

Every Mongolian Gains From IPO

By [The Moscow Times](#)

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Forced to sell his animals and flee his dried-up lands, former herder Sainbuyangiin Tsagaan-Ovgon is now hoping that mining profits will let him return to his native Gobi.

The 72-year-old, who admits that he knows nothing about stocks, will soon receive 536 shares in the Mongolian company that owns the world's largest coking coal deposit.

The potential windfall is part of an experiment to allow Mongolians to share directly in wealth generated by mining at Tavan Tolgoi, the hotly contested coal project.

"These shares will be a big help to herders like myself," said Tsagaan-Ovgon, who sported a traditional silk robe and white fedora as he mingled with the crowd on Ulan Bator's Sukhbaatar Square.

"We can plant fruit, vegetables and trees. In the city people can use their shares to start small businesses, they can package jam or make sweaters and then build their own brand names."

Erdenes Tavan Tolgoi's international IPO could raise up to \$5 billion, a vast sum for one of the poorest countries in Asia. Ten percent of shares are reserved for Mongolian citizens, and another 10 percent is to be split among Mongolian companies. Some lawmakers support giving those shares to citizens as well.

The value of each Mongolian's shares could be about \$300, Mongolian officials have estimated, a substantial amount in a country where the average GDP per capita stands at \$1,573.

The rights to develop the site are expected to go to a consortium led by Chinese coal giant Shenhua Energy, U.S. coal miner Peabody Energy and a Russian consortium.

To cope with the coming wave of citizens-turned-traders, Mongolia's tiny stock exchange is gearing up for a massive investor education effort, so that the opportunity represented by the shares is not frittered away by an impoverished population unfamiliar with capital markets.

"When I daydream about the possibilities here I think, 'wouldn't it be wonderful if I can make Mongolia the most investment literate country in the world,'" said Bill Gorman, president of the Mongolian Stock Exchange.

It's a tall order for the exchange, which trades for only two hours each day. It signed a \$14.2 million restructuring agreement with the London Stock Exchange to help it upgrade ahead of the listing of Erdenes Tavan Tolgoi, the license holder for the coal deposit.

Gorman envisions cartoon-style pulp books to introduce capital market concepts, starting from the basics of "what is a stock, what is a company and how it is set up." A markets-themed soap opera could follow.

"I am hoping to train everyone from school children to Supreme Court justices," he said at the exchange, a Russian-style building painted a cheerful shade of peach.

"People can do whatever they want with their shares. They can buy them, sell them, trade them or frame them and hang them on their wall," said Peter Morrow, a banker and stock exchange board member.

"But the shares represent real value, and when people realize that, they won't give them up easily."

That's the hope, at least.

During the messy privatization following the collapse of the Soviet Union in the 1990s, Russians received vouchers that entitled them to shares of state-owned companies. But many sold them for pennies, or even vodka or flour, to savvy free-marketeers who went on to become tremendously wealthy oligarchs.

The challenge will be to avoid a similar scenario in Mongolia, a former Soviet satellite where local industry collapsed along with the Soviet Union.

Mining in Mongolia has boomed thanks to Chinese demand for minerals and coal, but corruption and environmental degradation plague the sector. The Mongolian state has failed to capture its share of the wealth, or pass it on to its people.

All Mongolians born before March 31, 2011, are eligible for the shares, but they will only become valuable after the IPO in 2012. It will be years, if not decades, before Tavan Tolgoi yields dividends once the coal gets to market.

Gorman acknowledged that some would sell their stake but said others would hang on for potential dividends. Laws to encourage companies to issue dividends would help raise interest in holding shares.

"If we can get the Mongolians to keep their shares and enjoy the benefits we have been successful," Gorman said.

Former herder Tsagaan-Ovgon said he hoped to use his shares to return to the land and plant trees, helping reverse the desertification that drove him to the capital city.

"I really don't know what it means to be a shareholder, but I am hoping the government will give me some information about it," he said.

"They say it's a way to share the land, and I just hope that is the case, because Tavan Tolgoi belongs to all Mongolians."

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