-performing loan rates of commercial banks and non-bank financial institutions are at 8.6% and 12% respectively – a big risk for financial market. However, NPL rate of credit and saving unions is (CSU) 4.8%.
- To develop SMEs there is a need to increase the impact of CSU. CSU grants are more reliable loans and the number of NPL is not so high because they make decisions democratically.
- 277 CSUs had 105.4 billion MNT in total assets by the 2<sup>nd</sup> quarter of 2016. A total of 16 of these CSUs operate in provinces of Gobi region. They have 1210 members and roughly 1 billion MNT in total assets.
- The Gobi region has the fewest CSU total assets and members among all five regions. Development of the region CSU market is very weak.

*“When small and medium enterprises (SMEs) want to get loans they have to contact nine different institutions, collect 30 documents and process with overall 36 activities. It requires 7-33 days and spending 100,000₮ - 1,500,000₮ to get a loan.”*

**Sarandavaa.M , Deputy CEO, MNCCI**



Discussions and Q&A summary:

**Question:** *What kind of policies Dundgobi is planning to implement in order to support employment and develop a better business environment?*

**Munkhchuluun.Ch:** We will support service businesses such as hotels, restaurants and other service centers which meet international standards.

**Question:** *What activities are ADB undertaking to support the business environment for regional SMEs?*

**Enerelt.E:** ADB is the second largest lender with loans, development aid and technical assistance in Mongolia after Japan. The “Agriculture – Rural Development” project of ADB will start soon. Within this project we will finance selected projects through commercial banks loans with 10 years fixed term and less than 12% interest rate.

**Question:** *What are the main challenges facing businesses in Dornogobi province?*

**Buyankhishig.A:** The SME Development Fund financed 156 SMEs in Dornogobi through

preferential loans worth 3.7 billion MNT. Some projects are of low quality because our SMEs lack information about how to undertake market research. We are therefore working on how to link professional institutions with SMEs.

**Question:** *How economic growth and mining sector growth affect SMEs in Umnugobi?*

**Sukh-Erdene.J:** We are working on a requirement for mining companies which will ensure over 50 percent of supply is made by regional SMEs. However products made by regional SMEs struggle to meet the standards of mining companies. We will pay more attention to this case.

**Question:** *Are the available micro financing services sufficient for regional SMEs?*

**Dashzeveg.S:** The best way to finance SMEs are CSUs, not through commercial banks. The reason is CSUs make decisions between only members and their administration in a democratic way. Therefore they can choose better projects and they have lower non-performing loan rates than commercial banks.



*Question: What challenges businesses are facing in Dundgobi province?*

**Gankhuyag.O:** Purchasing power of Dundgobi is weak because of a small population and fewer jobs.

The Government should introduce a regional tax policy. Regional SMEs have disadvantages when they compete with SMEs from Ulaanbaatar city or other areas.

## Discussion 2: “Economic Diversification: Developing the tourism sector in the Gobi Region

**Facilitator:** Buyannemekh.A, *Director, Dornogobi, MNCCI*



### Panelists:

1. Gerelsaikhan.Ts, Specialist, Tourism Policy Regulation Department, *MET*
2. Chandmani.D, Director, Altain Inner Gobi Basin Administration, *MET*
3. Otgonjargal.Kh, *Director, Investment and Development Policy Department of Dundgobi Governor’s office*
4. Nasanjargal.B, Specialist, Environment and Tourism Department of Dornogobi Governor’s Office
5. Purevtulga.B, Director, Environment and Tourism Department of Umnugobi Governor’s Office
6. Rentsen.T, Director, “*Mon-tour*” LLC, *Dornogobi province*

### PRESENTATION

#### *“The current state of Mongolian tourism industry”*

*Gerelsaikhan.Ts, Specialist, Tourism Policy Regulation Department, MET*



Presentation highlights:

- The tourism sector contributes 3.2% of GDP, creates 50,000 jobs and every year approximately 400,000 tourists come to Mongolia.
- 56% of tourists are from China and Russia.
- 64% of tourists come to Mongolia to see natural beauty and a nomadic way of life.
- In order to eliminate seasonal effects we are organizing events like the “Ice Festival” in

Khuvsgul province and winter tourism events. “Improving tourism competitiveness by regions, providing better legislation, and increasing economies of scale” is listed In the Government action plan for 2016-2020.

- We are developing [www.mongolia.travel](http://www.mongolia.travel) website with all information about Mongolian tourism.

**PRESENTATION**

**“Gobi region competitiveness and water reserve management”**

*Chandmani.D, Director, Altain Inner Gobi Basin Administration, MET*



Presentation highlights:

- If we can properly manage our water reserves we can develop a green economy.
- Australia implemented a project which delivered water to a dry gold mine from 600km away. They built a dam linking two streams and elevated water 355 meters above ground using eight pumps, in a project which has the capacity to compress

22,700 m<sup>3</sup> of water. We have to develop and implement the “Orkhon-Gobi” project.

- If we can implement the “Orkhon-Gobi” project, we can gather rain water and deliver it to Oyu-tolgoi through Mandalgobi.
- We have the opportunity to build water reservoirs in Umnugobi.
- Good governance is water governance.

Discussions and Q&A summary:

**Question:** *What kind of policies Dundgobi is implementing to diversify the economy? And how important is the tourism sector to these policies?*

**Otgonjargal.Kh:** Since 2003 Dundgobi province is developing the tourism sector. We have 15 tourist camps and over 50% of these camps have electricity.

**Question:** *What challenges are the tourism sector of Dornogobi facing? Are there any policies to attract internal tourists?*

**Nasanjargal.B:** 130,000 tourists on average come to Dornogobi province each year and 20% of these tourists are from abroad. We are focusing on developing medical tourism. In order to develop the tourism sector we have to upgrade our infrastructure. As part of this, we have built a road between Sainshand and the “Khamar” monastery.

**Question:** *What actions have been taken to improve the quality and standard of the tourism service?*

**Gerelsaikhan.TS:** There are 12 standards in the tourism sector. We are trying to tighten the standard

of “Ger” camps. If “Ger” camps can’t meet those standards, they will be closed. The relationship between tourism camps and local residents is very important.

**Question:** *How mining sector growth is impacting the tourism sector?*

**Purevtulga.B:** We have an idea of making a mutual tour in Umnugobi province with Chinese tourists in 2017. Both sectors mining and tourism sectors can be developed together.

**Question:** *What needs to be done to develop environmentally friendly and tourism?*

**Chandmani.D:** We have to create a route which includes the tourist destinations of Dornogobi, Umnugobi, and Dundgobi provinces. If we can do that, it will be environmentally friendly and contribute to the development of the Gobi region.

**Opinion(Dashzeveg.S, FRC):** When I studied in Turkey, Turkish people were very interested to come to Mongolia. However they couldn’t travel to Mongolia because of lack of information. We have to distribute more information about travel possibilities to Mongolia in order to attract more people from abroad

### Discussion 3: “Cooperation for developing responsible mining in the Gobi Region”

**Facilitator:** Jamyan.D, Representative in Umnugobi province, Mongolian National Mining Association



#### Panelists:

1. Tsagaan.P, Chairman of the Board, EPCRC
2. Zuunnast.T, Senior Specialist, Mining Policy Department, MMHI
3. Ulziibaljir.A, Specialist, Investment and Development Policy Department, Dundgobi Governor’s office
4. Oyunbold.A, Mining Affairs Specialist, Environment and Tourism Department of Dornogobi Governor’s office.
5. Batbayar.P, Director, Umnugobi, MNCCI

## Presentation

### *“The current state of the mining industry, further intentions”*

*Zuunnast.T, Senior Specialist, Mining Policy Department, MMHI*



### Presentation highlights:

- Mining licenses were issued for 9.5% of the territory of Mongolia.
- The mining sector accounts for 18% of GDP and 79% of exports.
- Dornogobi has the highest number of mining licenses.
- We have detected approximately 10000 deposits, over 1000 occurrences with over 80 different minerals.
- “Increasing competitiveness of the mining sector and forming a transparent, responsible mining” was included in the Concepts of Sustainable Development of Mongolia 2030.
- 332, 553 and 257 mining licenses respectively in Umnugobi, Dornogobi and Dundgobi
- To ensure a sustainable investment environment of mining sector, support environmentally friendly infrastructure and building a big power plant in the Gobi region is the highest priority.

### Discussions and Q&A summary:

**Question:** Please explain the concept of responsible mining briefly. What we have to do to develop responsible mining?

**Tsagaan.P:** Responsible mining is a concept to develop an economically efficient, environmentally friendly and socially responsible. Exploring minerals is a big risk to businesses. When we are making contracts, we have to consider and discuss about all potential risks. Once we have issued a mining license, we have to respect it.

**Question:** What policies will the MMHI implement to spend revenues from the mining sector on rural development?

**Zuunnast.T:** “A law requiring that up to 30% royalties will remain in that region and 10 percent from that will remain in that soum” is becoming effective from 2017.

**Question:** How do you see the future of the mining sector in Dundgobi province?

**Ulziibaljr.A:** Dundgobi has issued 79 exploitation mining licenses. Transporting ore on dirt road has a negative impact on Gobi region soil. Therefore we should semi-finish the ore at least.

**Question:** As the first mining province, what challenges are facing the mining sector?

**Oyunbold.A:** Building industries based on mining in Dornogobi has a positive effect on the economy. We have 17,668 hectare area in which mining companies have not completed mining reclamation or just left empty. That happened because of mining, the wrong actions of humans and improper technologies. So many mining companies are working inconsistently.

**Question:** What are the problems in the relationship and cooperation between mining companies and SMEs?

**Batbayar.P:** Mining companies want instant, large supply from local companies which local companies can't provide. Local companies are

presently supplying approximately 10% of the whole supply of mining companies. We are working to upgrade this rate to 50%.

### Briefing of the day: Sarandavaa.M, Deputy CEO, MNCCI



#### Quotation:

*“Representatives from Dundgobi, Umnugobi, Dornogobi and other institutions have discussed three topics today. There are 39,000,000 SMEs in Central Asia and 52,000 SMEs in Mongolia. SMEs increase the middle class and distribute income. We need to create an information system for tourism. We have a problem: how to spend the income gained from the mining sector in a way which supports SMEs. If we can develop local suppliers, they can fully supply mining companies. In the “Concepts of Sustainable Development of Mongolia 2030”, there are ambitions to increase middle class to 80% of the population, abolish unemployment, no poverty and GDP per capita to reach \$17,000, very simple way to achieve these is through cooperation”*

## Discussion 4: “Developing a socially inclusive economy”

Facilitator: Lakshmi.B, Director, EPCRC



Panelists:

1. Dr. Daniel Schmuecking, Country Representative of the Konrad-Adenauer Foundation in Mongolia
2. Khurelchuluun.Ch, The Cabinet Officer of Government
3. Chuluunbat.O, Head of Governor's office, Dundgobi
4. Byambabaatar.S, Director, Statistics Department of Governor's House, Umnugobi

### *PRESENTATION* “Social market economy”

Dr. Daniel Schmuecking, Country Representative of the Konrad-Adenauer Foundation in Mongolia



Presentation highlights:

- Economic system models: centrally planned economy and laissez-faire economy (free market economy)
- Germany has a social market economy.
- The key elements of this economic model are individual responsibility, fairness of performance, and subsidiarity of social security.
- The most important goals of a social market economy: freedom, justice, wealth. Peace and Security are frequently added.
- The state guarantees free formation of prices for goods and services, private property, freedom of trade and free enterprise, protection of workplaces, social welfare, etc...
- The state has to prevent monopolies, unfair competition and restriction of market access.
- Successful competition is the most social policy.

*“The ideas and theories of a social market economy were implemented during the chancellorship of Konrad Adenauer in spite of strong opposition.”*

***Dr. Daniel Schmuecking, Country Representative of Konrad-Adenauer Foundation to Mongolia***

Discussions and Q&A summary:

**Question:** *What policies have been implemented in Dundgobi about vulnerable parts of a society and pensioners?*

**Chuluunbat.O:** We have policies regarding vulnerable parts of a society and pensioners. In particular, supporting the work of vulnerable people, preparing specialists in vocational training centers, and raising livestock for those who have a very few.

**Question:** *Is it possible to support middle class and economic growth through welfare policy?*

**Byambabaatar.S:** If the welfare policies can reach the people in need, it can support the economy of that family.

**Question:** *Does Mongolia have a socially inclusive economy?*

**Dr. Daniel Schmuecking:** Mongolia does not have a socially inclusive economy. Political parties have different economic policies but here in Mongolia,

political parties don't have their own economic policies. Every political party must have their own economic concept and exist based on that.

**Question:** *How is the socially inclusive economy concept reflected in local development policies?*

**Khurelchuluun.Ch:** Government actions include complex policies about society such as supporting households and ensuring every citizen has a job. We can increase incomes by developing SMEs in short term rather than big projects we are benefiting in the long run.

**Question(Oyunkhishig, Asian Foundation):** *How much of province budget is spent for welfare?*

**Chuluunbat.O:** Over 10,000 people currently receiving welfare in Dundgobi province. Money used on welfare almost equals the provincial budget.

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## *PRESENTATION*

*Experiences participating in the Global Food Safety Conference*

***Maamankhuu, Head of Umnugobi Herders association***

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## Discussion 5: “Gobi region cooperation: conclusion and further steps”

**Facilitator:** Tsagaan.P, Chairman of the Board, EPCRC



### Panelists:

1. Sukhbaatar.S, Head of Citizens’ Representatives Khural of Dundgobi
2. Bat-Erdene.O, Governor of Dundgobi province
3. Tumenbayar.S, Head of Citizens’ Representatives Khural of Dornogobi
4. Bayarmaa.M, Senior Specialist, Investment and Development Policy Department of Umnugobi Governor’s Office
5. Sugir.Kh, Head of Citizens’ Representatives Khural of Umnugobi

### Discussions and Q&A summary:

**Question:** *Throughout this forum a lot of sessions have been held, and delegates from the Gobi region’s three provinces have gathered. How would you assess the result of the forum?*

**Sukhbaatar.S:** The Gobi Region Competitiveness forum has been a success. During the forum we have discussed regional and nationwide problems; for example I discussed with another province’s governor about horizontal paths. If the Gobi region’s provinces cooperate with each other we can successfully develop. We must unite our strengths and mutually complement each other’s. All governors are newly appointed and I hope that this is the beginning of our successful cooperation.

**Question:** *How would you assess this forum’s result?*

**Tumenbayar.S:** I am a railways expert. We are proposing to develop our infrastructure and tourism,

and infrastructure is very important for comfortable travel. We must develop a “Gobi” brand, and we need a Gobi region’ department or council that is not big, but includes people from each province. It is difficult to develop SMEs in each soum so we must concentrate on how to develop big projects based on the Gobi region’s resources. We must also enhance information exchange across the Gobi regions.

**Question:** *Based on the cooperation of the three provinces how a better business environment can be developed for the Gobi region?*

**Sugir.Kh:** Each province has its own peculiarities, so their development policy must to be based on their own strengths and weaknesses. The Gobi region’s three provinces must have one tourist route and that is important. Most of Mongolia’s camels



live in the Gobi region so we must concentrate on how to increase benefits from camels.

**Question:** *Is there any opportunity to form your own budget? Which sector is most affordable to develop in the Gobi region's three provinces?*

**Bayрмаа.В:** The Gobi region's provinces' main sectors and strengths are very similar. We discussed how to coordinate between SMEs and mining. Small supplier companies have insufficient supply to the biggest mining companies. So we must support the capacity of small companies.

**Question:** *How do we develop cooperation across neighboring provinces for the local economy and business environment?*

**Bat-Erdene.О:** It will depend on the governor's initiative. The Gobi region has a lot of opportunities to develop SMEs and a free zone. We can support SMEs with tax allowances and policies. We also have the opportunity to build a market that will sell Gobi region products. Otherwise we will use an existing chain store.

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*We need road markings. I was travelling to Khamriin Khiid monastery and the Energy Center. They were super cool, but service was bad. Ikh Gazriin Chuluu of Dundgobi province is a very convenient place to hold a forum or event. For example why can't we hold an 'Economic Forum' there? Also all the world's geologists must visit the Mongolian Gobi, because the Gobi is a paradise of paleontology. Local hotels must use the web and put the information on websites.*

**Otgochuluu.Ch, economist**

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*"This two day forum was an information exchange platform for further planning work. We have confirmed one idea, that we must determine how to measure. If we can't to measure, we can't manage. If we can't manage, we can't control or develop those things. We have discussed long term cooperation. Economic theory talks about "synergy". If the Gobi region's three provinces cooperate with each other that will be more efficient than working separately."*

**Tsagaan.P, Chairman of the Board, EPCRC**

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Photo album

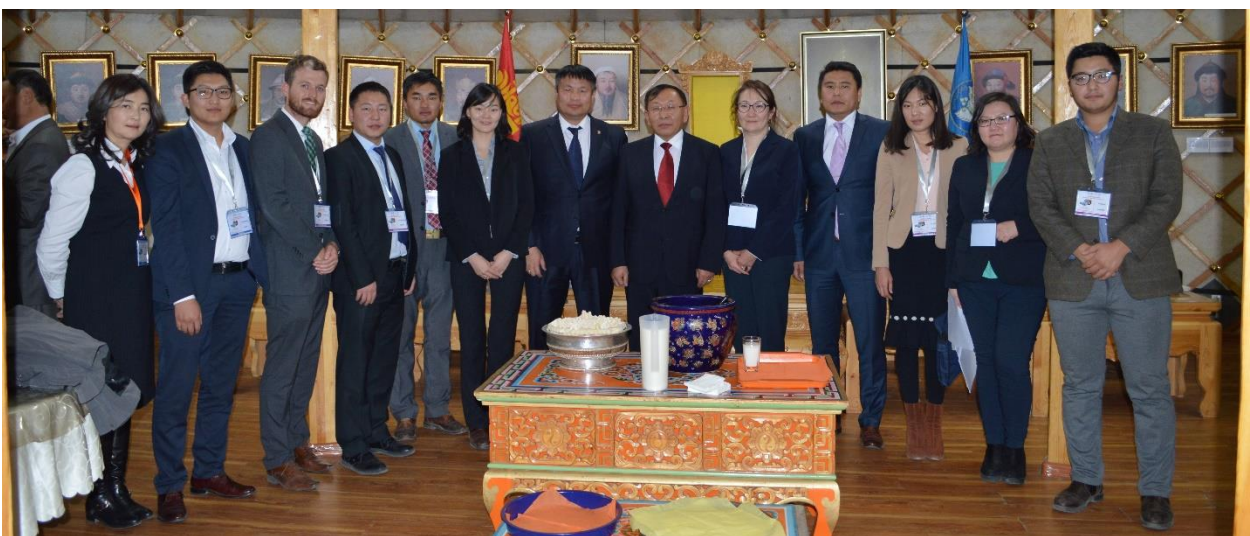


'Central Khalkh Singing, Dramatic' theater performed for the guests and representatives of the Gobi Region Competitiveness Forum.





Dinner Reception hosted by Bat-Erdene.O, Governor of Dundgobi province.



## Site tours



Participants of the forum visited “Mandalgobi-Food” LLC. “Mandalgobi-Food” LLC was founded in 1995 and main areas of activity are production and commerce. They produce bread, sausage, beverages, water and candies.



Currently they have over 40 employees and producing over 60 types of products. “Mandalgobi-Food” LLC is known to public and they were awarded as “the Best Food Company of the Mongolia’ and ‘Leading Food Producer of the Country”



By the last event of forum, we visited “Gan-Ilch” LLC. They were founded in 1997 and have operated for 19 years ceaselessly.



As of Today this company provides heat of apartments with 54000 m<sup>3</sup> volume and companies with 155700 m<sup>3</sup> volume in the Mandalgobi. They have 68 workers including engineers and technical workers and strengthened their source of material and technology. In order to increase competitiveness of the company, they acquired 4 motor vehicles with 60 ton capacity, 2 auto carriers with 5 m<sup>3</sup> buckets, equipment which can classify, crumb 40 ton coal per hour and factory which will transport, classify, sell coal. They are operating very successfully.

*Trade Fair of local businesses*



Local business trade fair of the Gobi Region Provinces. Over 10 SMEs from Dundgobi, 5 SMEs from Umnugobi, 5 SMEs from Dornogobi participated in the trade fair.



Ulziisaikhan.G, Way of Paradis khorshoo, Umnugobi



Mongol Deel production, Dundgobi



"Ingen Tagsh" LLC, Umnugobi



Doljin, 'Zagasgal' tea producer, Dornogobi



Khalzan, Leather crafts, Dundgobi



Khalzan, Leather crafts, Dundgobi



"Golden gobi" wool shop, Dundgobi



"Golden gobi" wool shop, Dundgobi



Otgon.B, "Gobi Uurlan" partnership, Umnugobi



Otgon.B, "Gobi Uurlan" partnership, Umnugobi



Delgermaa, felt crafts, Dornogobi



“Gobi Gegee” LLC, Dundgobi



Homeland brand, Gurvansaikhan, Dundgobi



Sainkhuu.S, private, Umnugobi

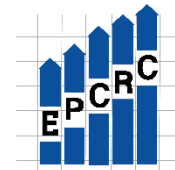


Tserenpagma.M, “Khos” clothing manufacturing, Dundgobi



Children’s Palace of Mandalgobi hosted trade fair.





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