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WEEKLY



DeFacto **ARTICLE**

№519

Jargalsaikhan Dambadarjaa,
Mongolian political and
economic observer, columnist

COMMONS

“The Vision 2050” criticism 5:
Green development



DeFacto **INTERVIEW**

INGO WIEDERHOFER
LEAD SOCIAL DEVELOPMENT
SPECIALIST AT THE WORLD BANK

“
**UNDER THE SUSTAINABLE
LIVELIHOODS PROJECT III
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APPROXIMATELY 24
MILLION USD OF CREDIT
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COMMONS

The Mongolian government has set to implement “green development” policy that will ensure the following goals to be achieved by 2050:

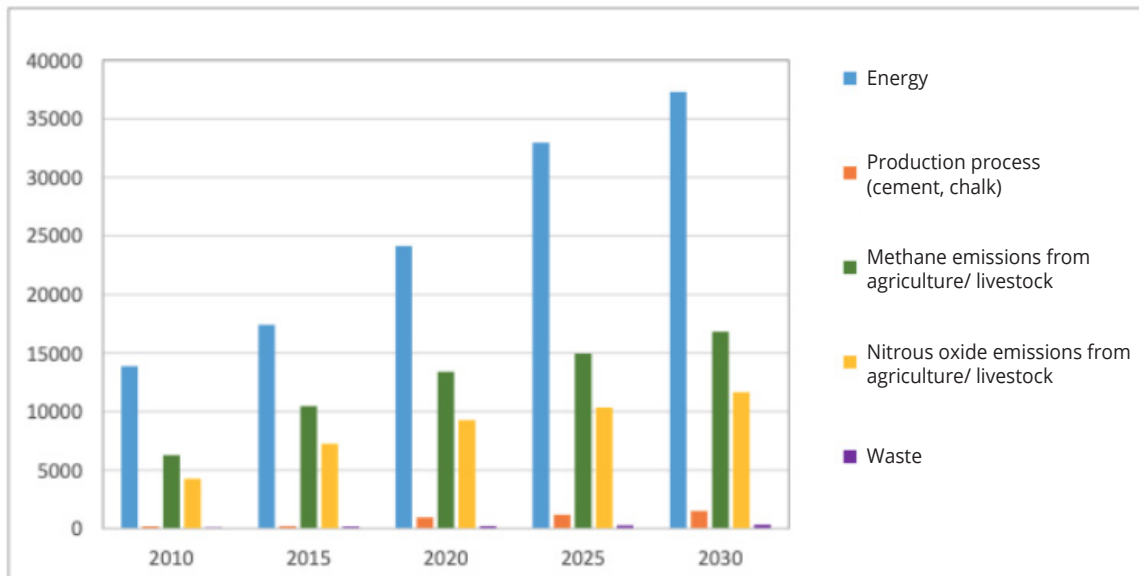
1. Valuation and protection of natural resources; the conservation of the primary ecosystem
2. Restoration of natural resources; to reduce the shortage; facilitation of resources for exploitation; to leave to future generations the natural resources.
3. To prevent water scarcity and to fulfill the conditions to meet the needs
4. To contribute to international efforts to mitigate climate change by developing a low-carbon and inclusive green economy.

From the description above, the issues of greenhouse gas emission and desertification are given special attention here due to their urgency.

GREENHOUSE GAS EMISSION

In 2016, Mongolia was obliged to reduce the greenhouse gas emission by 14% by 2030 in accordance with the “*National Target for the Paris Agreement*”. The government had committed itself to identify its main greenhouse gas emitters in 2019 and laid out time frame and amount of reduction. In Mongolia, the energy and animal husbandry sectors are the most significant sources of greenhouse gas emissions. The following graph shows the prospected volumes of emissions in case of inaction. ▶▶

Fig.1 Projections of greenhouse gas emissions, by sector



Source: *Environmental Status Report of Mongolia*

The energy sector alone produces half of the greenhouse gas emission, with the main sources being coal-fired thermal plants and power plants. As of 2016, 92.7% of our country's energy production sources are in coal, which places Mongolia as the third in the world, after Botswana and Kosovo (*Mongolia's Energy Efficiency, Accessibility and Structural Analysis 2019*).

Adopted in 2015 'The State Energy Policy' confirmed the decision to develop renewable energy for the sustainable reduction of greenhouse gas emissions, and to replace 20% of the total energy sources by 2020 and, 30% by 2030 with renewable energy. Although Mongolia has huge potential for solar and wind energy that could amount to 20% of the

total energy production, the percentile amount of renewable energy among energy production is still low because of low sales prices. Moreover, we could not manage to construct Eg river hydroelectric power plant due to interventions from our northern neighbor.

Although renewable energy is environmentally friendly, it appeared to be not economically efficient in Mongolia. The most realistic option still remains coal. In 2014, Mongolia produced 34 million tons of CO₂, which accounted for 0.1% of the world's greenhouse gas emissions. Thus, for the moment it is preferable to use coal sources at a constant level because it is cheap and, in the future, meet the growing need for energy from renewable sources.

ABANDONED PASTURE AND DESERTIFICATION

Mongolia is one of the ten countries most affected by climate change (*Global Climate Risk Index 2014*). Over the past 79 years, the annual mean near surface air temperature has been rising up to 2.24°C (*Mongolian Environmental Status Report*). Since 1996, the frequency of natural disasters doubled (*Asian Development Bank 2017*). That is why 'The Vision 2050' aims at the restoration of soil fertility and moisture to prevent from land degradation and desertification and restoration of degraded and contaminated lands to return them into the economic cycle.

The world's attention is shifting towards poverty and inequality created by climate change. These issues have emerged in Mongolia as a result of rural-urban migration. At the same time, the nomadic livestock, traditional and cultural element of Mongolia, is also under threat.

Today, pasture is the main source of livelihood for 171,000 herder households in Mongolia. However, over 70% of the territory is overgrazed to such extent that the land is decertified and pasture ecosystems are threatened. For 30 years, since the 1990s, a dramatic temperature rise has ►►

► coincided with a three times increase in the number of livestock from an initial 25 million. Twenty-two percent of pastureland, which translates to 25 million hectares, has deteriorated due to abandonment. This is a clear example of the so called “tragedy of the commons”.

It is better to improve the livestock industry in line with the pasture’s capacities and to rely on quality rather than quantity. One solution is tax on animals; it is time to tax highly overgrazed territories. Revenue and expenditure of tax should be transparently spent on the restoration of the pasture areas. Moreover, it is necessary to improve the efforts of conducting research in animal husbandry sector and, to invest for the innovation and to increase labor productivity.

However, the land resources usage cannot be improved by solely setting taxes and privatizing pastureland. Elinor Ostrom, a Nobel Laureate economist, has proven through many years of observation and research that the solution to the “tragedy of the commons” are the citizens themselves. From the experiences of Japan, Switzerland, Spain and the Philippines, she came up with eight principles of proper use of the commons. These include:

1. To define the boundaries of common property and to identify its users
2. The accordance of common property usage procedure with local conditions
3. Every individual is ought to involve in changing or improving the rules for using commons
4. To control public assets and accountability
5. To introduce fines and penalties for violating the rules of use
6. To be able to resolve conflicts with low cost

7. Local governments accept the rules and regulations for the use of commons

8. Consumers of commons cooperate with others

About 600 people live in the village of Törbel, in the mountainous region of the Swiss Alps. In 1483, the villagers agreed to establish a community to better manage the use of the communal property. Anyone who purchased land in this village for any reason has no right to use common properties. Members are given the power to decide whether additional people should be admitted to community membership. Winter regulations written in 1517 stated that “no citizen could send more cows to the Alp than he could feed during winter”. Furthermore, there were proper penalties set for any attempts to use common (pasture) land to one’s own advantage. An authorized representative was appointed to monitor and implement the winter regulations.

All villagers withhold voting rights to amend the regulations and this communal association has been given legal authority to facilitate land usage. All cattle owners were part of this association. The association held meetings on a yearly basis to vote for their representatives, amend and initiate basic rules and policies. These representatives appointed personnel for road maintenance works in the Alps, facilitated meetings and imposed fines for procedure breaches. In this way, the villagers not only closely monitor their communal property, but also take care of their pastures through fertilization and mowing. Most importantly, the key decisions regarding the use of common property are made by the locals themselves. There are still villages that operate in a similar way in Japan. In Korea, there has also been significant progress in the ‘new community movement’ (saemaul undong) since the late 1960s.

IN MONGOLIA

Mongolian citizens are facing a great challenge of retaining nomadic tradition for animal husbandry which goes back thousands of years. In the last 30 years, we neglected the pasture economy from policy perspective so that our herders ended up chasing the numbers, which resulted in the pastureland degradation. Ostrom E. has shown that the

best solution in this situation is to work as a community, which is why it is time to implement eight principles on our community of citizens and manage pastures. Furthermore, government authorities have to provide the institution and legal framework to support such movements.

2020.03.18 ■



INGO WIEDERHOFER
LEAD SOCIAL DEVELOPMENT
SPECIALIST AT THE WORLD BANK

DeFacto INTERVIEW

For interviews in Mongolian, English and Russian, visit <http://jargaldefacto.com/category/8>

“ UNDER THE SUSTAINABLE LIVELIHOODS PROJECT III FINANCING, THE WORLD BANK HAS PROVIDED APPROXIMATELY 24 MILLION USD OF CREDIT SINCE 2015 ”

He graduated from Georgetown and Cambridge Universities. Over the past 20 years, he has worked on issues such as social development, rural social services, youth engagement, Asia and Pacific development and challenges, military conscription and discharge in Laos, Myanmar, Thailand and Mongolia.

DeFacto: Good Afternoon sir.

Ingo Wiederhofer: Good Afternoon.

JD: You have been working on a project initiated a long time ago. Can you tell us a little bit about the project?

IW: Yes. Thank you for the opportunity to share our experience on the Sustainable Livelihoods Project (SLP) which is now in its third phase. This engagement between the World Bank and the Government of Mongolia started back in 2003 with a dual focus on improving access to infrastructure in rural communities using community driven development approaches as well as improving the livelihoods of rural households.

Over time, the project evolved, particularly between 2011-2014 after the adoption of the Modified Integrated Budget Law (IBL) and the establishment of the Local Development Fund (LDF). The SLP was essentially reoriented to begin to focus on supporting the quality and effectiveness of the LDF. This is still a process that is ongoing and we are well advanced in the third stage of this engagement and in fact discussing with the authorities as to how to best

proceed in the medium term after the closing of this phase which will run another 18-24 months or so.

JD: We are talking about World Bank contribution to changing Mongolian rural areas and creating more livelihood. Seeing as you are in the third phase of the project, how would you evaluate its implementation?

IW: That is a very good question. I would say that the LDF as an approach from the Government of Mongolia to essentially decentralize financing for capital investments down to the aimag and soum levels is very recommendable and can be a very effective approach to strengthening both governance and ownership of budget resources. It can also improve service delivery so the general direction is something we are very happy to support.

I think the challenges in Mongolia have been twofold. First, the IBL came in just before a big fiscal crunch so what you had was a startup in 2013 and 2014 with significant resources and a substantial contraction of the funding available to the LDF over the next few years. I think the government is in the

process of rebuilding the LDF as an instrument in support of local development. The second thing is that providing the financing down to the local level is one thing but the bigger challenge is how this funding is utilized efficiently, effectively and transparently. Therefore, a big push, under the SLP III in particular has been to help the government put in place the systems that will allow for that as well as systems that would foster community participation and citizen engagement in the processes as was envisaged in the LDF concept and building off the experiences of SLP I and II which very much worked with communities.

JD: Very interesting. You pointed at the fiscal crunch as 2011 saw the highest growth in the GDP in Mongolia before a steady downward spiral that is just now beginning to normalize. You also pointed at community participation which is essential, particularly in Mongolia where we are so politicized in the countryside. Therefore, in terms of community participation, what lessons did you learn since 2011 and where is there still room for improvement.

IW: As is the case in many countries that have gone through similar processes, I think that the political push for decentralization came quite strongly and quickly but the systems for how to this well take some time to build and develop. So they are in effect catching up a little bit. The lessons in this are quite clear and are also consistent with what we see in other countries. The first one is to have some predictability in the systems and this was a challenge here the last couple of years.

If you want communities and in fact, some authorities to engage and commit time as well as effort to these processes, they need to have some kind of idea of what kind of budgets they have at their disposal. Otherwise, it very quickly becomes a wish list process or it becomes a process where people put out a lot of ideas but then become discouraged when none of it is supported. In the case of the LDF, the financing dropped by almost 90% in 2013, 2014 and 2015 and is now growing back up. It is now growing at a relatively healthy rate but these big changes in allocations is a challenge. So predictability is the first lesson and trying to build that in, providing some forward predictability so people have an idea of how much to expect the next year is one thing.

The second one is clarity on procedures. We have spent quite a bit of time in the last few years working with the Ministry of Finance and other stakeholders as well as soum authorities on reviewing and refining the guidelines for the implementation of the LDF so that there is greater clarity on what the specific responsibilities of the soum

authorities, citizens, soum khurals and aimags is in terms of the actual execution of the planning processes and the investment.

I THINK ONE OF THE CHALLENGES THAT WE ARE STILL DEALING WITH IN THE LDF IS EQUITY IN THE FINANCING FORMULA

JD: Can you elaborate on how much funding the World Bank has invested in these aspects?

IW: Under the SLP III financing, the World Bank has provided approximately 24 million USD of credit since 2015. This is being complimented by a 6 million USD grant from the Swiss Development Cooperation Agency (SDC). This is the external financing component provided in support of the LDF by the World Bank and the SDC. It is important to note that this money is being put to the following uses. First, it is only in support of the LDF at the soum level. At this point, this comprises around 30% of the LDF budget allocation that the government makes so 70% stays at the aimags.

The resources are utilized for capacity building intended to strengthen the capacities of soum authorities, aimag authorities and citizens' groups to utilize the LDF resources effectively and efficiently. This also supported the revision of the LDF regulations. About 18 months ago, there was a significant modification of the regulations around the LDF to provide better clarity and more specific guidance to authorities

and citizens on how the LDF should and shouldn't be used.

The second thing is what we call performance based grants. We have put money into grants that serve as an incentive to perform well or better on LDF execution in order to get a 25% increase in their allocation for the following year. This is done by improving things like community participation, their execution rates, monitoring and evaluation and transparency of LDF resources across 6 criteria. It is then assessed every year through an Annual Performance Assessments which are done by independent contractors in all 330 soums. I would add that the SLP III does not provide financing in Ulaanbaatar City.

JD: What if we talk about sum per average soum.

IW: This is difficult to assess because there is great variability. I think one of the challenges that we are still dealing with in the LDF is equity in the financing formula. We have actually worked on improving that and getting to a more predictable USD per capita allocation. The formula is based on a number of things including poverty rates, remoteness, income levels and so on. The current range is somewhere between 7 – 15 USD per capita per year which is difficult to maintain due to the difficulty in the predictability but it is something that we are working towards.

For example, in 2013, the LDF allocations in soums was 59 million USD. By 2017, it had dropped to less than 4 million USD because of the fiscal crunch. In that context, obviously we can't get to 7 USD per capita.

JD: This is the first issue to

highlight. The LDF's inconsistency and unpredictability makes it hard to manage. Secondly, I understand that through your project, you match a certain part of the LDF. Moreover, you provide incentives to manage the fund efficiently through the 25% bonus. How is your approach received by local administrators and how difficult is the fact that the individuals you work with change following every election?

IW: At the soum level, the LDF is very valued by local authorities, particularly in soums that don't generate enough revenue to have surpluses. Some soums and aimags, especially some of the mining ones are relatively wealthy but many are not. For those that don't have a lot of their own self-generated revenue, the LDF is a very important source of capital investment.

As for the second question, of course continuity of personnel is something that makes implementation easier. The election process in this context can be destructive and it requires retraining of new people, relearning and so on. There are trade-offs to be had there. At one level, question is what is the optimal length as I have also worked in countries where people have been in their positions too long.

JD: That is something you can't say about Mongolia. We are almost matching the speed with which Italy changes its government.

IW: I have been working here for the last 3-4 years and I think there has been enough continuity during this time to make progress.

LDF IS REALLY INTENDED TO SUPPORT PUBLIC GOODS RATHER THAN HOUSEHOLD LIVELIHOODS OR PRIVATE COMPANIES OR SMES IN ANY FORM

JD: When it comes down to it, livelihood means jobs and jobs mean business. In terms of job creation, which is the basis of livelihood, are there any success stories associated with the project?

IW: The first thing to note is that the LDF is really intended to support public goods rather than household livelihoods or private companies or SMEs in any form. This is not the primary purpose of the LDF but public goods and the quality of public goods have an effect on whether or not the private sector can function.

For example, the LDF finances, in some cases, electricity and the electrification of soum centers. The LDF finances public street lights which allow people and markets to function. The LDF will finance solid waste management in towns, which is necessary if you want to have markets running and in some cases, the LDF finances roads.

The other thing to think about is social investments necessary for the longer term human capital formation. Things like Early Childhood Development Centers (kindergartens) in rural areas, the renovation and expansion

of school buildings, school equipment, playgrounds etc. which make a big difference in the quality of life and in the peoples' perception of their wellbeing.

JD: There are definitely indirect benefits to the private sector as well. Given that you work with over 300 soums, it may be difficult to single one out but was there any soum that you visited where the impact of the LDF was extremely apparent?

IW: I have had the benefit of visiting quite a few soums over the last three years. I forget the name of the soum but it was in the Center-West but the LDF had financed and Early Childhood Education center and essentially replaced the older one. The value of this is that firstly, the children are taken care of and have access to early childhood education. Second, it frees up the parents, in particular the mothers to do other things. The day I was there, I saw around 14 kids and is a concrete structure financed by a combination of LDF resources, financing from a charity and the soum budget.

JD: So this was in a bag (smallest administrative unit) in Uvurkhangai Aimag, Bat-Ulzii Soum where they constructed the kindergarten with your support and their own budget. Do you think this model is applicable to other soums?

IW: I have seen these types of things in other soums as well so this is not a one off.

JD: Soum kindergarten is not only an issue of infrastructure but also food. Particularly at this age, it is important that children get good nutrition that may otherwise

not be available in their homes. Is there any consideration of this?

IW: I certainly think that this is a good point. It is not something that the LDF would finance but in the places that I have been to, we have frequently seen children eating. I think you are right that these places may provide better nutrition to those children than the alternative. Whether this is tackled systematically or not, I just don't know.

.....

LDF IS ALSO ONE OF THE MECHANISMS THE GOVERNMENT USES FOR THE BENEFIT SHARING OF MINING REVENUES, TO REDIRECT AND MAKE SURE THAT RURAL SOUMS BENEFIT FROM SOME OF THE MINING INCOME THAT THE GOVERNMENT HAS

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JD: That is a big concern in the country. We have a program called school lunch but we don't see substantial changes despite an increased budget. I suggested a school milk program which had used effectively in China

and Thailand. My last question is what you believe Mongolia should improve in order to most benefit from the project based on your experiences in the Asia and Pacific.

IW: The first thing I would say is that the Mongolian program has come quite a long way in the last few years and there have been substantial investments made in capacities at the soum level and the aimag level as well as in clarifying things like the allocation formula and the how to guidelines on what the fund can and can't be used for.

The other thing that has improved recently is the communication around the project and the LDF. There was little awareness of how it worked but I think that it is improving in the last year or so as the government invests in this. The areas for further improvement are predictability, putting in place a system where there is less volatility in forward planning so people can predict a year or two ahead. The second area is equity across the soums and aimags. One of the things we haven't talked about but is important is that the LDF is also one of the mechanisms the government uses for the benefit sharing of mining revenues, to redirect and make sure that rural soums benefit from some of the mining income that the government has. The question of what should be going to mining

origin soums and non-mining soums is obviously a sensitive one but I think it is a conversation to be had on how to increase equity across the country.

A third issue would be further work on the quality of delivery at the local level so that there is a stronger emphasis on technical quality and on the quality of community participation. I think what we are seeing is increases in the number of people going to meetings and the number of people voting for their priorities but the actual level of understanding and their ability to make sure that their votes are fully taken into account is another opportunity for improvement.

JD: I am so happy that you highlighted community participation which is probably the weakest chain in this country. It would be very helpful if your projects are discussed beginning at the bag level and I think what you do is setting standards for community involvement. I thank you for the work that you and your team do and hope that every bag understands your projects.

IW: Thank you very much for the opportunity to share and we certainly hope that the LDF continues to improve. I share your view that it can be a really important tool for improved governance in Mongolia over the longer term.

You can watch the full 30-minute interview at www.jargaldefacto.com

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DeFacto **REVIEW**

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Host:
Namsrai Tsend

Commentator:
Jargal Dambadarjaa

LOAN REPAYMENTS AND INTERESTS HAVE BEEN DEFERRED

The Council for Financial Stability convened on Wednesday to discuss methods to decrease the impact of Covid-19 on the Mongolian economy. The Minister of Finance, Khurelbaatar and the President of the Bank of Mongolia, Lkhagvasuren held a press briefing on the cabinet's decision to defer payments and interests for consumer and business loans for 90 days.

The Mongolian banking sector, especially the Central Bank took a number of measures to alleviate the impact of Covid-19, beginning with a reduction in policy and reserve rates. As you mentioned, they deferred the payment loan and interest payments for 90 days. These only covers consuming loans which constitute 1.5 trillion MNT. Therefore, this will have a relatively limited impact on the economy as half of the loan portfolio of commercial banks are for individuals and the other half for businesses.

As with many countries in the world, there are a number of shops and other establishments that are closed due to the Covid-19 outbreak. However, Mongolia only has 11 cases with most coming from Europe on charter planes from Europe and diligent government inspections has limited dissemination.

Those who borrowed funds shall have to repay them at some point but a change was made in the Bank of Mongolia classification of loan quality. Commercial bank loans in Mongolia are classified into four categories depending on their repayment status. Through their decision, Bank of Mongolia is allowing commercial banks extend the terms of loans for 6 months without impacting its classification.

This does not change the situation much but will increase the risk of commercial banks, eventually leading to a decrease in available loan amounts. It was a good idea to limit consumer loan amounts, changing the debt to income ratio to 70% last year. In addition to this, loan terms were reduced from 5 years to 3, thereby increasing loan quality and reducing risk to borrowers. If this has not been implemented, we would be in harder times now.

If we compare the measures undertaken by Mongolia to other countries, it is not enough and mainly limited to shifts in monetary policy. The budget has not been revisited and the Minister of Finance is refusing to entertain the possibility of amendments to the budget. As in any election year, a significant amount of funds has been allocated to local initiatives in the constituencies of legislators but some have called for those investments to be postponed for a year and for the funds to be diverted into other areas.

The Mongolian government should pay special attention to the issue of employment as people have not been working regularly over the last two months with some employers even sending their workers on unpaid vacations. If the government does not take appropriate measures in a timely manner, the situation may deteriorate, causing further damage to the economy. While the Mongolian government has taken effective measures against coronavirus, they have not taken appropriate measures against the resulting "econovirus".

THE POLITICS OF THE TAVAN TOLGOI MINE

Over the last few days, politicians have expressed their views on Tavan Tolgoi announcing an IPO for 30% of its shares. In June 2018, Parliament issued a decree to increase the production of Tavan Tolgoi and included the IPO in question. However, the former Head of the Office of the President of Mongolia, Mr. Enkhbold stated that

the decree should be amended as the fund from the IPO is no longer required.

The cabinet has not officially cancelled the IPO but it will most likely be postponed until after the election. This is the proper decision as now is not a good time for an IPO, particularly before the election. Before every



election, the People's party and Democratic party always raise the issue of either Oyu Tolgoi or Tavan Tolgoi.

Tavan Tolgoi means Five Heads in Mongolia and it seems that it is always taken into five directions. It reminds me of a fairytale by famous Russian author Krilov in which a fish, crab and bird trying to take a car in different directions resulting in no movement. The issue will only be resolved when the management of public companies, especially Tavan Tolgoi, the largest coking coal deposit in Mongolia becomes completely transparent. This will take some time as recently, a project for the construction of a railroad from Tavan Tolgoi to the southern border was taken by Bodi International. It would emerge that there was no tender even though the CEO of Tavan Tolgoi stated that the company pledged to raise the 1 billion USD required for the railroad and will accept payment in coal. If large projects are handled like this, where is the principle of free market?

As any other public company, Tavan Tolgoi should be transparent. They should at the very least publish reports on an annual or quarterly basis like companies within the stock market of developed countries. On the Tavan Tolgoi website, the last available financial report was for the second quarter of last year meaning they have gone

almost a year without reporting their financial situation to their shareholders. Even if an IPO is opened shortly, who would buy shares from such a company. Also, it is not enough to simply post their report but it should be audited, preferably by a reputable, international company.

For Mongolian state-owned companies, timely reporting of financials is the first step towards opening IPOs. I am asking the new administration of the Financial Regulatory Commission why they are not forcing companies to publish their reports. Secondly, the Boards of those companies consist of government officials with no one representing the interests of the citizens who have a stake in Tavan Tolgoi.

According to Mr. Enkhbold, Tavan Tolgoi has the funding to establish two railroads to the South and East and therefore no longer needs the IPO. One thing that is certain is that the IPO shall not take place before the election and it will not be surprising if it is suspended until next year due to the economic situation. There are however talks of postponing the election until next year as by law, elections can only be postponed for a year.

300 BILLION MNT IN LOANS FOR THE CASHMERE INDUSTRY



During the cabinet meeting on Thursday, a resolution on measures to support the cashmere sector of Mongolia was approved. A 300 billion MNT soft loan shall be provided to cashmere producers and an additional 30 billion MNT in state funds shall be allocated to the reduction of the interest rates of those loans.

Mongolia is the second largest producer of cashmere in the world with 40% of cashmere produced in Mongolia with China producing 48%. However, 65% of our cashmere is exported to China as washed cashmere. 25% of the cashmere is processed in Mongolia and sold as end products while the remaining 10% is exported as unprocessed cashmere to various countries.

If we look at the latest statistics, there are 70 million cattle in Mongolia around 41% of which are goats. Unfortunately, goats are destroying the pasture land of Mongolia which comprise 70% of Mongolian territory and 22% of the pasture has already succumb to deforestation. This comes at a significant cost to Mongolians as more people move to Ulaanbaatar and other cities as a result of having lost their pasture land. This in turn leads to overgrazed pasture lands and more goats than we can afford.

The government sees cashmere as one of the most viable options for diversifying our exports 84% of which currently consists of coal and copper. It is a good approach and we have to support our cashmere industry but it is a matter of quality not quantity. We must ensure that herders pay more attention to the quality of the cashmere rather than the quantity of goats. There are 330,000 individuals engaged in pastoralism but subsidized loans may not be the best option moving forward. Putting an end to all exports of cashmere except that of end products may be a more effective option in that it would create more value in the value chain of cashmere inside the country. Given that 65% of our cashmere goes to China, we have 15 deep processing factories, 23 initial processing factories, 59 knit factories and around 200 family workshops working within the industry. The herders claim that competition from Chinese competitors increases the price of their cashmere but they should reflect on at which cost this is bringing about. There may be a time where all pasture land is destroyed with very little processed cashmere to show for it. The argument for the subsidized loans is that if we don't support domestic producers, Chinese individuals and entities with the support of Chinese companies shall buy off all the cashmere.

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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