



Capitalizing on Mongolia's mineral resources as key engine for infrastructure development and economic growth

Praha • May 2010

Ministry of Road, Transportation, Construction and Urban Development of Mongolia

Agenda

Overview of Mongolia

Macro-economic goals of Mongolia

Comparative advantage of the country

Taking a long-term view of railway infrastructure in Mongolia

Capitalizing on its mineral resources as key engine for economic growth

Potential socioeconomic impact of new railway infrastructure and the industrial park

Mongolia has a comparative advantage in natural resources and is looking to transform it to a competitive advantage



S&P Rating Detail (December 19, 2008) ⁽¹⁾

Mongolia	
Sovereign Credit Rating	BB-/Stable/B
Sovereign Credit Ratings History	
24-Dec-07	BB-/Stable/B
22-Dec-06	B+/Positive/B
28-Dec-05	B/Positive/B

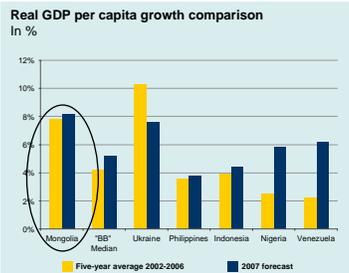
Mongolia Select Statistics ⁽¹⁾

	'BB' Median 2007f	2007f
Per capita income (US\$)	2,931.0	1,588.0
Real GDP (% chg.)	6.2	9.0
Real GDP per capita (% chg.)	5.1	8.2
General government balance (% of GDP)	(1.2)	(0.7)
General government gross debt (% of GDP)	38.4	36.3
General government net debt (% of GDP)	31.8	22.3
Gen. gov. interest expenditure/gen. gov. revenue (%)	8.6	1.4
Dom. credit to private sector and NFPEs* (% of GDP)	na	35.3
CPI inflation (average % chg)	6.2	7.5

f - Forecast

Major Rating Factors ⁽¹⁾

Strengths	Weaknesses
<ul style="list-style-type: none"> Improved growth prospects on the back of a burgeoning mining sector Strong donor country and multilateral support A comparatively stable political environment for this rating category 	<ul style="list-style-type: none"> Vulnerabilities inherent in a small, undeveloped, primarily commodity-based, low-income economy High degree of financial sector vulnerabilities as a result of ongoing robust credit growth, relatively high level of past-due loans, and the need for continued improvement in banking supervision

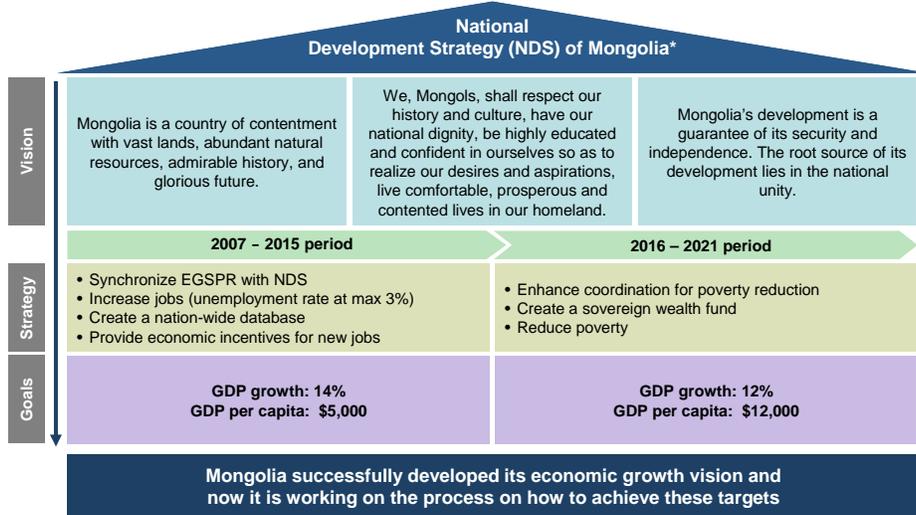


Economic Prospects

- A heavy reliance on commodity exports, inadequate infrastructure, and vulnerability to high energy prices, preclude stable, broad-based growth
- Continued delays in negotiating new mineral investments point to challenges ahead
- High minerals prices, vast copper and coal potential, and increased tourism make medium-term growth prospects robust

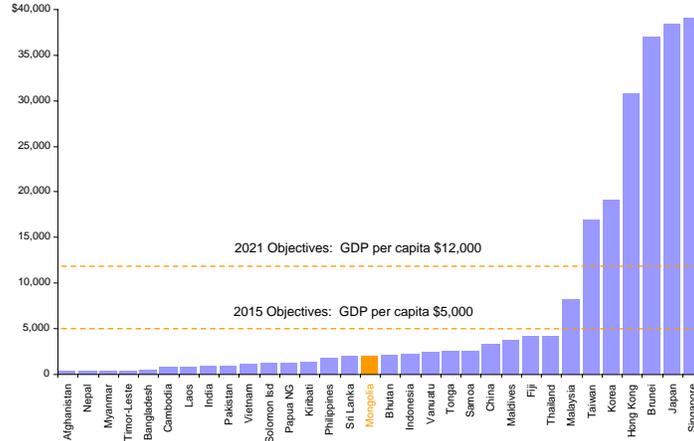
(1) Standard & Poor's Research: Mongolia, December 19, 2008 revision

Millennium Development Goals based Comprehensive National Development Strategy of Mongolia



* Parliament of Mongolia resolution 12 dated Jan. 31, 2008 endorsing National Development Strategy of Mongolia

Mongolia's National Development Strategy objectives in perspective with other Asian advanced and developing countries



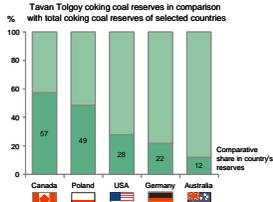
Achievement of the National Development Strategy would place Mongolia into one of the key economic powers in the regions

* International Monetary Fund, World Economic Outlook Database, October 2009

Mongolia has some of the largest undeveloped reserves in the world – a comparative advantage for long term growth



Tavan Tolgoi is the largest coal reserve in the world by proven reserves



Oyu Tolgoi is the largest by inferred copper and gold resources



Highlights of Mining Deposits in Southern Mongolia

Deposit name	Minerals	Mine Life	Production Capacity
Tavan Tolgoi	Coal	200+	15,000-20,000
Ukhaa Khudag	Coal	40	10,000
Baruun Naran	Coal	20	6,000-10,000
Tsagaan Tolgoi	Coal	20	2,000
Nariin Sukhait	Coal	40	2,000-4,000
Ovoot Tolgoi	Coal	50	14,000
Sumber	Coal	50	5,000
Oyu Tolgoi	Copper	50	2,000
Tsagaan Suvruga	Copper	20	250

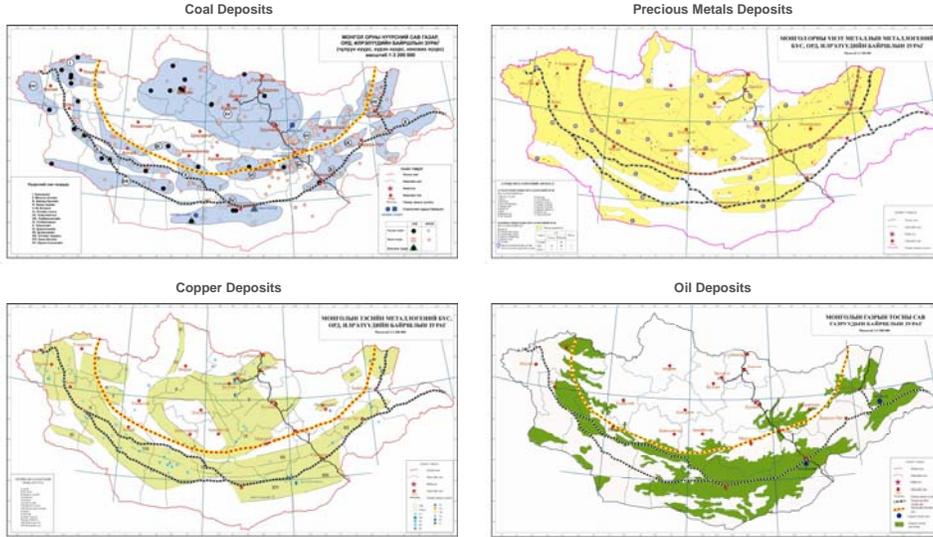
Source: Southern Mongolia Infrastructure Strategy, World Bank, 4/2009

As mine life could be as high as 200+ years, Mongolia needs to have a long-term development view

Source: The Boston Consulting Group, Erdenes MGL LLC

A new railway infrastructure planning should consider linking all mineral deposits of Mongolia⁽¹⁾

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¹⁾ The minerals study prepared by Mr. Odkhuu, D., a Member of Parliament, lead group of geologists from Geosan LLC, Mongolia.

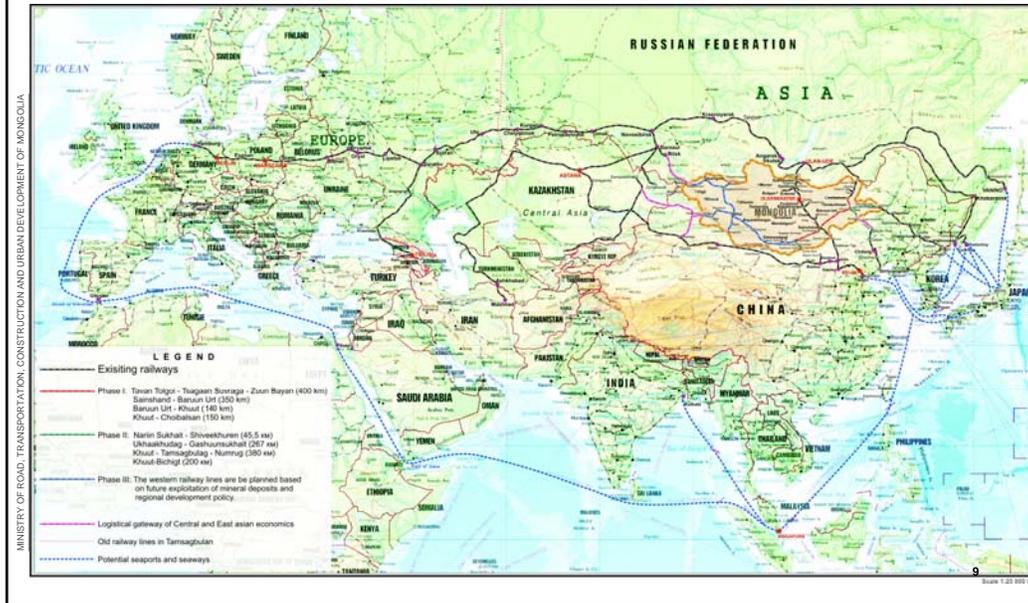
Building of a new and modernization of an existing railway network would play a vital role in the achievement of the NDS objectives

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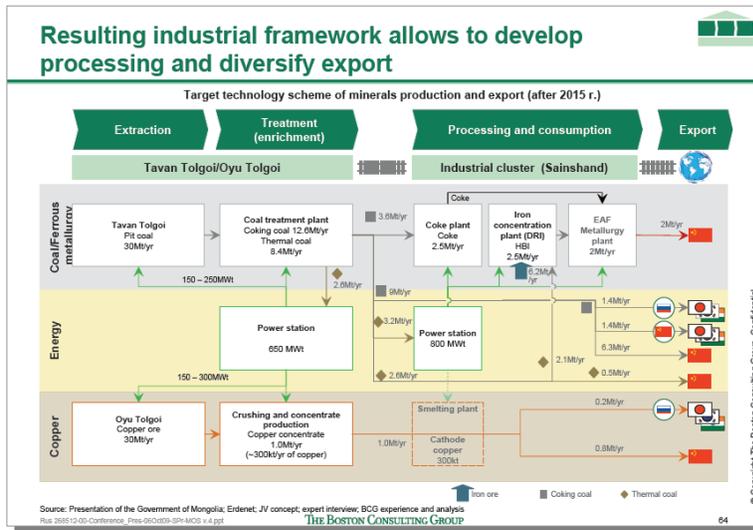


Source: Ministry of Road, Transportation, Construction and Urban Development of Mongolia

Existing and planned regional rail routes would enable Mongolia access to the main and alternative markets for commodities

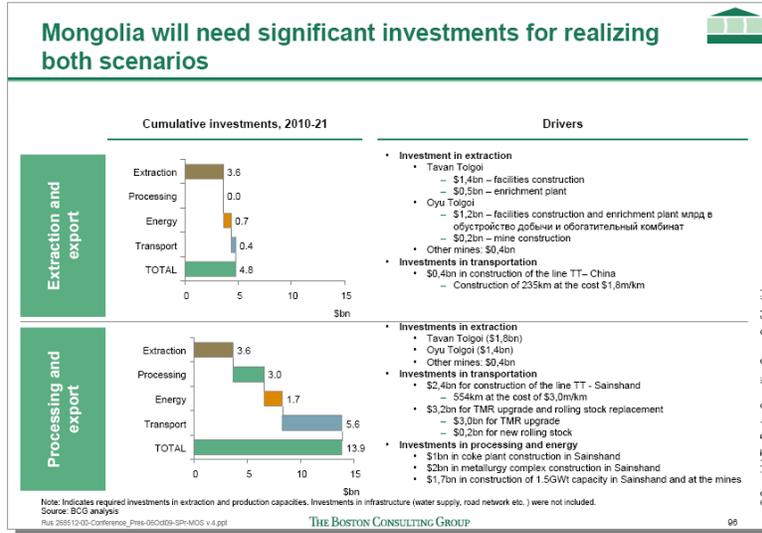


The industrial park in Sainshand would provide basis for further economic diversification of Mongolia



Source: The Boston Consulting Group, Railway infrastructure development strategy for Mongolia, October 16, 2009

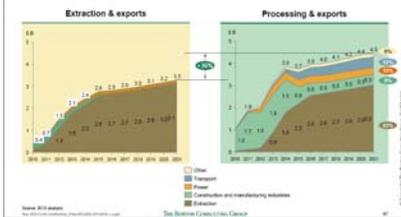
Mongolia would need totally about \$14 bln in investments, of which \$8.3 bln are in Sainshand industrial park, excluding highways



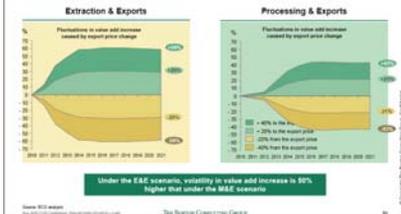
Source: The Boston Consulting Group, Railway infrastructure development strategy for Mongolia, October 16, 2009

According to BCG's socioeconomic impact for building railways and Sainshand industrial park...

1 Processing & Exports scenario enables both diversification and higher GDP growth by 2021...



2 ... and makes the economy less vulnerable to external price shocks for natural resources



Source: The Boston Consulting Group, Railway infrastructure development strategy for Mongolia, October 16, 2009

3 Most jobs under the P&E scenario would be created outside the extracting sector



4 P&E scenario provides better attainment of the goals set by the national development strategy

Quantitative and qualitative study of contribution of scenarios vs. the goals of the national development strategy

	Target 2021 ¹	E&E scenario	P&E scenario
GDP	GDP growth (%) 12-14%	9% <input type="checkbox"/>	10% <input type="checkbox"/>
	Share of processing in GDP (%) x4	-2pp <input type="checkbox"/>	+4pp <input type="checkbox"/>
Employment	Unemployment (%) significant reduction	+10-20 th. p. <input type="checkbox"/>	+40-80 th. p. <input type="checkbox"/>
Below the poverty line (%)	regional center with 10k population	slow development <input type="checkbox"/>	development of the South Uul and Sainshand <input type="checkbox"/>
Technoparks and technological develop.	technology & industrial parks are established	unchanged <input type="checkbox"/>	Renowned industrial clusters are established <input type="checkbox"/>
Road and rail network density	density growth	unchanged <input type="checkbox"/>	railway length increased by 20% <input type="checkbox"/>
Energy production	domestic power demand satisfied	1,6GW capacity at the time <input type="checkbox"/>	1,6GW capacity self-sustainability <input type="checkbox"/>
Railway construction	main line TMR, feeder and P&E railway	main line TMR, feeder and P&E railway <input type="checkbox"/>	main line TMR, feeder and P&E railway <input type="checkbox"/>

1. The target 2021 is based on the national development strategy and goals adjustment mechanism. not achieved in strategic plan document. not achieved in 2009-2010 period. high contribution to goal attainment.



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