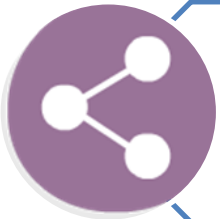




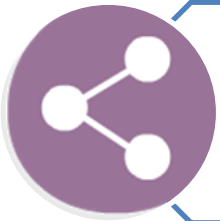
Mongolia's economy and competitiveness



Economic Policy and Competitiveness Research Center



The Economic Policy and Competitiveness Research Center (ECPRC) established in 2010.



Formed by a consortium of Mongolia's prominent and market leading companies in response to our nation's increasingly globalized economy and rapid growth.



OUR VISION

Our vision is to enhance *Mongolia's national economic competitiveness* to enable a strong, sustainable business environment and socio-economic framework; one that improves the quality of life of all citizens.

Economic Policy and Competitiveness Research Center



OUR RESEARCH SERVICES

- Consistent research
- Reports, presentations
- Database
- Strategy, research
- Public awareness on the issue

Provides specialized research services:

- Economic and financial modeling
- Survey/Focus group studies and results analysis
- Industry cluster studies
- Policy/ Regulation/ Legal analysis
- Local project management and partnering







Mongolia

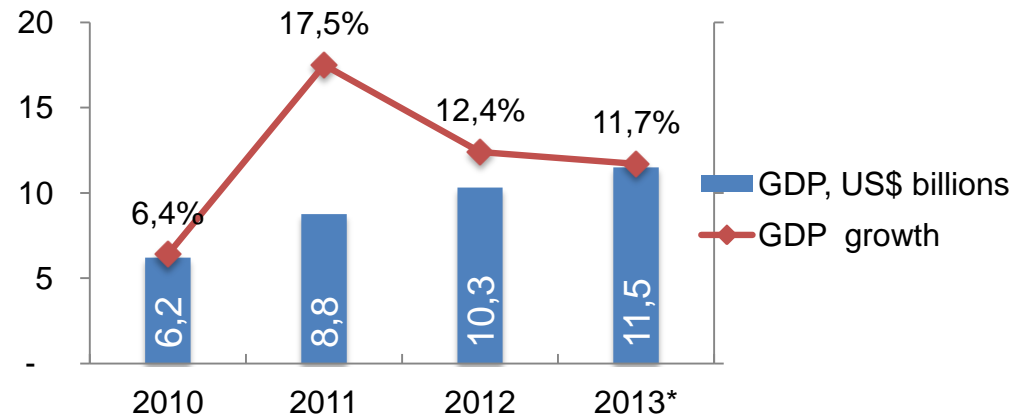
- **Location:** Northern Asia between Russia and PRC
- **Area:** 1,564,114 sq.km, 20 times the size Czech Republic of 78,866 sq.km (19th largest country)
- **Capital city:** Ulaanbaatar
- **Population:** 2.9 million, of which over 1.3 million in Ulaanbaatar (68% urban, 32% rural)
- **World's largest densely populated country:** 1.9 individuals per sq.km
- **Literacy rate:** 98.3
- **Government:** Parliamentary democracy



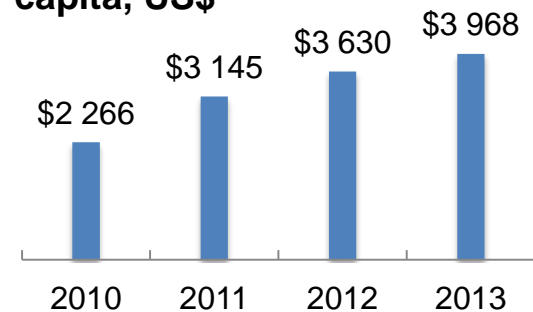
Economy

- GDP 2013 = US\$ 11.5 billion
- GDP growth 2013 = 11,7%
- GDP per capita 2013 = US\$ 3,968
- Industries:
 - Mining (coal, copper, molybdenum, fluor spar, tin, tungsten, and gold);
 - Processing of animal products, cashmere and natural fiber manufacturing;
 - Construction;
 - Food and beverages;

GDP & GDP growth



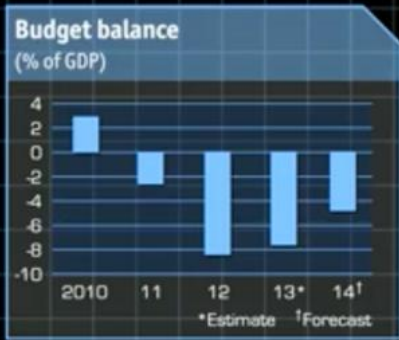
GDP per capita, US\$



- With huge amounts of unexploited natural resources (gold, copper, coal and more) the Mongolian economy is estimated to grow massively in the years to come.

One of the fastest growing economies globally

- Mongolia's economy continues to experience comparably high growth rates among the world countries.



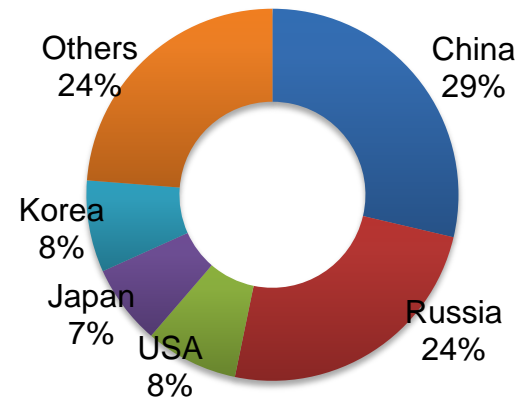
TOP GROWERS		
Rank	Country	GDP growth, %
1	South Sudan	35.0
2	Mongolia	15.3
3	Macau	13.5
4	Sierra Leone	11.2
5	Turkmenistan	9.2
6=	Bhutan	8.8
6=	Libya	8.8
8=	Iraq	8.5
8=	Laos	8.5
8=	Timor-Leste	8.5
11	Eritrea	8.0
12	Zambia	7.9

Source: The Economist, Jan 2014

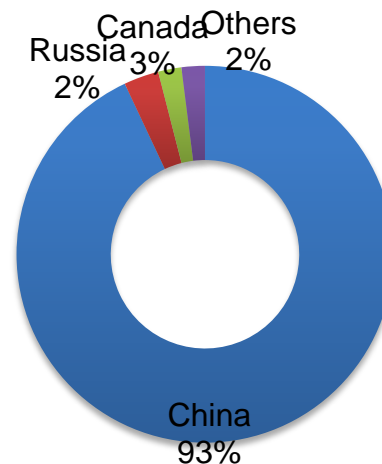
Foreign Trade

- Export 2013 = US\$ 4.3 billion
- Import 2013 = US\$ 6.3 billion
- Total turnover 2013 = US\$ 10.6 billion
- Main exports:
 - Coal, copper, iron ore, gold;
 - Livestock, animal products, cashmere, wool, hides;
 - Crude oil;

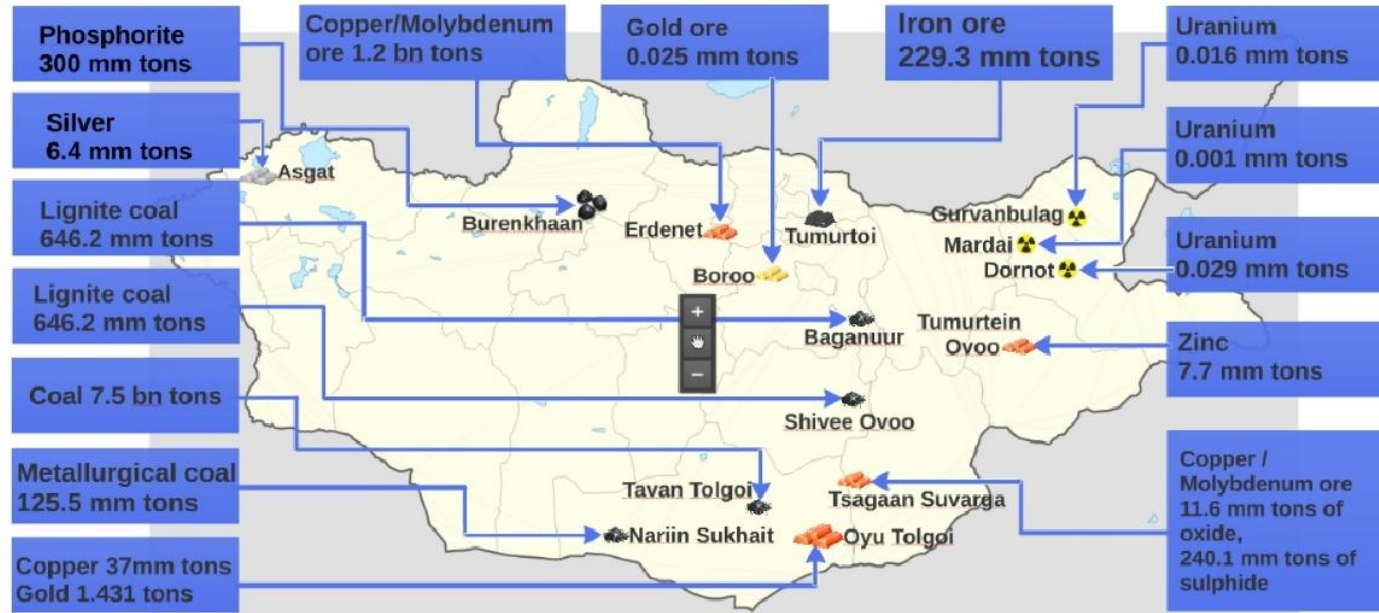
Main Import Partners



Main Export Partners



Mining Sector



Coal Reserves:
150 Billion tons

Copper Reserves:
14 Million tons

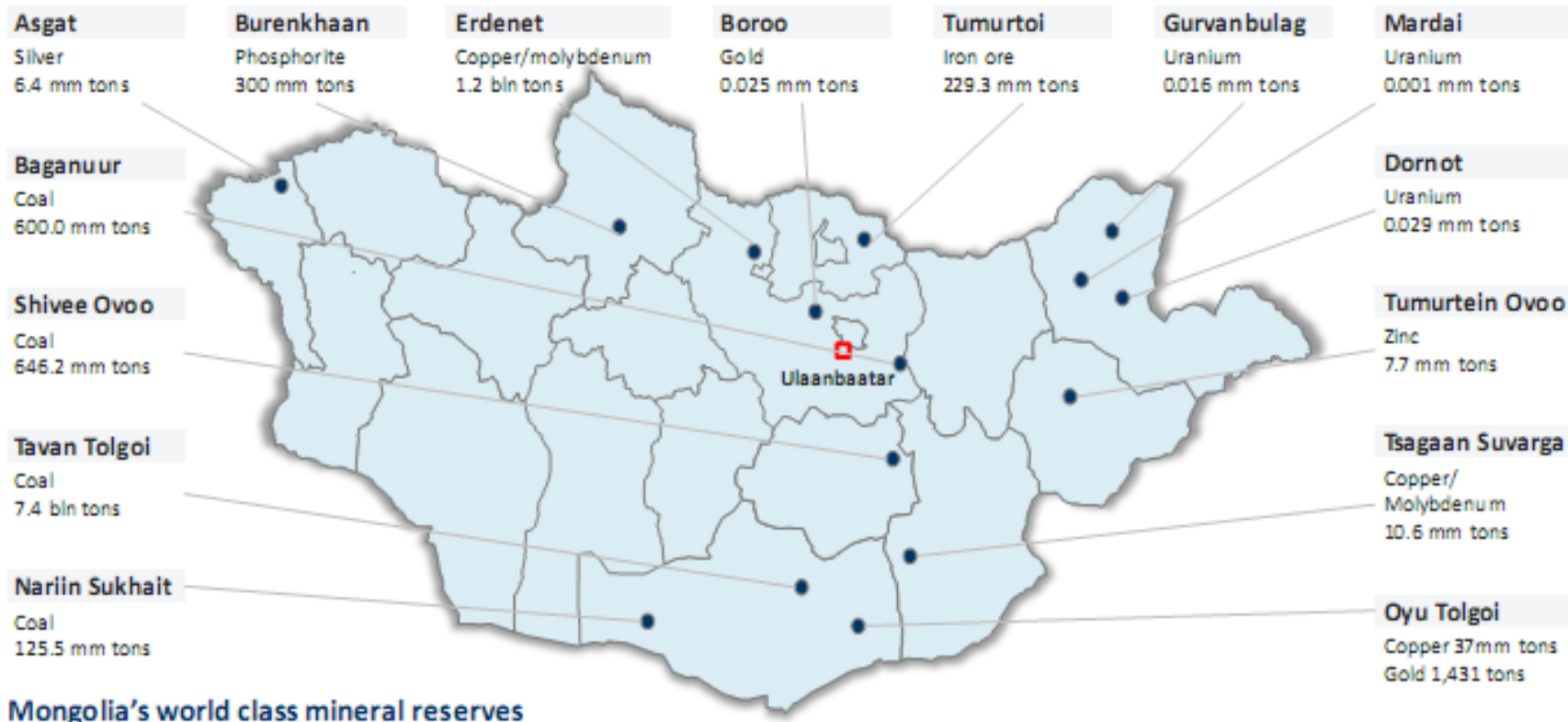
Iron Reserves:
600 Million tons

Petroleum Reserves:
332.6 Billion tons



Strategic Deposits

- Strategic Deposits (including Oyu Tolgoi and Tavan Tolgoi, world's largest untapped deposits its kind)



Agricultural Sector

- Mongolia's agricultural sector is a major source of revenue base, contributing to the diversified drivers.



73% of the total territory of 1.5 million sq.km is being utilized for agriculture



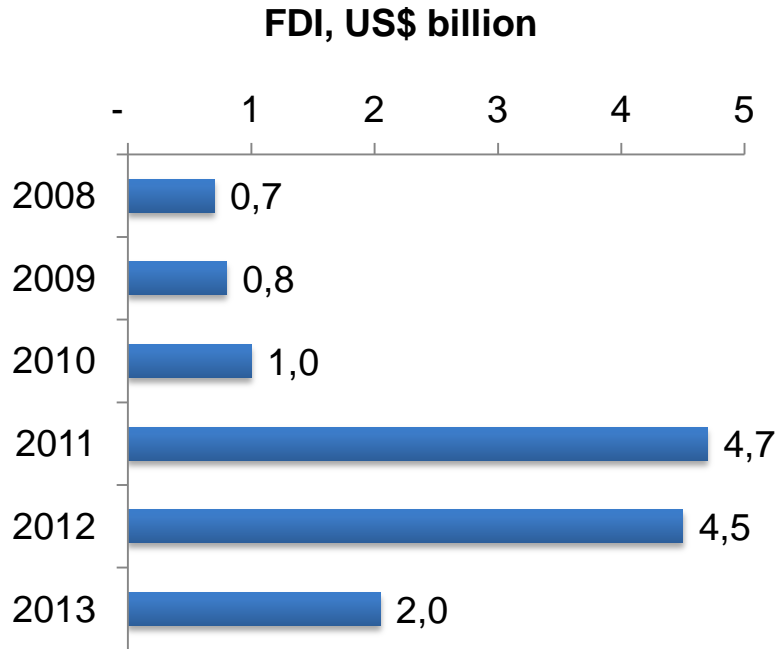
45 million heads of live-stock



14.5% of total GDP



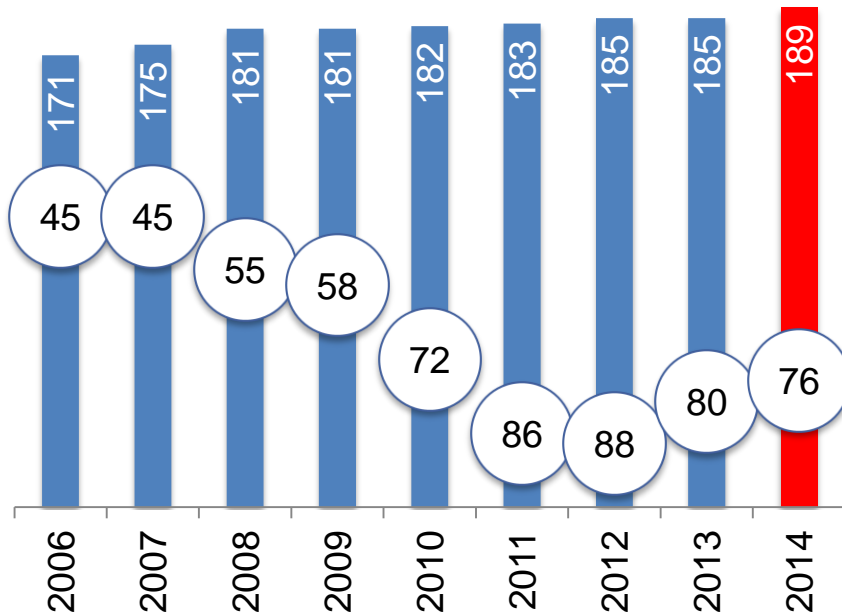
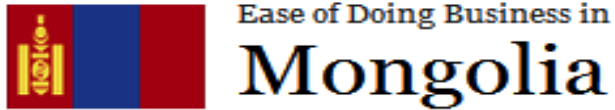
FDI



- Forecast to be one of the world's fastest growing countries over the next five years, Mongolia is turning into a hot destination for foreign investment across a multitude of sectors.
- Some of the biggest untapped mining projects in the world belong to Mongolia, and have started to go from exploration to extraction phase.



Ease of doing business in Mongolia



- Number of countries covered
- Mongolia's rank



Source: Doing Business, World bank, 2014

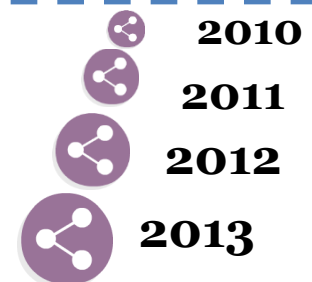
Mongolia in World Competitiveness



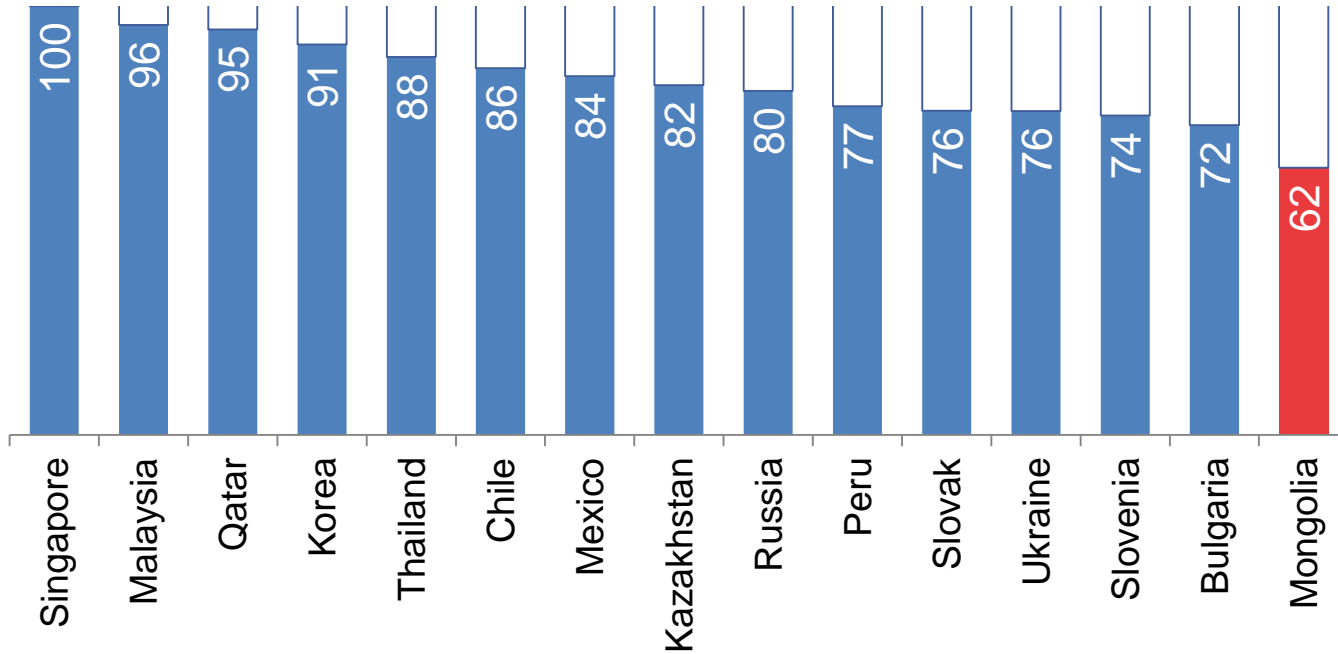
Compared with
14 other
countries

Statistics
Executive Opinion Survey

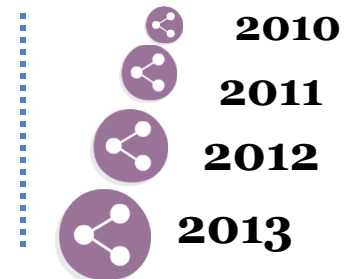
4 main factors
331 criteria



Mongolia in World Competitiveness 2013



In 2013, Mongolia ranked in same place, but overall competitiveness score increased from 39 to 62.



Mongolia in World Competitiveness 2013

Mongolia's **Strongest** Competitiveness Factors

1st

Direct investment flows inward
Real GDP growth / GDP growth per capita
Female labor force
Investment in telecommunications

Mongolia's **Weakest** Competitiveness Factors

15th

GDP per capita
Diversification of the economy
Exchange rates
Inflation
Future energy supply
High-tech exports
Pollution problems

Mongolia in World Competitiveness

Competitiveness Challenges of Mongolia



Economic dependence

Economy dependent on mining exports to China, and subject to fluctuating commodity prices and demand.



Inflation

Monetary policy needs to be tightened to address double-digit level inflation.



Exchange rate instability

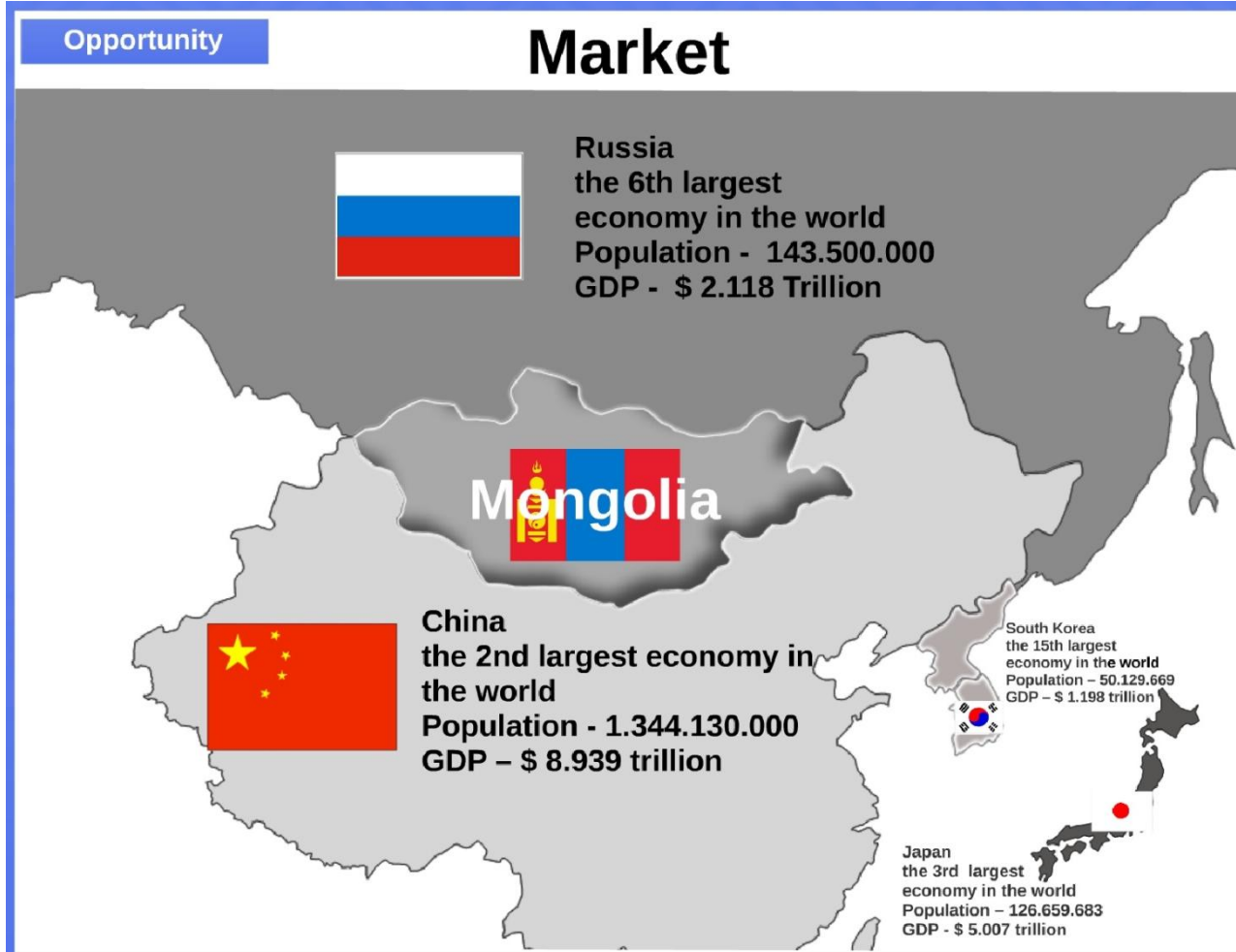
Exchange rate instability is high.



Investment in infrastructure

Needs investment in infrastructure, especially in energy, due to upcoming mining and housing projects.

Opportunities



Mongolia is a Land of Opportunities

- One of the fastest growing economies globally
- Abundance of unexploited natural resources
- Relatively young population with a high literacy rate among emerging economies
- Leading land/capita
- Neighboring with two largest global economies and commodity markets
- Potential for energy sources (wind power, solar energy, hydro power)

Public-private partnership projects

- Public-private partnership projects will be implemented by concession agreement (eligible for tax exemption or tax incentives)

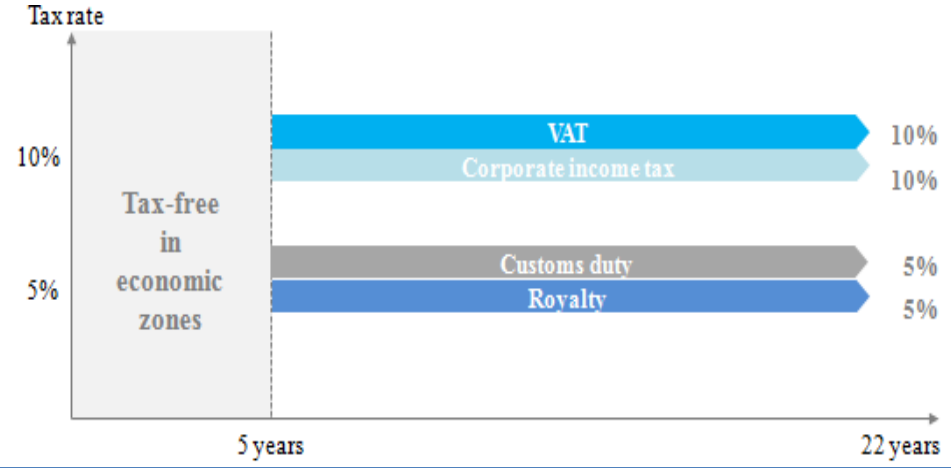
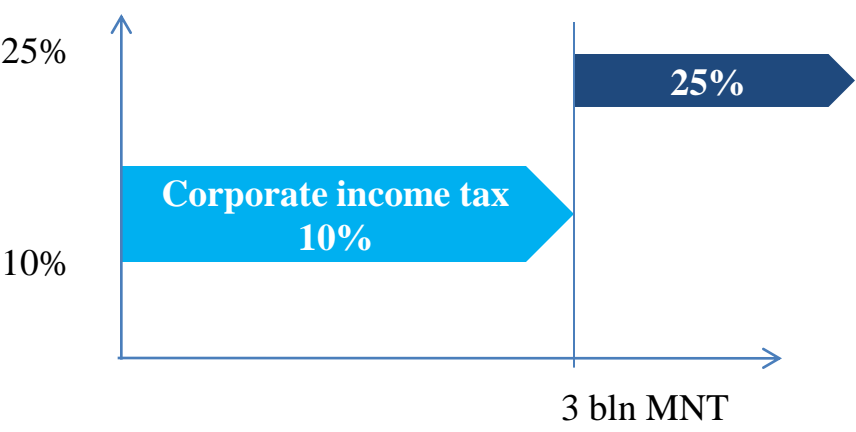
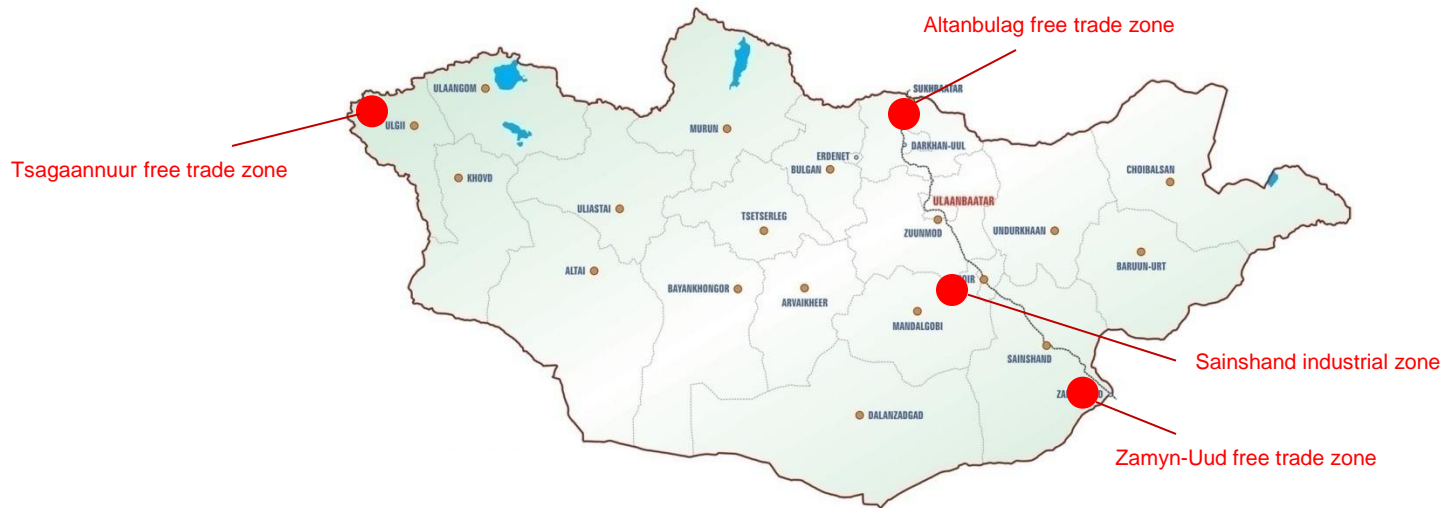
SECTORS	#
Infrastructure	10
Road and transportation	16
Railway	1
Pipeline transport	1
Airport	2
Energy	13
Environment	3
Education	3
Health	1
Culture and sports facilities	4

Expected investment return

	Simple IRR	Range of Expected Returns
Mining	36.7%	30.6%-38%
Railway Transportation	32.2%	24%-36%
Property Registry	38.0%	24%-36%
Vocational Education	19.8%	15%-23%
Health Care	21.0%	15%-30%

Source: Invest Mongolia Agency, June 2014

Tax Regime and Incentives



Tax Regime and Incentives

Investment Agreement	<ul style="list-style-type: none">• If more than 500bln MNT within last three years
Economic Free Zones /Altanbulag, Zamiin Uud/	<ul style="list-style-type: none">• First 5 years tax free
Equipment & Machineries for SME's /regulated by list per year/	<ul style="list-style-type: none">• Customs Duty, VAT free
Tax Stabilization Certificate /from Ministry of economic development/	<ul style="list-style-type: none">• VAT• Corporate Income Tax• Customs Duty• Royalty



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