

INVESTMENT REFORM MAP FOR MONGOLIA



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Investment Reform Map for Mongolia

A Foundation for a new Investment
Policy & Promotion Strategy

Mongolia Investment Policy and Agriculture
Investment Promotion (IPAIP) Project

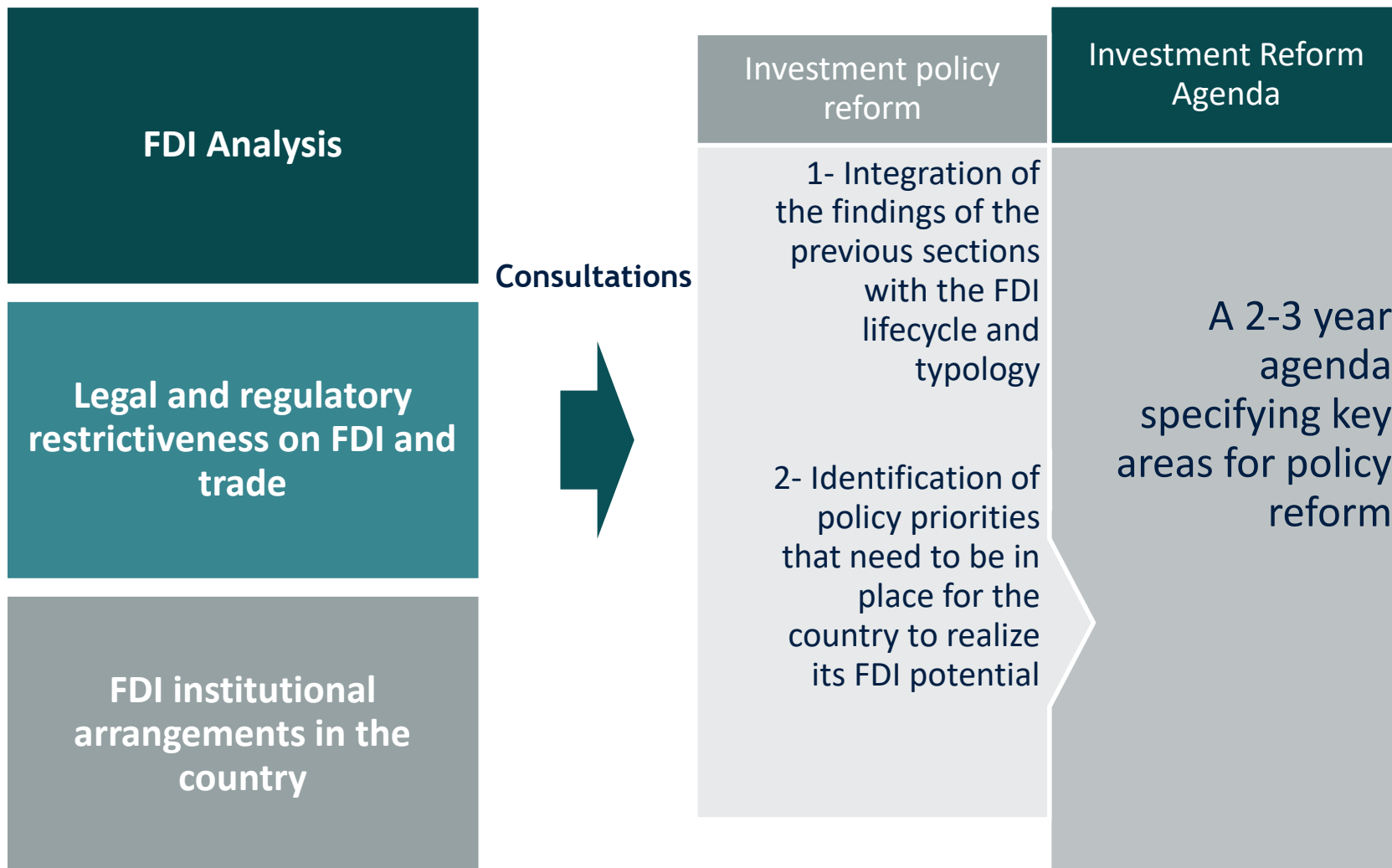
Final Report
June 2018

IN PARTNERSHIP WITH



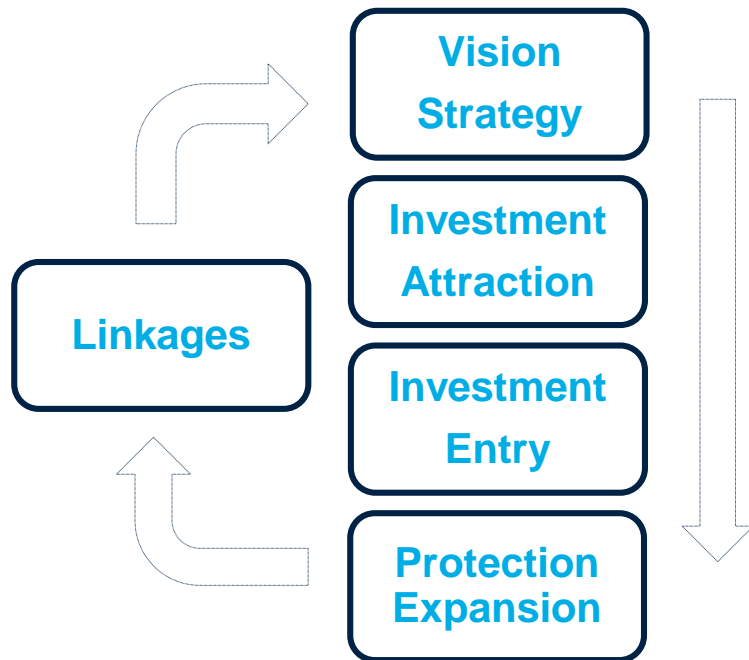
MONGOLIA IRM: KEY FINDINGS AND RECOMMENDATIONS

INVESTMENT REFORM MAP (IRM): PROCESS



INVESTMENT LIFECYCLE AND INVESTMENT TYPOLOGY

Investment Lifecycle



Investment is not a transaction but a relationship

FDI Typology



Natural resource-seeking
Exploit locally available natural resources



Market-seeking
Gain access to the domestic markets



Strategic asset-seeking
Enhance the capabilities by acquiring firms with competitive advantages

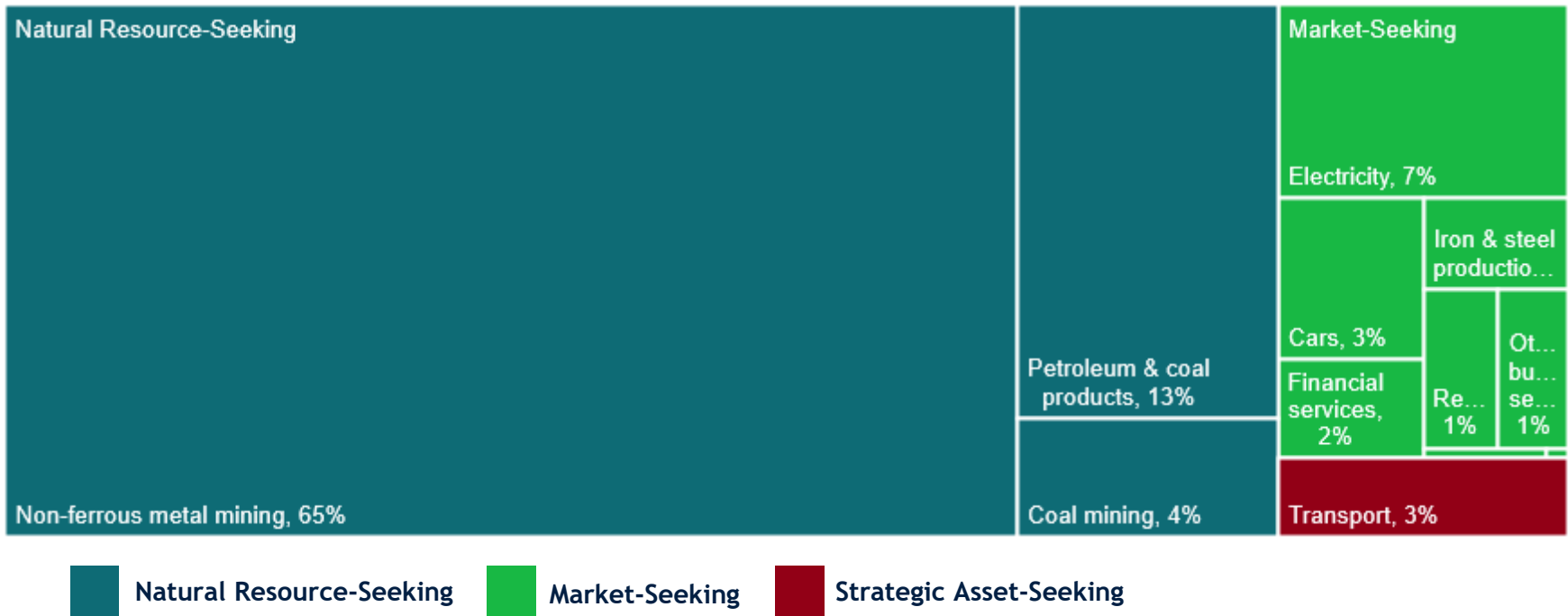


Efficiency-seeking
Save costs in international production networks

Different type have different impacts and require different policies

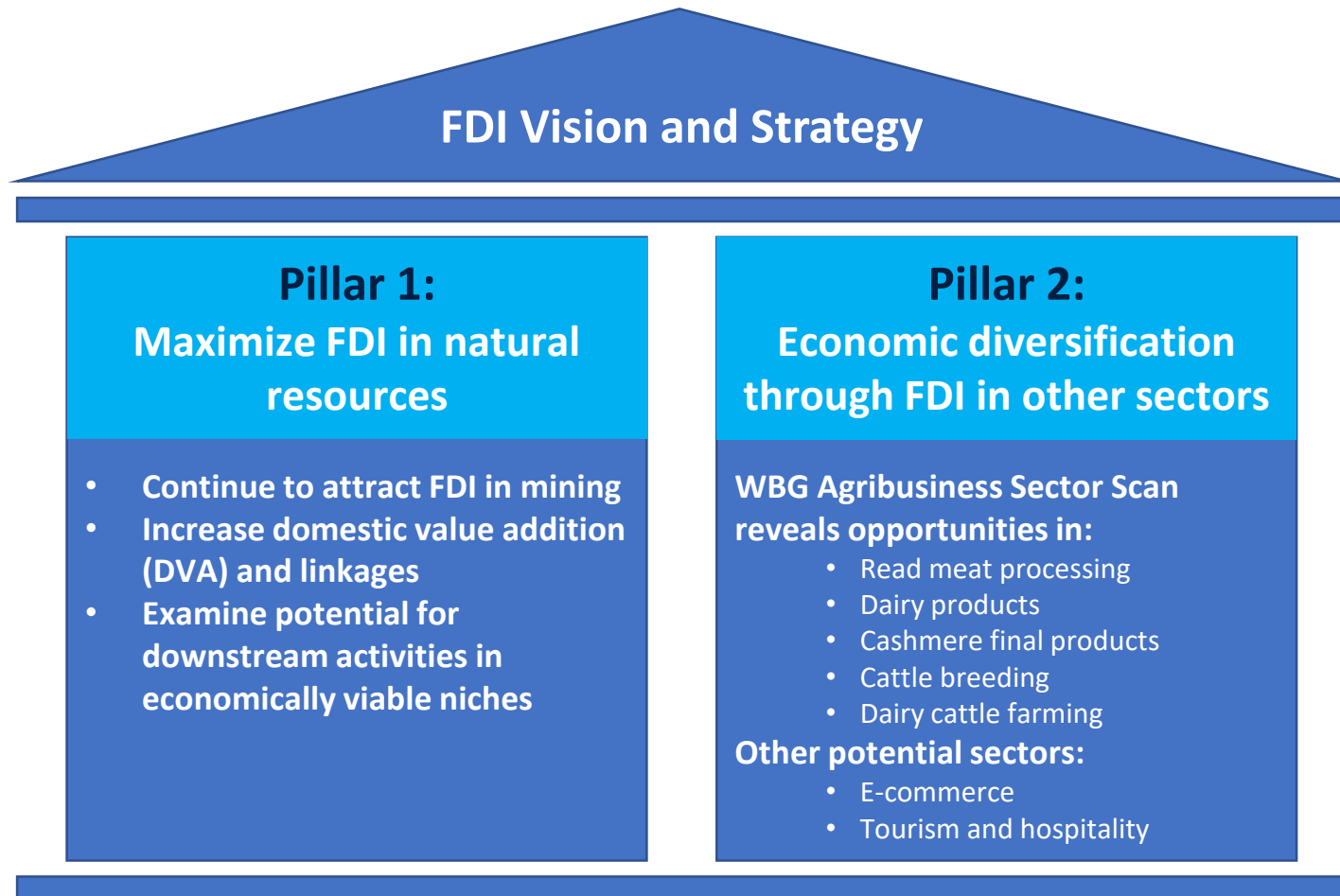
NATURAL RESOURCE-SEEKING FDI IS THE MAIN TYPE OF FDI IN MONGOLIA

FDI types in Mongolia (percentage; 2012-2016)



Mongolia needs to: (1) maximize benefits from extractive FDI and (2) attract FDI in other sectors, particularly efficiency-seeking FDI

FDI VISION: MONGOLIA MAY WISH TO CONSIDER A 2-PILLAR APPROACH



VISION AND STRATEGY

Reform Action	Timeline
1. Develop a new investment strategy/policy to maximize the benefits of FDI in extractives and identify and realize opportunities for more FDI in other sectors including in services and efficiency-seeking FDI.	Short-term decision, long-term effort
2. Formulate and implement a strategy to increase linkages related to the extractives sector.	Short-term decision, long-term effort
3. Study the potential conclusion of FTAs with relevant countries to enhance Mongolia's participation in the global economy.	Short-term decisions, medium-term effort
4. Focus on attracting FDI in sectors which have higher economic complexity than the current basket.	Short-term decision, long-term effort
5. Designate one department or unit which will collect FDI data on a regular basis.	Short-term decision, continued implementation

INVESTMENT ENTRY AND INVESTMENT CLIMATE

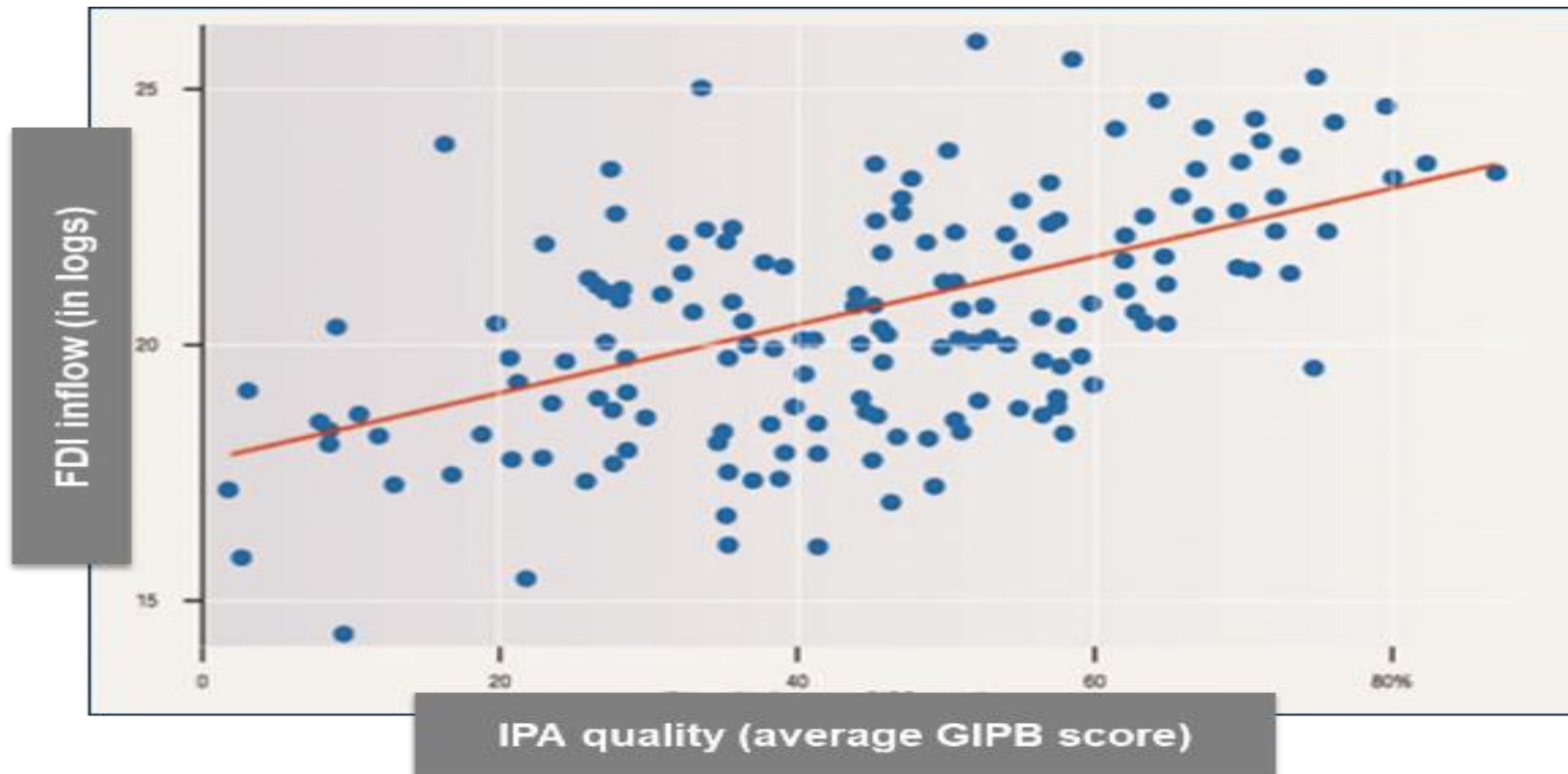
	Reform Action	Timeline
1.	Consolidate in one legal instrument any and all de jure restrictions to private investment.	Short-term
2.	Review each existing measure restricting foreign participation and determine if it can be removed.	Short-term
3.	Standardize land lease contracts as to establish clear conditions on primary contracts and requirements for extension.	Medium-term
4.	Review visas regime for investors to ensure that foreign investors, managers and personnel are protected in their rights to stay, exit, and re-enter the country as per the visa stipulation.	Medium-term
5.	Review local content requirements on an economy-wide basis and specifically those applied in the mining sector.	Medium-term
6.	Launch a comprehensive program to improve the IC and good governance.	Short-term decision and sustained long-term implementation

INVESTMENT PROTECTION AND RETENTION

	Reform Action	Timeline
1.	Operationalize investor grievance mechanism .	Short-term
2.	Develop ICT tool to track cases and collect data.	Short-term
3.	Incorporate NT, MFN, and FET provisions into domestic laws, and provide specific protection against “indirect” expropriation.	Medium-term
4.	Strengthen FTA/IIA implementation function in the relevant ministries to operationalize joint committees.	Medium-term
5.	Review core investment protection guarantees in current IIAs to guide future negotiations.	Medium-term
6.	Train government officials on how to treat investment.	Short-term
7.	Review inconsistencies and discrepancies among legal instruments continuously and guarantee investor protection stipulated in domestic and international law.	Short/medium/long-term

INVESTMENT PROMOTION

- Investment Promotion positively impacts FDI... *if* it is done well
- Research shows positive correlations between good quality investment promotion activities and FDI inflows



INVESTMENT PROMOTION FRAMEWORK

	Reform Action	Timeline
1.	Re-establish and strengthen the investment promotion unit within the NDA.	Short-term
2.	Identify sectors with the greatest potential to attract FDI.	Short-term
3.	Develop and implement an FDI attraction action plan focusing on the identified target sectors.	Short-term
4.	Ensure the working relationship between the investment promotion unit and other units within the NDA and across the Government under coordination mechanisms.	Short-term
5.	Design a framework for FDI linkages to increase overall in-country value addition.	Medium term
6.	Consider the re-establishment of a separate, dedicated IPA as a long-term ambition	Medium to long term

SUMMARIZING THE IRM'S KEY MESSAGES

1

- Create a new vision and strategy to maximize the benefits of FDI

2

- Improve the investment climate and strengthen investment protection

3

- Re-establish investment promotion capacity