



DeFacto **REVIEW**

PRESIDENT BATTULGA'S  
FIRST OFFICIAL STATE  
VISIT TO P.R. CHINA

REQUIREMENT TO  
VERIFY IDENTITY ON  
FACEBOOK?

NATIONAL DISASTER  
PREPAREDNESS DAY

VI PAGE



DeFacto **ARTICLE**

*Jargalsaikhan Dambadarjaa,  
Mongolian political and  
economic observer, columnist*

# EVIDENCE-BASED *Policy*

II PAGE

WEEKLY

# The Defacto Gazette

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A GLOBAL LOCAL, INDEPENDENT, ANALYTICAL NEWSPAPER COVERING THE POLITICS AND ECONOMICS OF MONGOLIA  
(IN ENGLISH, JAPANESE, RUSSIAN AND MONGOLIAN)

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**EVIDENCE-BASED  
POLICY**



№ 478

JARGALSAIKHAN Dambadarjaa

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# EVIDENCE-BASED Policy

**W**hen the Second World War that cost 80 million lives ended, Germany – the nation who started the war – was left with an economy that was completely ruined, as was their every city that was bombed. In order to rebuild the Western European economy, the United States developed a special initiative named ‘The Marshall Plan’ and allocated 12 billion USD (~100 billion USD at 2018 rates). The funding was partly distributed based on population size, which meant the United Kingdom received 27 per cent of the total funds, France 18 per cent, and West Germany 11 per cent. East Germany, Poland, and Hungary, which were all under the control of the Soviet Union, didn’t receive any funding from the Marshall Plan.

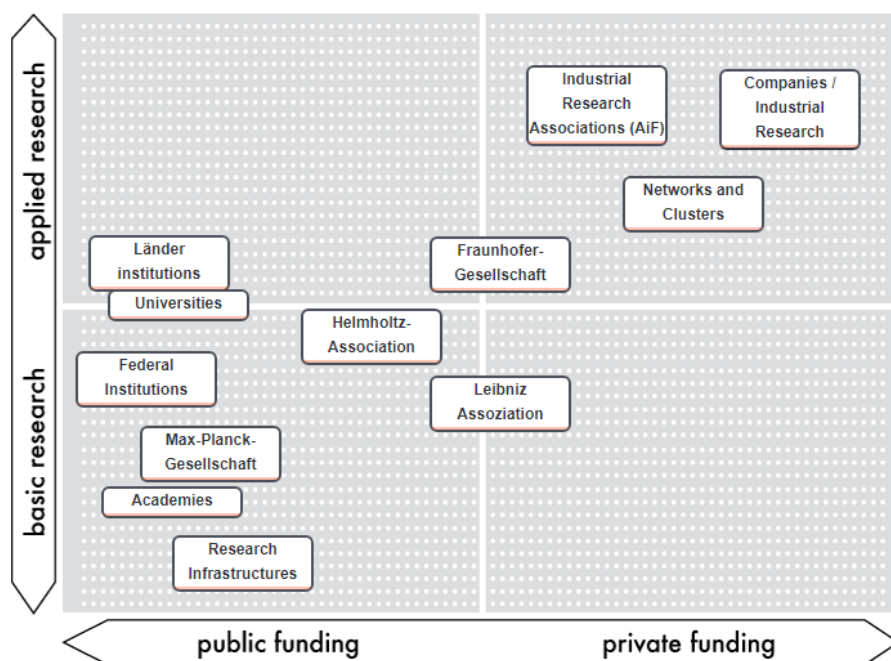
Ludwig Erhard, who is often dubbed as ‘the father of the German economic miracle’, became the Minister of Economic Affairs of West Germany in 1948. As a minister, Ludwig Erhard banned setting limits on production, issued new currency, and started bringing in Turkish people into Germany in the 1950s to make up for the workforce that was lost during the war. As a result, Germany revived its manufacturing sector, developed its economy rapidly, and drastically improved livelihoods. West Germany was developing faster than East Germany.

The secret behind Germany’s success in economic rebuilding and rapid development lied in the fact that they ensured all aspects of planning and execution of a public policy were based on comprehensive research and evidence.

## RESEARCH IN GERMANY

When it comes to scientific research, Germany has a strong infrastructure, a broad spectrum of research activities, fit-for-purpose facilities, and skilled people.

Germany’s research institutions are currently comprised of universities, universities of applied sciences, non-university research institutes, companies and federal as well as state (Länder) institutions. These institutions are funded either privately or publicly, and specialize in basic and applied research work.



<https://www.research-in-germany.org/en/research-landscape/research-organisations.html>

▶ According to the German Federal Ministry of Education and Research, Germany has a total of 400,000 R&D (research and development) researchers, 25 per cent of whom work in a university. In 2016, higher education institutions spent a total of 16.6 billion EUR on R&D activities. Approximately 81 per cent of the total funding came from the public budget, 14 per cent from the industry, and 5 per cent from international funding.

The Fraunhofer Society is the largest organization for applied research in Europe. The organization has a total of 72 institutes and research facilities that specialize in 6 areas: health and environment, security and protection, communication and knowledge, mobility and transport, energy and resources, and production and supply of services.

The Helmholtz Association, which comprises of 18 institutes, works on long-term research goals. The

Leibniz Association connects more than 90 independent research institutes that address research issues ranging from the humanities and the social sciences to the natural sciences and engineering. The Max Planck Society, which specializes in basic research in the natural sciences, life sciences, humanities and social sciences, comprise of 84 research institutes. In total, Germany has over 800 R&D research institutes.

Two-thirds of Germany's gross R&D expenditure come from the industry (companies), and one-third comes from the federal or state budget. Whether it is a public policy or a policy pursued in the private sector, Germany's policies are always based on research and evidence. Therefore, the likelihood of errors is mitigated, which helps better achieve desired outcomes and sustain the benefits in the long term. In 2016, Germany spent 2.94 per cent of its GDP on R&D works.

## RESEARCH IN MONGOLIA

In 1990's, Mongolia spent 1 percent of its GDP in science and technology sector and employed 6000 people. Yet, the number of employees in this field had shrunk 3 times in 2018 and 0.12 percent of its GDP was barely spent in this sector. In 2018, 34.6 billion tugriks out of state budget was spent, 15 billion tugriks out of this amount allocated to the Mongolian Academy of Science and the rest of the amount was dispensed to state owned universities.

According to the Ministry of Education, Mongolia's R&D sector currently has 59 research institutions, 32 of which are public (including 10 institutes that fall under the umbrella of the Mongolian Academy of Sciences), 6 are private, 10 are public universities, and 11 are non-public universities. As part of the research institutes, a total of 42 start-up companies are experimenting with innovative product trials.

Despite passing different legislations and developing various policy documents on science, technology, and innovation, Mongolia hasn't been able to fully implement those policies to diversify the economy, improve competitiveness, and make ideas a reality and generate the intended benefits.

The parliament passed 'a law on laws', which required all draft legislations to be based on sufficient research, analysed from different perspectives, and potential consequences taken into account. However, it hasn't been implemented well. It isn't optimal that the funding for preparing a draft legislation and doing the due research work is included in the budget controlled by an MP. Mongolia's emerging research institutes and policy researchers aren't being involved in the work to research draft legislations. Due to insufficient and inadequate research, we aren't able to sustain the enforcement of laws, and are having to amend the law repeatedly. In the last 10 years, we changed 200-300 clauses in each of the mineral law, the education law, and the VAT law.

It is time for Mongolia to introduce cluster-based R&D work, reform our policy, ensure connection to businesses, significantly increase the R&D funding in the public and private sectors, develop the human resources, and make changes to financial and tax incentives.

Evidence-based policies will bring sustained development.

2019.04.24 ■



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**Tsogtbaatar D.**  
Minister of Foreign Affairs of Mongolia



**Charles Hoskinson**  
Input Output Hong Kong, Chief Executive Officer



**Sangyeol Nam**  
APEC TEL Chairman, ICT Trade and Inter-Korean Cooperation Center Director



**Bulgantuya Kh.**  
Deputy Minister of Finance

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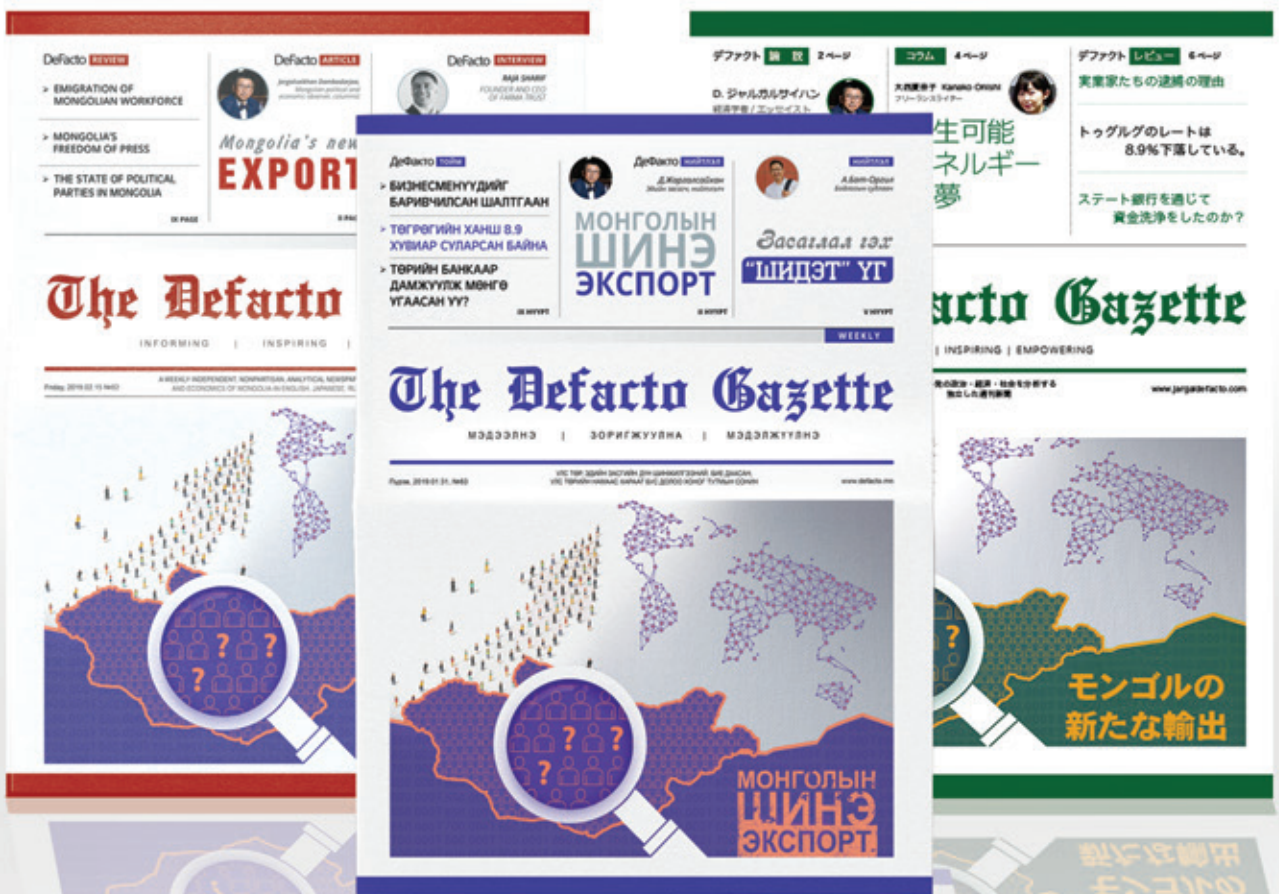
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## DeFacto **REVIEW**

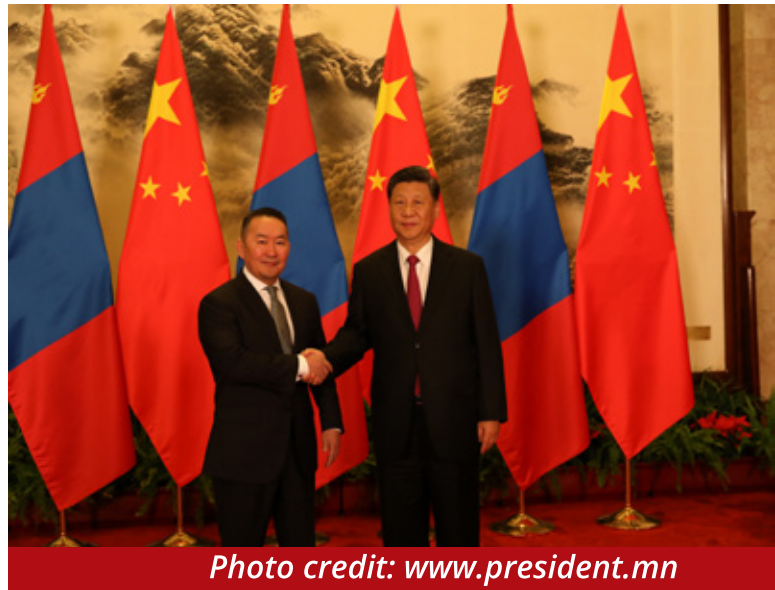
Every Sunday live at 7pm on MNB World television: 28th April, 2019  
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### **PRESIDENT BATTULGA'S FIRST OFFICIAL STATE VISIT TO P.R. CHINA**

The visit of President Battulga to China coincided with the 70th anniversary of the establishment of ties between our countries and we have a comprehensive strategic partnership agreement at the highest level. Moreover, Mongolia has no territorial issues with either China or Russia and we are lucky in that we don't have such issues even with two large neighbors. Therefore, this visit will serve as a landmark of future cooperation with China as our economy is almost fully dependent on China. There are a number of projects that are going to be implemented and China also committed to a 2 billion CNY investment into Mongolia.

One question that persists is whether the Memorandums of Understandings that were signed will be implemented. There is a history of high level officials, businessmen and representatives of state-owned-enterprises that sign Memorandums on official visits that are never followed through upon. This can be partially attributed to the life expectancy of our governments with one lasting 1.5 years on average. For example, there must have been about 10 Memorandums on the construction of power stations at coal mining sites with no power station breaking ground as of yet.

Another aspect is the contract that Erdenes Mongol signed with its Chinese counterparts on the construction of a 10-million-ton capacity steel processing plant in Mongolia. There are a number of questions surrounding this contract as to whether there will be any economic benefit to Mongolia derived from the factory, locating potential buyers and if the product will be consistent with Chinese standards.



There were extended discussions between the three countries on electric, gas and petroleum power infrastructure being constructed in Mongolia within the framework of the Belt and Road initiative but no agreement was reached upon. The state role in the Mongolian economy is becoming greater with Erdenes Mongol seemingly on its way to becoming another state-owned company but I am not in a position to render a prognosis on the Memorandums that were signed and the implementation of the projects.

A gas and oil pipeline between Russia and China has long been talked about but it does not seem like the two countries are ready with progress on the pipeline very slow. I believe that Mongolia should take the initiative and demonstrate that a pipeline transiting through Mongolia will be the most economically viable option. This should be of special interest because China has reached its infrastructure development capacity and billions

of dollars are being poured into international projects. The majority of projects are isolated from the initiatives of other countries, contributing to slow progress on the projects.

Another project that has been discussed is the electric super grid transmission from Mongolia to China. It is a good-natured conversation and the idea was to establish renewable energy factories in Mongolia, integrate supply lines and export to Japan and Korea through China. The proposal was developed a long time ago but the conversation has now reached the level of the two presidents with China committing its support. However, a lot of technical issues need to be agreed upon such as how much the energy will cost at our border and on

the southern Chinese border.

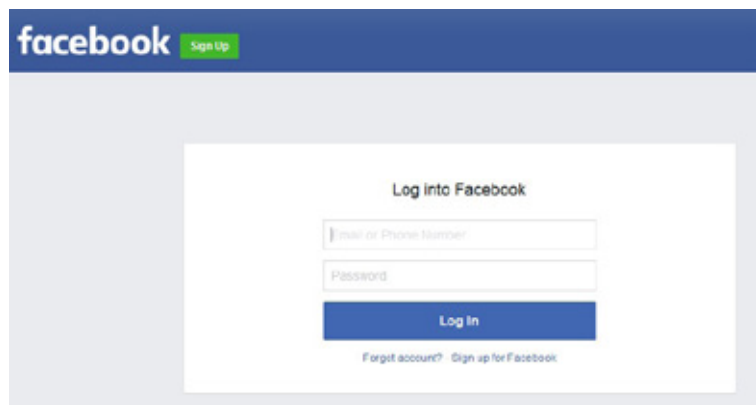
There is guarded optimism for the renewable energy potential of Mongolia with significant sources for wind and solar energy leading to the discussions of a potential super grid. However, if the project is to be implemented, Mongolia needs to build the required infrastructure which will take time. There is cause for optimism in that wind and solar energy technology has developed so much along with its efficiency that it may soon be possible to generate significant amounts of investment with relatively little investment. Mongolia's need in relation to the energy generation capacity is comparatively small which would then allow us to export a significant amount of energy.

## REQUIREMENT TO VERIFY IDENTITY ON FACEBOOK?

I don't think that the current discussions on the floor on requiring state registration numbers for logging into social media accounts is a smart proposal. At the end of 2017, we had 3.8 million mobile users, 2.6 million data users, 2.4 million smartphone users, and 2.9 million internet users. These are encouraging numbers and points to an increasingly digitalized society.

There is no denying that the internet and social media have become part of our lives. It is true that some use social media with impure intentions but requiring civil registration numbers would be an overreaction as a telephone number would be enough. At the end of 2016, there were about 650,000 non-registered telephone numbers but this number has dropped to 42,000. The concern is when people register onto Facebook with their emails and the government is in discussions with Facebook who points to the lack of legislation requiring the registration through telephone.

Some countries such as Korea and Japan a



registration on social media to be accompanied by a telephone number as a mechanism for parental control and China has its own internal social media networks. Some politicians are proposing a Mongolian social network site, the registration to which would allow for registration onto other social media sites. However, whatever we decide upon, there will be new technology that will emerge and change the situation. Public vigilance on social media sites through blocking and reporting fake

and abusive accounts may be the best method for tackling the issue. Perhaps we can create a page dedicated to those accounts to inform the public.

There have been a number of attempts by politicians in different countries to enforce analogical measures to that proposed today but these proposals always come with a limitation on the freedom of people and speech. In Russia, the penalty for defamation is the equivalent to several hundreds of thousand dollars. There have been many interesting efforts to deal with fake news but the best way is for people to simply ignore, report and block them.

On the one side, the dissemination of fake news is an issue but on the other side, the requirement to provide a larger amount of data to use social networking sites poses the risk of losing private data to various perpetrators. This is where the

Mongolian Data Center comes in. It is a dedicated server to which data is routed to every second. This data center then can extrapolate what we buy, where we go, our spending behavior but the issue of protection of this data is raised.

The best mechanism I found was in Estonia where different ministries and agencies possess the information of private citizens but individuals can get a detailed overview of who used their data for what purpose upon request. This essentially eliminates private misuse of personal data. This is the best data protection mechanism that I have come across but again, the participation and vigilance of people play a significant part. As for the law currently being proposed, there is no mechanism through which to force sites like Facebook to implement our legislation but we can combat fake news in conjunction with them.

## NATIONAL DISASTER PREPAREDNESS DAY



*Photo credit: [www.nema.gov.mn](http://www.nema.gov.mn)*

The national disaster preparedness day was an important exercise as at the very least, it appraised individuals of their respective designated assembly points in the event of a disaster. A total of 111 squares were designated for assembly and not everyone came of course but those that did get a basic introduction on procedures to follow in the event of a natural disaster.

The event also gave us some issues to ponder such as the safety of our buildings. AJICA sponsored study in 2013 found that a 6.5 to 7.6 magnitude earthquake in Ulaanbaatar would result in the collapse of 20 – 50% of buildings, 30,000 – 60,000 casualties, and 200,000 – 300,000 injured. An earthquake of a magnitude of 3 to 4 would result in the collapse of 29 schools, 46 kindergartens, and 30



hospitals. These figures definitely provide us with grounds to question the safety of our house and workplace.

Another question that should be raised is the guarantor of the safety of the buildings. There is none as in Mongolia all operations from land development to maintenance is handled through one entity while every stage of the process is implemented by different companies in other countries. In some countries, insurance companies overlook every stage of the construction process to ensure that the structure of the building, composition of the materials and all other areas are in accordance with best practices.

For disaster preparedness to take place, a comprehensive examination of all our buildings needs to be carried out first and foremost. We will also need to ensure that all new constructions are being carried out in accordance with relevant standards. In some districts in Ulaanbaatar, some buildings are built in such proximity to each other that it is difficult for oncoming traffic to pass. I am perplexed as to how the city can give permission for the construction of those buildings until I reflect on the corruption that permeates the industry.

There are certain international standards that require the construction of buildings that can withstand a given magnitude of earthquake but we don't see the implementation of those



*Photo credit: [www.nema.gov.mn](http://www.nema.gov.mn)*

standards in Mongolia. The training was not taken seriously by some but the public are better aware of what is required in the event of emergencies and emergency kits. I also found out that three TV stations, two phone service providers and a few radio stations have an agreement with the telecommunications regulatory office that they would halt any scheduled programming to provide simultaneous transmission of information in the event of a disaster. It is therefore important to always keep your radio on while travelling long distances.

*This review has been edited here for space and clarity. You can watch the full 30-minute review on the Defacto website [\[HERE\]](#).*

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