

# The Defacto Gazette

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Photo credit Sainshandwindpark.mn

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Photo credit Zmesience.com

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No400

D. Jargalsaikhan

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## Are Mongolian people the wealth of the country?

Only democratic countries with a market economy can develop their human resources and deliver livelihoods of happiness and prosperity. Such opportunities are limited in a dictatorship as it does not allow for a free economy. So, why is Mongolia – a democracy with a market economy – unable to develop its human resources and turn them into wealth?

In economics, resources are referred to as the factors of production. Given resources are used to produce goods and services, they can also be treated as the fabric to build the economy. Resources are divided into two categories: material and human. Material resources include natural resources, land, goods produced with human labor, and the capital spent on purchasing them. Human resources include the workforce, the people who make the goods and offer services, and the entrepreneurs who manage other factors of production.

Mongolians label both material resources and mineral resources as 'wealth', but we do not see human resources in the same light. We need to remember that not all natural resources are wealth, but all human resources are.

An example would be non-renewable mineral resources. A lot of capital is required to do exploration and find a deposit, which does not always happen. If discovered, even more capital is needed to take the minerals out of the ground and process them. The deposit is put into circulation to create value and wealth only when the total revenue is projected to exceed the costs.

In contrast, human resources are a type of wealth that can be renewed. From birth every person has the equal right to lead a happy life and achieve their dreams. However, not everyone does so. Almost one third of our population is living in poverty today because not everyone is currently able to become a part of the workforce and take part in

the production of goods and services.

### **Primary condition for turning our people into wealth**

The Organisation for Economic Co-operation and Development reported that, if every child is provided with education, practice, and skills to achieve their full participation and involvement in society, low- and high-income countries can grow their GDP by 28 and 16 per cent respectively over the next 80 years.

The primary condition for turning our human resources into high-skilled workforce, therefore transforming into wealth, is general education. The Ministry of Education, Culture, and Science reports that 97 percent of Mongolian children are attending elementary school, which is a leading percentage globally.

However, it is an entirely different picture when it comes to the quality of education. In the 2016/2017 academic year, a total of 562,000 students are enrolled in 798 high schools. Ulaanbaatar has 235 high schools, 102 of which are private schools, providing education to 41.4 per cent of total high school students. The total number of students who are enrolled in the third shift at high schools in the capital city has risen from 6,300 to 9,923 in the last academic year. What it says is that the schools in Ulaanbaatar are exceeding their capacity while the soum schools in the countryside are looking for students to fill their classrooms.

In order to suspend the third shift at schools, the government included the costs of building 32 schools (29 of which would be in Ulaanbaatar) in the public budget. The construction would take place under concession agreements. Furthermore, the government has planned to use aid from China to build 7 schools (5,740 desks) in Ulaanbaatar and a kindergarten for 100 children in Arkhangai aimag within this year, and another 14 schools (8,440 desks) in 2018.



Although we are spending 20 per cent of our public budget (~5–6 per cent of GDP) on education, we are still unable to meet the demand. During its peak development period, South Korea increased its spend on education from 3.3 per cent of GDP to 15 per cent in 1960, and 17 per cent in 1970. Now that South Korea's economy has grown and has seen steady development, the education expenditures have reduced to 5.0 per cent. However, their gross expenditure on education has always been on an upward trend.

In the 2017 competitiveness ranking produced by the Lausanne-based International Institute for Management Development (IMD) Mongolia was ranked second to last – just before Venezuela – out of 63 countries. This ranking was based on economic performance, governance efficiency, business efficiency, and infrastructure. Mongolia was ranked last in tertiary education, innovative capacity, and transfer of knowledge, and second to last in internet users, density of energy network, number of valid patents, cyber security, quality of water and air transport, and protection of intellectual property. Now we know how we are doing. So, what now?

A quality education system cannot be fathomed without well-prepared, passionate, skilled teachers who are given support from society. Today we are seeing our teachers start a strike, as those who teach at public schools are earning so little, with the teacher-to-student ratio at 1:40 to 1:50. It is obvious that the outcome of their work would not be so good when our teachers, who are creating Mongolia's future human resources, are struggling to make ends meet. At the same time, teachers are now facing the need to develop themselves to keep up with today's world. Shaping children as individuals and providing them with skills, such as teamwork, has taken more importance than simply equipping them with knowledge.

### ***Secondary condition for turning our people into wealth***

If general education is complemented by professional knowledge, skills, and expertise, our human resources would truly become a workforce and create economic value. Our country prepares its workforce through technical education centres, universities, and colleges. Besides improving their quality of education, these institutions are increasingly needing to equip students with the 21st century skills, which include critical thinking, problem solving, creativity, and digital literacy.

It is time for everyone, regardless of their age, to master new technologies and adopt lifelong learning in order to meet the ever-changing job requirements of the present world. The information and communications revolution we

are witnessing today is offering a rare and unique opportunity for countries to take a development shortcut and reinvent their economy and society. Last year Mongolia set out an objective to 'create a knowledge-based society and a skillful Mongolian workforce' by 2030.

This objective, for example, aspires to meet the national workforce demand fully from the national pool of skilled and professionally trained persons, and establish a tertiary education system capable of competing in the international labor markets. However, there is not a single word about how we are going to achieve these objectives.

We do not have a clear idea on what pathway we have to accomplish the goal. Our government, private sector, and civil society do not share an aligned understanding. Instead, we are playing catch up with global development while having quarrels, taking sides, and pushing each other in different directions, inbetween elections.

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Harvard Professor Michael Porter suggested in 2008 that Mongolia's potential competitiveness lies in mining logistics, tourism, information technology, meat, and cashmere. Replicating Chile's experience, we can kick-start these industries with collaboration between government, scientists, and foreign experts, and convert businesses to private ownership after they become profitable. This way, these businesses can be owned by the public, and we can diversify our economy and reduce our dependency on mining. In order to become competitive, Mongolia should to review the sectors that we are trailing in, build necessary infrastructure, allow for free competition in the private sector, and focus on the digital economy rather than the industrial one.

We can also pursue policy aimed to enable our human resources to learn new skills, innovate, create, and master information technology and software development, so that we help meet the global demand.

In any case, we cannot lose the opportunity to turn our human resources into wealth.





## DEFACTO INTERVIEW

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Iain Haddow  
Executive editor, Asia region at BBC World Service Languages

**Iain Haddow:** I have come to participate in a forum to talk about public service broadcasting and the future of public service broadcasting, as part of the fiftieth anniversary of the Mongolian National Broadcaster.

**Defacto:** *I was at the conference when you were speaking, and I was impressed by how the BBC fulfills its mission even in difficult times. The BBC is one of the oldest, largest, and best television networks in the world—and it's a public broadcaster. Please tell us more about the BBC.*

**Iain Haddow:** I think the main role of the BBC, whether it's in the UK or globally, is to serve the audience. You have to always set out with that in mind when you are producing content, reviewing content, thinking about your staff and their performance, their delivery, and even their safety in some respects. I think the thing that is always at the forefront of our minds is making good content—that is, good, original, robust journalism. I think if you make that content, then audiences will come. We are trusted; we've been working in this field for nearly one hundred years.

**Defacto:** *How about some details? For example, how many people work for the BBC, in how many countries, in how many languages?*

**Iain Haddow:** At the moment we have either a news bureau or reporters present in over one hundred countries. There are, I think, almost thirty thousand staff across the BBC as a whole, including entertainment and drama, children's programming, music, etc. The news division employs several thousand, and we are currently in the middle of a large expansion programme. We are expanding to 40 language service departments. At the moment we have 28. My team covers the Asia Region for

BBC World Service, specifically the language service content—i.e. the content that is not in English. For example, Chinese, Burmese, Hindi, Punjabi, Gujarati, Indonesian...

**Defacto:** *You offer news services in relatively smaller languages. For example, the BBC started a Pidgin language service in Africa. How come?*

**Iain Haddow:** I think the question about the language services is a very important one. We are there to provide reach and impact with our journalism. We think strategically about which language services to open: Is there an opportunity to grow our audience? Where can we make an impact with our content? Those are the main factors. Take the case of Pidgin, for example. There is large audience speaking Pidgin in various countries in West Africa who are not able to access, or are not served by, news services in their language. So we are there to provide it.

**Defacto:** *There are over three million Mongolian-language speakers here in Mongolia, five or six million people in Inner Mongolia, and maybe less than a million speakers north of Mongolia. All together, we have about ten million Mongolian speakers who would be happy if you considered broadcasting in Mongolian. Hopefully one day. But every morning in my car I can hear the BBC on the radio. How does that system work? Who is transmitting?*

**Iain Haddow:** We have various distribution platforms for our content, some are available via our website and on social media, and that includes video and some audio. But we're also broadcasting on radio—on short wave, medium wave, and FM—on partner stations or direct to audiences. We often we have a partnership with local television that will carry our content. Those are

for the smaller language services.

We don't have any Mongolian partners that I am aware of at the moment. But we have over 1500 partners around the world that we do business with. We also broadcast on TV, in the case of Arabic and Persian, which are 24-hour news channels in their own right. We beam our signal up to the satellite and down to the relevant region. In fact, those programmes and content are available globally.

**Defacto:** *When I visited England, I saw that the BBC had educational content for children all around the country. How does that work?*

**Iain Haddow:** The BBC is a big supporter of education. Inform, educate, and entertain; those are the principles and the founding missions from almost hundred years ago, and those are the ones that still serve us today. I think when you talk about education, you're are talking about the future of a nation. So we have content that is specifically designed for younger audiences, whether that's children's programming, entertainment, drama, mini soap operas. We have news aimed at young people.

**Defacto:** *So the BBC is always on-air and online, and available anywhere and everywhere you have internet access, right?*

**Iain Haddow:** Well, that's what we were talking about at the forum yesterday. People's consumption behaviors are changing very quickly. For example, the other day I was on the train going to work and I was in a carriage with four kids who were maybe 12 years-old. They were school mates. And each was on their mobile phone, with each playing a different game. Yet each was able to conduct and maintain a coherent conversation while looking down at

▶ their phone. I was astonished.

In such a short period of time, we as a society have reached the stage where young people can access all kinds of information and find new ways to communicate. So the BBC has to reach out to them because they are not always going to come to us.

One of our biggest challenges is the shift in behavior where in the past people sat and consumed content together as a social group, and now they consume content individually. That requires a whole new mindset for us as content creators. How do you reach that individual? It's no good anymore just to broadcast content, and say "This is what has happened", and expect that is going to interest people.

**Defacto:** *All of these broadcasts and technologies and content are very expensive to do, and involve many thousands of people. Is the BBC is financed by fees on every household, from the state budget, or from advertising?*

**Iain Haddow:** There is no advertising on the BBC within the UK. It's free of commercials. There is a household fee of 155 pounds per year, but those over 75 years of age don't pay. The household fee is the principle source of income for the BBC. It is set at a rate agreed upon by government several years in advance, and reviewed every five years or so. At the moment the rate will increase with inflation. The majority of our source income comes from within the UK. There's nothing from the state budget.

We use that household/license fee funding to make our programmes. We also do and can commercialise our content for overseas. For example, we can franchise programmes like "Top Gear", "Hard Talk", or our natural history programmes. The BBC world news channel overseas is a commercial operation.

We have some additional money that has been allocated to us from government, about 290 million pounds, specifically to help with the expansion of World Service for the next three years. We are spending it very wisely. But it is a very small proportion of the overall BBC budget, which is, I think, probably close to five billion pounds annual-

ly. Importantly, we are accountable to those license fee payers, and we have to be transparent in the way that we spend their money. We have to spend as much of it as we can on programming and content because we are there to serve the audience, and they expect the highest standards.

**Defacto:** *Does the BBC have competitors within the UK?*

**Iain Haddow:** Yes, there is one other public service broadcaster called Channel 4. It is run on a public service basis but the income for that is commercial, which means that they take advertising. And then there are many, many other commercial channels. But advertising is facing challenges of its own because money is shifting away from television channel sponsorship and commercial advertising, and it's going online.

People consume TV on a small screen now. If you are an advertiser, how are you going to get your message across in a short amount of time on a very small screen? If you are one of those boys on the train, the advertising has to be really smart to grab your attention. As one of many players in the market, the BBC also have to be smart in the way that we make our content.

**Defacto:** *In case of Mongolia, the head of the public television broadcaster is changed very time the government changes. Does the BBC face political pressure?*

**Iain Haddow:** I think the public service broadcasting ethos is there to serve the public, free of political, business, or other interests. In the case of the BBC, we have come under pressure many times. For example, in yesterday's forum, I mentioned the recent case of the government minister who said on air, on the BBC, that we should be more patriotic in our coverage of the BREXIT negotiations.

In another case, under the government of Margaret Thatcher, there was a law passed that prevented the broadcasting of voices of the Irish Republican Army (IRA). At that time, the government was very keen to make sure that the voices of IRA representatives, as well as the Sinn Fein, its political party, were not carried on air. We at the BBC were

not interested in talking, necessary, to the IRA, but rather to Sinn Fein. Anyway, the law said that any IRA member cannot speak on air, so the BBC was in a difficult position. So we decided to interview Sinn Fein members and then have an actor read their words on air. Technically we weren't broadcasting any Sinn Fein voices, but we were still delivering them to the public. It was all a matter of great significance at the time. There was a huge debate in the country about the IRA, about the political aims of it, about its affiliation with Sinn Fein and what it was trying to achieve.

I think the BBC is there to represent all shades of opinion. You have to hear from all sides. There has to be a rational debate. And maybe at the end of the day you agree to disagree, and it might be a heated discussion, but that is the role of the media.

**Defacto:** *So the country benefits from debate and from different opinions. That's what we try to do here, but it's not easy. You are journalist. Tell us about when you were most happy as a journalist.*

**Iain Haddow:** I am very happy right now. I am happy to be in Mongolia. I am happy to be working in Asia region. I'll tell you why. The Asia region is always the first to do anything. In the time zones, around the world, Asia comes first. More than half of the world are awake, have had breakfast, gone to work, and come home before people in Europe are even up. For me it's very exciting just to think of that. Every time I travel to Asia I find it very forward-thinking and an exciting place where people are young and on the move, and doing things, and embracing technology. It's a very exciting time to be working in the field of journalism. I think we have to try and find new ways to keep making our original, robust, high-quality journalism, and see how we attract new audiences and make an impact with them going forward.

2017.10.07

**This interview has been edited for space and clarity**

Full interview available here:  
<http://jargaldefacto.com/article/iain-haddow>





Christopher Melville  
Registered foreign lawyer (England)

## Breaking the Dependence?

The Mongolian energy sector remains a highly interesting and at times sensitive area. With important recent developments in the wind and solar sectors, is it possible for Mongolia to break its dependence on its neighbours, the Dragon and the Bear?

### Energy policy

Mongolia's energy policy targets are separated into two phases. The first, 2015–23, aims to achieve a doubling of the current installed capacity of just over 1100MW, combined with the objective of achieving 20 per cent of that capacity through renewable sources. In addition, the policy envisages completion of certain specific projects, including Combined Heat and Power Plant No. 5, supplying Ulaanbaatar; the Tavan Tolgoi Power Plant to support principally Oyu Tolgoi, a thermal power plant at Baganuur, a coal power plant at Shivee Ovoo aimed at exporting electricity to China, and various hydropower projects to achieve the renewables target. Beyond 2023 to 2030, the targets increase the renewable capacity to 30 per cent of overall capacity and to become a new exporter of electricity.

One of the key developments in recent times in the energy sector worldwide has been a move away from coal mining and coal based power projects. Witness the US elections of 2016, where Democratic candidate, Hillary Clinton, said “we’re going to put a lot of coal miners and coal companies out of business”

At present, Mongolia imports approximately 20 per cent of its energy needs, principally from Russia but also for the Oyu Tolgoi project, from Inner Mongolia.

### Near the end for coal?

One of the key developments in recent times in the energy sector worldwide has been a move away from coal mining and coal based power projects. Witness the US elections of 2016, where Democratic candidate, Hillary Clinton, said “we’re going to put a lot of coal miners and coal companies out of business”. Of course, this move away from fossil fuels, with an emphasis on green and renewable energy solutions in the context of climate change, is unhelpful for Mongolia which is blessed with very significant coal resources.

However, it is clear that the availability of financing for coal mining and coal based power projects is diminishing rapidly. In the past two years alone, major international commercial banks have been adjusting their policies on coal projects, either not financing any further projects, limiting their involvement by reference to emissions targets, or reducing their ongoing financing exposure to projects in the coal sector. Banks such as ABN AMRO, Deutsche Bank, SocGen, Credit Suisse, HSBC and a host of others now have policies restricting their financing of coal projects.

At present, Mongolia imports approximately 20 per cent of its energy needs, principally from Russia but also for the Oyu Tolgoi project, from Inner Mongolia.

Likewise, international financial institutions that are active in Mongolia, such as ADB, IFC and EBRD, have limitations on their ability to finance power projects. This brings Mongolia into the realm of geopolitics – while China has the ability and willingness to provide finance, together with a policy of reducing emissions from its own coal sector,

this potentially increases Mongolia's dependence on China economically.

Clearly, the window for coal financing internationally is closing quickly, and this trend is only likely to continue.

We have recently seen two further wind farm projects come online, the 50MW Tsetsii Wind Farm sponsored by Newcom and Softbank, with financing provided by the EBRD and JICA, and a 55MW Sainshand wind park, sponsored by Ferrostaal with financing from EIB and EBRD. These two projects build on the Salkhit wind farm completed in 2012, significantly increasing the level of installed renewable energy capacity

### Is hydropower the new coal?

International sentiment on hydropower projects is also moving in the wrong direction for Mongolia, as evidenced by the International Union for the Conservation of Nature, an advisory body to the World Heritage Committee operating under the auspices of UNESCO.

In 2015, the IUCN stated that dams pose a growing and serious threat to natural World Heritage, including in cases where the impacts come from dams in a neighbouring country.

According to the director of IUCN's World Heritage Programme, “Dams can have a huge impact on World Heritage sites, reducing precious natural wetland areas, changing river flows and impacting local communities ... it is essential to consider better alternatives that avoid such constructions where possible”. On the other hand, another key issue for the Mongolian environment is desertification. The construction of a large reservoir can have significant benefits in that direction.

▶ As a result of pressure applied through NGOs, the Russian government and the changing international attitude to hydropower, the majority of Mongolia's proposed hydropower projects, including Orkhon, Shuren and Egiin Gol are effectively on hold, pending implementation of the World Heritage Committee's recommendations for extensive environmental, social and strategic impact assessments primarily relating to Lake Baikal and the transboundary ecological system.

Clearly, while the impact on Lake Baikal is hugely important and needs to be properly assessed, there are undoubtedly political elements at play here as well. Russia has no desire to see Mongolia gain any form of energy independence, as this would limit its level of regional influence. Once again, we then see a geopolitical aspect to the energy development of Mongolia.

### **Renewables – growing quickly**

It's not all bad news. We have recently seen two further wind farm projects come online, the 50MW Tsetsii Wind Farm sponsored by Newcom and Softbank, with financing provided by the EBRD and JICA, and a 55MW Sainshand wind park, sponsored by Ferrostaal with financing from EIB and EBRD. These two projects build on the Salkhit wind farm completed in 2012, significantly in increasing the level of installed renewable energy capacity.

In the solar sector, several new projects with Japanese involvement have been completed or are in process, which again is positive.

In time, the Asian Super Grid concept promoted by Softbank CEO, Son Masayoshi, may provide excellent opportunities for a more integrated renewables strategy. That said, at present the projects completed in the renewables sector are almost exclusively in the private sector and it is not clear how these projects ultimately fit into state-led energy plans.

### **Legal framework**

Mongolia's legal system does not currently have express provision for "public-private-partnerships", but does



Photo credit Zmesience.com

contemplate concession type arrangements such as "Build-Transfer" and "Build-Operate-Transfer". Therefore, PPP structures need to be set up on a bespoke basis. This has its pros and cons, but should be possible within the existing legal framework.

As a result of pressure applied through NGOs, the Russian government and the changing international attitude to hydropower, the majority of Mongolia's proposed hydropower projects, including Orkhon, Shuren and Egiin Gol are effectively on hold, pending implementation of the World Heritage Committee's recommendations for extensive environmental, social and strategic impact assessments primarily relating to Lake Baikal and the transboundary ecological system

A more difficult issue is that due to economic constraints, and within the context of the fiscal discipline imposed by the IMF Extended Fund Facility, there is limited scope for the provision of government guarantees for major projects. This requires a more focused emphasis on high quality feasibility studies for a limited number of key strategic projects and detailed environmental impact assessments to ensure their viability.

### **Where do we go from here?**

Clearly, there are international political and geopolitical issues intricately linked

with the development of Mongolia's energy network. It is obvious that the window for financing of coal projects is closing fast and therefore arguably key projects in this sector, such as TTPP (which relies more on the covenant of Rio Tinto than the Mongolian government), should be prioritised, and can build a platform for expansion projects to support further energy sector development. Over time, it is likely that China will become one of the few sources of finance in the coal sector.

The future for hydropower projects in Mongolia looks difficult in the short term with widespread international concern, strong pressure from prominent NGOs and objections from the Russian Federation.

The international emphasis on renewable and green energy in the context of climate change means that perhaps greater importance should be placed on development of this sector as part of a revised and integrated energy policy.

Breaking the dependence? Unlikely in the short term.





## DEFACTO REVIEW

Every Sunday live at 8PM on VTV: 15th October, 2017

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### PM'S DEALMAKING FOR CABINET

Mongolia's new prime minister, Ukhnaa Khurelsukh, is now cutting deals with the factions of the Mongolian People's Party to appoint his cabinet.

Khurelsukh made his 15 cabinet appointments last week, with the president expected to confirm those nominations in the coming days. The PM made his appointments despite his promise not to breach the so-called "double deal" rule, which is an informal prerogative not to appoint MPs as ministers (the name refers to the traditional Mongolian robe, called a deel).

The IMF has delayed about \$38 million in payments when it pushed back a mission to review the progress made by government since the approval of a \$5.5 billion economic bailout to relieve debt pressures and stabilize the tugrug. The IMF promised to come back to the table once a new government is appointed.

So would we consider this newly appointed cabinet a unified one?

"Unified" is probably not the right word. It will be, in a way, a coalition government, as it comprises the two different factions of the party. The Prime Minister had to do this for the sake of stability. He will need to make deals within his own party.

There is a ruling party congress coming up at the end of November, which will elect a new party chairman. If Prime Minister Khurelsukh wants to continue on as the prime minister he will have to become the party chairman, because if a different person gets elected party chairman, then the new chairman might say, "Hey, I want to be prime minister".

This is not going to be a cabinet ruled by one person; it will be a divided cabinet, as it has been for a long time. This illustrates how a cabinet is formed. The constitution requires that the cabinet members be approved by parliament,

which means any prime minister usually ends up not having the cabinet they wanted.

Interestingly, Prime Minister Khurelsukh is himself not a member of parliament, but every cabinet nominee is. That is a little unprecedented; there have never been this many MPs in a cabinet before. This suggests an attempt to have a long-lasting cabinet that has the support of parliament, especially the ruling party.

Remember, Khurelsukh became prime minister as a result of a division within his own party, the Mongolian People's Party. But one would have thought the Democratic Party would be the party with internal conflict, as it is technically a merger of five or six political parties formed in the early 2000s. We never thought the MPP would be this fractured. That Khurelsukh emerged as PM despite the fractures is surprising.

Right now the MPP is essentially two halves, which means each faction alone cannot meet a quorum in parliament. The previous prime minister, Erdenebat, was ousted with the help of the opposition party, while Prime Minister Khurelsukh was appointed with their help. There has been criticism that one half of the MPP is working with the opposition party, and not within its own party.

Also, Mr. Khurelsukh said that three of the cabinet seats which he had offered to the opposing faction, the so-called "Faction of the 32", went to nominees who held questionable business interests, and he therefore called for replacement nominees. For example, the original nominee for deputy prime minister was a prominent businessman. He was a shareholder and former executive at one of Mongolia's largest companies, MCS.

As to how all of this affects the IMF bailout, the nominee for finance minister, Mr. Khurelbaatar, was a supporter of Mr. Khurelsukh, and so shares the

PM's view that the deal should continue as planned. Mr. Khurelbaatar is an economist, educated abroad. I would say that he is experienced and the right guy for the job.

### WINDFARM CAPACITY GROWING

Mongolia has launched a series of new wind power projects to develop its huge renewable energy potential and start delivering clean electricity to other countries in the region

in preparation for the creation of an "Asia Super Grid".

Thomson Reuters reported last week that the Mongolian government and officials from France's state energy conglomerate Engie held a groundbreaking ceremony on Thursday for the first of the new wind farms, which is scheduled to be completed by the end of next year. The 55-megawatt Sainshand plant, 460 km southeast of capital Ulaanbaatar, will help power a long-awaited industrial complex in the region, including an oil refinery.

Clean Energy Asia's Tsetsii Wind Farm, which opened on Monday, adds 50 megawatts to Mongolia's capacity and brings the share of renewable energy of the central grid to 12%.

So let's talk about wind energy in Mongolia, as well as this "Asia Super Grid" idea.

Mongolia has a national policy on renewable energy which says that by 2020, 20% of Mongolia's energy will come from renewable sources. And by 2030, 30% will be from renewables. This was before Mongolia signed the Paris Agreement. Mongolia has long thought that its energy future was in renewables and not from burning coal.

The Asian Super Grid is a proposal by the founder of SoftBank, which is a large Japanese multinational corporation. It was born from the Fukushima nuclear disaster, after which Japan halted its



Photo credit Sainshandwindpark.mn

nuclear power plant operations and had to import a lot of electricity as a result. The idea of the grid is to build renewable energy plants in Central Asia and the Gobi Desert in order to supply Japan, Korea, and even China with electricity. I see a lot of potential with the grid. With it, Mongolia could become a major player in energy production in the region.

Issues remain for domestic power production, however. Those renewable projects won't be able to contribute much to Ulaanbaatar's energy consumption, at least in the near term. The long-proposed, but yet-to-be-built, Power Plant #5—next year will be the 10th anniversary of its groundbreaking—is still needed. I'm not sure what the prime minister thinks about its status, but the plant is not mentioned in the MPP platform.

And with the Super Energy Grid, there is still a lot more work to be done. Mongolia would need transmission lines, energy deals—it won't all happen overnight. It may be decades in the making. But it seems to be something that Mongolia could really benefit from.

There is already a coalition between the power grids of Japan, Korea, and China. So if Mongolia starts producing excess amounts of energy from wind and solar power plants, the Chinese state grid would buy it from Mongolia and then sell it off to Japan. Mongolia won't sell it to Japan or Korea directly.

## OT APPLICANT CLAIMS DISCRIMINATION

A 33 year-old man is taking the Oyu Tolgoi copper-gold mine to court, claiming discrimination against his weight when he wasn't hired for a position. Ts. Chinbat is basing his case on an al-

leged policy that forbids hiring anyone weighing over 100 kilograms. He said he has lodged a claim with the Human Rights Council over the matter, and he is demanding compensation for salary he says is owed from last May.

If it's a question of safety, Oyu Tolgoi (OT) is managed by Rio Tinto, and Rio Tinto prides itself on its mine safety. But this guy applied for a job that is not directly related to work in the mine. He was going to be a safety supervisor of some sort. So he could have a legitimate legal case against the company and its hiring practices. But I don't know about compensation. Maybe if it was tried in a civil court.

But labor laws in Mongolia are pretty strict. It's very hard to fire an employee. For example, 90% of people who sue to get their job back end up winning. The labor laws are very protective of workers.

We have lobbyists, such as Business Council Mongolia, who advocate for more lenient labor laws for employers. But this is not an issue specific to Mongolia. French President Macron campaigned on loosening the labor laws in that country. Our laws may not be as strict as French labor laws, but they are still sometimes not helpful to employers.

The current labor law in Mongolia says, for example, that an employee has to do something wrong three times in order to get fired. It doesn't matter how big that "wrong" was, it counts only as one of three infractions. Businesses complain about this, of course. Most people who get fired usually move on and look for another job. But the majority of those who sue the company are re-hired and then paid for the lost time.

Most of Mongolia's labor unions are in the public sector. OT is obviously a big political project, and it has a labor union, but the biggest Mongolian companies don't have labor unions. If you're working in the private sector, you're basically on your own.

## FINTech COMPANY DISRUPTS BANKING

A new financial technology ("fintech") startup disrupting the banking sector made headlines this week. "Mongolia's Untapped Lending Market Has Earned This Japanese-Backed Fintech Startup A

\$30M Valuation" reads the headline of a Forbes article posted on its website this week about the company. Thirty-five year old Anar Chinbaatar launched the company Lend.mn two years ago when he saw a space for micro-lending in Mongolia's fractured industry. The main functions of the app are assessing credit-worthiness and delivering small loans averaging around \$70.

The company, which has issued over \$1.9 million in loans, as of this month, plans to use the new investment to fuel expansion into the Philippines and Japan, and develop new technology such as a blockchain project while preparing for an initial coin offering in December.

I think it fills a very underserved, niche market. A \$70 loan is something that you would ask a friend for right? In that Forbes article, the app's creator, Anar, said that he got the idea because he got tired of his friends asking him for money. You know, we have a saying in Mongolia: "If you want to stop being someone's friend, lend them money". So lending to friends is not always a good idea, and because of that he saw an opportunity.

The app is offering loans at much lower rates that one would find at a pawn shop or other NBFI. And the lending return rate seems to be pretty good at the moment.

Any kind of lending like this would fall under the Non-Bank Financial Institution (NBFI) law. Even Lend.mn has to abide by that law, so I'm sure there are provisions for predatory lending activities. This also formalizes the micro-lending process for a lot of people. It brings what would otherwise be done in the "grey market" out into the open. For me, the best thing about this is no collateral. Normally, if you want any kind of loan, from anywhere, especially in Mongolia, you need collateral—even for small loan amounts.

*This review has been edited for space and clarity*

*Full review available here: <http://jargaldefacto.com/article/defacto-review-2sh17-1sh-15>*