INVESTMENT ENVIRONMENT IN MONGOLIA

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20 April 2018, Hong Kong
Priorities and policy actions of the Government
Investment policy & Protection
FDI outlook of Mongolia
The purpose of the policy is to strengthen the justice, discipline, responsibility and stability of the government system, to improve economic sovereignty through integrated national policy and to increase the quality of life of our people.

Three-pillar policy with goals “INTEGRATED POLICY & ONE NATION” goals are:

1. ECONOMIC REFORM
2. GOVERNMENT REFORM
3. SOCIAL POLICY REFORM
<table>
<thead>
<tr>
<th>MACRO ECONOMIC STABILIZATION</th>
<th>ECONOMIC DIVERSIFICATION</th>
<th>REGIONAL ECONOMIC DEVELOPMENT</th>
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</thead>
<tbody>
<tr>
<td>1. Create a comprehensive policy planning system</td>
<td>1. Food, agriculture and tourism</td>
<td>1. Improve quality of life and create jobs in rural areas through the implementation of the New rural area project</td>
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<td>2. Policy reform in the financial sector</td>
<td>2. Start the Industry 4 Program</td>
<td>2. Develop and Implement the regional development policy</td>
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<td>3. Use the principles of the PPP in implementing the mega projects</td>
<td>3. Intensify the establishment of agriculture clusters of the local level to increase income and create jobs for cooperatives and herders</td>
<td>3. Improve the efficiency of the public investment in accordance with the local development index</td>
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<td>4. Increase the volume of exports through economic integration with neighboring countries</td>
<td>4. Prioritize the establishment of the centralized mining logistics centers and commodity exchange</td>
<td>4. Establish agricultural cluster network at 4 priority locations to improve the business environment in the rural areas</td>
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<td>5. Enter the strategic deposits to economic circulation and to continue to increase the assets of the foreign currency reserves</td>
<td>5. Renew the investment policy and legal environment</td>
<td>5. Support trade network of enterprises and cooperatives and establish state trade complexes</td>
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<td>6. Establish the Future Heritage Fund and the Wealth Fund, and to invest in non-mining sectors</td>
<td>6. Develop mining clusters</td>
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INTERNATIONAL INVESTMENT FRAMEWORK

- Seoul Convention on the establishment of MIGA
- Washington convention on the Settlement of Investment Disputes
- Foreign Investment Protection and Promotion agreements with 37 countries
- Tax treaties with 26 countries
- Mongolia-Japan Economic Partnership Agreement
In 2013, the Investment Law was enacted as the first legal document to encourage economic diversification. Key aspects include:

1. **Equal treatment for Foreign and Local entities**
2. **More liberalized market condition**
3. **More facilitated mechanism for getting licenses**
4. **Tax and Non-tax incentives for investors**

These reforms aim to provide a more favorable environment for investors, promoting economic diversification.
INCENTIVES

TAX INCENTIVES

- Investment Agreement
  - Tax stabilization and other incentives for projects with investment over 500 billion MNT

- Tax Stabilization Certificate
  - Stabilization of Corporate Income Tax, VAT, Customs duty, Royalty

- Economic Free Zone
  - Tax exemption for initial 5 years

- Customs duty exemption for listed SME equipment

NON-TAX INCENTIVES

- Innovation project and product
  - Financial guarantee for production of export oriented innovative products

- Alleviated regime of registration and check-point
  - Economic free zones
  - Production & Technological Parks

- Land lease and use
  - Land lease and use for up to 100 years

- Exemption of employment fees
  - Infrastructure, production, science and education sector
INVESTMENT PROTECTION COUNCIL

01 Preview and develop preliminary prognosis on foreign investment related issues to be discussed by Cabinet Session

02 Protect investors’ rights, solve their grievances (except the cases examined under court or arbitrage)

03 Develop proposals on implementation of laws and resolutions related to investment, introduce to the Cabinet. The Council shall be supernumerary and its operations permanent

04 Improve investment legal framework, remove duplications and breaches of laws, introduce investment related proposal that made by relevant organizations to the Cabinet
Consensus building between public and private sector
Improves accountability, transparency
Improves information, sense of priorities
Improves awareness, participation and commitment
Helps monitor the reform process
Builds an atmosphere of mutual trust
One Stop Service Center provides comprehensive information on investment framework and market opportunities, registers foreign invested entities, provides foreign investor residential permits, as well as other state services such as customs and taxes through a single window.

Establishment of One Stop Service Center enables international standard services to foreign investors and enhances linkages and services among state organizations.
FOREIGN DIRECT INVESTMENT
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Foreign Direct Investment by number of companies

- 1990-2004: 3691
- 2005: 1506
- 2006: 1611
- 2007: 1551
- 2008: 614
- 2009: 791
- 2010: 964
- 2011: 796
- 2012: 381
- 2013: 336
- 2014: 298
- 2015: 282
- 2016: 403
- 2017: 0

Foreign Direct Investment by sectors

- Geological prospecting, oil exploration & mining: 17.8%
- Trade and catering services: 72.5%
- Others: 1.2%
- Bank and financial services: 1.4%
- Transportation: 0.9%
- Engineering construction and production of construction materials: 0.8%
- Light industry: 0.4%
INVESTMENT OPPORTUNITIES

- Strategic location, access to giant markets
- Liberal trade policy
- Rich in natural resources – developing country
- Highest rank in the livestock per capita
- Organic food and dairy products
- Tourism
- Young and well educated population
- Foreign-speaking labor force
- Friendly and hospitable traditions
- Bank and Financial Services
- Health care services
- Opportunities to develop industry and infrastructure
- Rapid changes in information technology
- Transport and logistic chain / possibilities cost saving/
- Lowing taxing regulation in the region
- Developments real estate sector
- Community Development
We are inviting you to invest in Mongolia!