



Future Heritage Fund



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The Future Heritage Fund (FHF) is Mongolia's sovereign wealth fund populated from mineral revenues, with long-term savings objective.

Legal framework

The FHF was established by a dedicated law in 2016 in accordance with the fiscal management principle set by the Fiscal Stability Law that calls for fair and equitable distribution of national wealth to the present and future generations. The Law on FHF came into effect on 1 January 2017.

Purpose

The fund is designed as a mechanism to provide for intergenerational equity by substituting the non-renewable natural resources with interest-earning financial assets and safeguarding portion of the revenues generated from the country's mineral wealth, as well as mitigating the "Dutch disease" effects given the mining sector's weightiness in the economy.

Key features

The main sources of income of the FHF are a portion of mineral royalties and dividends distributed to state shares in the licensed companies operating on mining deposits. In addition to this, 20% of Government mineral revenues over and above the level collected in the base year of 2017 and 50% of any revenue raised from new or incremental taxes on the exploitation of mineral resources shall be accumulated to the FHF.

Under the fund's legal framework, revenues are being deposited into the fund starting from 2017, while withdrawals except for operational management fees are not allowed before 2030. Beginning from 2030, the FHF will disburse the percentage of its net investment income to the state budget on an unearmarked basis.

The Law on FHF requires that the assets of the fund be invested only in international financial assets and managed independently and professionally by FHF Corporation, a separate investment management entity wholly owned by the Government established pursuant to the law. The investment objective of the Fund is to generate the best possible returns over the long-time horizon while avoiding undue risk.

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