



## THE LAW ON PREVENTION AND RESPONSE TO THE COVID-19 PANDEMIC AND REDUCING ADVERSE EFFECTS ON SOCIETY AND ECONOMY

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### **Introduction**

The COVID-19 virus is rapidly spreading across the world and has become a pandemic. Governments all around the globe have taken various measures to reduce the adverse impact of the pandemic effects. Similarly, the Parliament of Mongolia passed a new statute, namely the Law on Prevention and Response to the COVID-19 Pandemic and Reducing the Adverse Effects on Society and Economy (the “**COVID-19 Mitigation Law**”), on 29 April 2020 which took effect on the same day. The new law will remain in effect until 31 December 2020 unless the Parliament extends the effective period by up to 6 months once.

The enactment of the COVID-19 Mitigation Law is an action in addition to the previous decisions and measures taken by the Government of Mongolia and the National Emergency Commission in responding to the pandemic effects.<sup>1</sup> Nonetheless, it can be arguably said that the COVID-19 Mitigation Law is the first of its kind in the legislative history of Mongolia, in terms of being a response to a pandemic or high alert circumstance.

Below is a summary of key measures to be taken by the Parliament, Government, Central Bank, National Emergency Management Commission and other relevant organizations under the new law. The measures and actions specified under COVID-19 Mitigation Law are not limited to the below, and this update focuses on those measures that we believe may be of more relevance to the business entities.

### **Parliament**

<sup>1</sup> One of the earlier actions taken by the Government to mitigate the economic impact of the COVID-19 was issuance of the Government Resolution No. 114 on the Certain Actions to be Taken to Promote Economy in Connection with Declaring the State of High Alert dated 27 March 2020. The Government Resolution No. 114 of 2020 has introduced various measures that intend, among others, to provide financial support for the business entities and individuals that are being financially affected as a result of the state of high alert declaration and during the COVID-19 pandemic.

The main obligation of the Parliament under the COVID-19 Mitigation Law is to discuss and decide, in an urgent and prompt manner, the adoption of laws and other parliamentary decisions related to the actions to be taken against the pandemic. In order to do so, the Parliament is allowed to disregard the regular order of the other laws and acts to be approved by the Parliament.

Furthermore, it states that an ad-hoc parliamentary committee consisting of representatives of all parliamentary standing committees and the minority group will be formed and remain in charge of monthly public review of the implementation of the COVID-19 Mitigation Law.

### The Government Cabinet

The COVID-19 Mitigation Law provides with quite a broad range of measures and actions to be taken by the Government Cabinet in relation to prevention and response to the present pandemic.

Some of the key measures and actions expected from the Government Cabinet under this new law that we believe may have a more immediate impact on the businesses and individuals are as follows:

- to adopt the relevant regulations governing quarantine, distancing, mobility and time restriction measures to be implemented during the pandemic;
- to manage and make the necessary adjustments to the annual state budget without increasing the total expense amount in order to protect the health and income of citizens, retain employment, stimulate the economy, provide health services and provide the necessary funding for distancing and restriction measures. In taking this measure, the COVID-19 Mitigation Law will prevail in case of discrepancy with the Budget Law<sup>2</sup> or the Fiscal Stability Law<sup>3</sup>;
- to provide interest subsidy to the Central Bank in relation to “rent to own” mortgage loans to be offered to the public officials and public service officers who are working in high-risk conditions;

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<sup>2</sup> The Law of Mongolia on Budget, enacted by the Parliament of Mongolia on 23 December 2011, as amended from time to time.

<sup>3</sup> The Law of Mongolia on Fiscal Stability Law, enacted by the Parliament of Mongolia on 24 June 2010, as amended from time to time.

- to provide the necessary support to businesses and organizations, whose operations have been suffered and to citizens, whose salary or income have been affected as a result of the distancing and restriction measures;
- to restrict public holidays and celebrations at state and regional levels;
- to postpone all stages of schools and on-site educational activities, reduce tuition fees or transfer any paid amount to the following year irrespective of the form of ownership of the educational institutions;
- to approve the list of necessary food and other resources required during the pandemic or societal health emergencies, and resolve the necessary budget in maintaining such resources;
- to implement measures to maintain the stability of the prices of common consumer goods and strategically important goods; and
- to enforce border and mobility restrictions to domestic passengers and vehicles;
- to support business that manufacture export products and oversee their operations;

As the above-stated measures seem to be very general, we view that the Government would adopt implementing regulations and guidance with respect to carrying out these measures.

### **The Central Bank and commercial banks**

The COVID-19 Mitigation Law imposes the following obligations on the Central Bank:

- to provide loans to banks, and take actions stated under the Central Bank Law<sup>4</sup> in order to (i) maintain the value of Mongolian tugrik (MNT) and banking and financial sector stability, and (ii) support certain economical industries and (iii) improve financial conditions of the commercial banks;<sup>5</sup>

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<sup>4</sup> The Law of Mongolia on the Central Bank /Mongol Bank/ enacted by the Parliament of Mongolia on 3 September 1996, as amended from time to time.

<sup>5</sup> The COVID-19 Mitigation Law provides that Articles 23.1.2, 23.1.4 and 23.1.7 of the Central Bank Law will not apply to taking these measures.

- to provide loans to domestic banks and financial institutions with a condition to purchase or acquire foreign currency from foreign legal entities through loans and/or other agreements in order to increase the foreign currency reserves;<sup>6</sup>
- to issue 'rent to own' special mortgage product for public officials and public service officers who are working in high-risk conditions;
- to continue financing mortgage loans through repayment of the financing previously provided by the Central Bank in order to prevent the degradation of loans in the construction industry and to retain employment;
- in cooperation with the Government, to resolve the deferral of mortgage loan payments for 6 months without increasing the total amounts of principal and interest payments.

In addition, direct measures such as interest not being accumulated in the checking accounts and foreign currency savings not being subject to compulsory insurance are also specified under the COVID-19 Mitigation Law.

### The National Emergency Commission

The National Emergency Commission is obliged under the COVID-19 Mitigation Law to organize the in- and outbound repatriation of Mongolian citizens in certain stages, upon their request and in consideration of the spread of the virus, related risks and direct flight opportunities. Moreover, in the event a foreign citizen in Mongolia submits a request to return to their home country, the National Emergency Commission will grant the authorization of border passing, in accordance with the COVID-19 Mitigation Law.

### Private Entities and Organizations

The obligations of businesses and organizations under the COVID-19 Mitigation Law include, among others:

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<sup>6</sup> The COVID-19 Mitigation Law provides that Articles 23.1.2, 23.1.4 and 23.1.7 of the Central Bank Law will not apply to taking these measures.

- to provide safe working conditions against the virus in accordance with the guidance and advice provided by the applicable authorities;
- to retain the employment of employees being subject to isolation, quarantine and mobility restriction measures;
- to avoid organizing events or meetings requiring mass physical attendance prohibited by law;
- to conduct its operations online using technology; and
- to refrain from increasing the prices of rent, goods and services, and refrain from creating false scarcities.

Furthermore, the COVID-19 Mitigation Law permits expropriation of properties and buildings of business entities and individuals during the pandemic with compensation for the operational costs of such properties.

## Conclusion

By enacting the COVID-19 Mitigation Law, the Parliament, Government, Central Bank, National Emergency Management Commission and other relevant authorities are obliged to carry out a wide range of measures to prevent, respond to and reduce the adverse effects of the ongoing pandemic of COVID-19 on society and economy.

It is, however, unclear at this stage how these general measures are to be implemented in practice. Therefore, we presume that the Government Cabinet and the relevant state authorities will adopt more detailed regulations for implementation of the measures specified under the new law, and amendments to the 2020 state budget may also be required.