

Data Sheet

USAID Mission:	Mongolia
Program Title:	Private Sector-Led Economic Growth
Pillar:	Economic Growth, Agriculture and Trade
Strategic Objective:	438-001
Status:	Continuing
Planned FY 2005 Obligation:	\$7,220,000 ESF
Prior Year Unobligated:	\$0
Proposed FY 2006 Obligation:	\$4,800,000 ESF
Year of Initial Obligation:	1995
Estimated Year of Final Obligation:	2008

Summary: USAID's strategic objective in the economic growth sector is to "accelerate and broaden sustainable, private sector-led economic growth". This program aims to achieve: (a) an improved enabling environment for private sector growth; (b) more competitive industries and sectors; and (c) expanded economic opportunity for marginalized Mongolians. As described below, the components of this program reinforce and complement one another. Policy reforms are taken "downstream" to the sector and firm level, ensuring that the creation of an improved enabling environment results in increased production, trade, and income.

Inputs, Outputs, Activities:

FY 2005 Program: Improve Economic Policy and Governance (\$2,800,000 ESF). Building on the highly cooperative working relationships developed with the new Prime Minister's and new Speaker's teams of advisors, USAID and its partners will continue to pursue critical economic policy reforms in 2005. A comprehensive, bipartisan "competitiveness-based" tax reform package will be finalized for submission to Parliament. This package will have far-reaching effects on the Mongolian economy, including a reduction in private sector investment costs that should increase foreign direct investment. USAID will continue to emphasize the important issue of energy sector commercialization and eventual privatization as a crucial step toward improving the overall environment for growth. A cost-based accounting system, developed last year, will be implemented throughout the energy sector to improve accuracy and transparency, and thereby enhance investor confidence. Building on its past successes, USAID will continue to help the Government of Mongolia (GOM) privatize certain key state-owned enterprises. Targets for privatization this year include the national cashmere company and the Ulaanbaatar Electricity Distribution Network. USAID will also continue to work on key transparency issues, especially public participation in the development of new laws, including publication of the national budget, and will begin efforts to strengthen the local chapter of Transparency International, an anticorruption watchdog group. Work on this program component is carried out through a prime contract with Chemonics, in partnership with The Asia Foundation and The Services Group.

Increase Participation in Global Trade and Investment (\$1,400,000 ESF). Mongolian cashmere, tourism, leather, and meat products have considerable export potential. USAID and its partners will address such needs as product quality, pricing, marketing strategies, and supporting infrastructure (e.g. reliable, affordable power) to enhance the competitive position of Mongolian industries. One focus in 2005 will be the training of Mongolian trade negotiators in negotiation skills to represent the country in regional trade meetings with their Asian neighbors and negotiations with trading partners. In 2005, a new tourism law will be completed with private sector involvement, which should promote new investment and increase incomes and foreign exchange earnings in the tourism sector. Work on this program component is carried out by Chemonics, The Asia Foundation, and The Services Group.

Increase Private Sector Growth (\$3,020,000 ESF). Direct assistance to marginalized Mongolians in the Gobi region (the Gobi Initiative Phase II) and peri-urban areas (the Growing Entrepreneurship Rapidly or GER Initiative) will continue through the provision of business development services (e.g. product development, marketing), as well as access to financing and business information. In 2005, while the emphasis will remain on strengthening individual businesses, other activities will include the development of new business associations, expansion of credit programs (through private banks), and expansion into new areas such as veterinary services. The successful business outreach program through radio,

television, and newspapers will continue. USAID and its partners will also seek opportunities to allow small, poorer businesses to sell products to larger companies in 2005. As results last year demonstrate, connecting small businesses with larger companies offers considerable potential for increased sales and new job creation. Another focus will be on the development of private-public partnerships and the facilitation of more interaction between small businesses and local governments. Finally, USAID's policy and competitiveness project will assess the feasibility of a new, private sector equity fund. This fund could dramatically increase the availability of investment capital. The main grantees working on this program component are Mercy Corps and Cooperative Housing Foundation. The contractor Chemonics is leading development of the equity fund. The grantees funded under this program component will begin to wind down activities in anticipation of the closure of these projects by FY 2007.

FY 2006 Program: Improve Economic Policy and Governance (\$2,800,000 ESF). In 2006, USAID will continue to work with the Government of Mongolia and the private sector to strengthen economic performance, especially the policy environment and the trade and investment climate. The 2006 program should see more emphasis on efforts to increase sales, employment, and exports. Important policy reform work will continue, particularly the difficult task of taking approved policies through to implementation, and USAID will work with revenue departments and private companies to help them fully understand and implement new tax regimes. In 2006, USAID anticipates that legislative work may begin on land privatization, and policy work could expand into the mining sector by providing advice on such issues as concessions and supporting infrastructure. Same implementers as above.

Increase Participation in Global Trade and Investment (\$2,000,000 ESF). Building on the policy reform accomplishments of 2004 and 2005, along with such new features as the planned private equity fund, 2006 will see an expansion of efforts to increase Mongolian exports. USAID will help business "clusters" with export potential to improve products, identify markets, attract investors, and increase export sales. USAID may also provide additional technical assistance in such areas as tourism development (2006 will mark the 800th anniversary of the founding of the Mongolian state), business feasibility studies, and privatization. Same implementers as above.

Performance and Results: In FY 2004, important results from USAID's efforts to promote private sector-led growth have included: (1) design and initial implementation of a cost accounting system for the power sector which will facilitate privatization; (2) development of options for Mongolia's response to the upcoming expiration of the Multi-Fiber Agreement; and (3) development of bipartisan tax reform legislation that will lower producer costs and attract investors. New markets were identified for Mongolian export products, and several activities have successfully promoted Mongolia as a tourist destination. The Gobi and GER Initiatives created and strengthened 526 small businesses. Sales revenue increased by over \$463,000 in the Gobi project area alone. In the peri-urban areas, 950 new borrowers received much-needed credit as a result of loan mediation services, 1,532 people were placed in jobs (781 of whom were women), and 245 new jobs were created, 185 of which were filled by women.

US Financing in Thousands of Dollars

Mongolia

438-001 Private Sector-Led Economic Growth	DA	ESF	FSA
Through September 30, 2003			
Obligations	5,569	34,163	14,289
Expenditures	5,569	23,012	14,288
Unliquidated	0	11,151	1
Fiscal Year 2004			
Obligations	0	7,241	0
Expenditures	0	5,036	1
Through September 30, 2004			
Obligations	5,569	41,404	14,289
Expenditures	5,569	28,048	14,289
Unliquidated	0	13,356	0
Prior Year Unobligated Funds			
Obligations	0	0	0
Planned Fiscal Year 2005 NOA			
Obligations	0	7,220	0
Total Planned Fiscal Year 2005			
Obligations	0	7,220	0
Proposed Fiscal Year 2006 NOA			
Obligations	0	4,800	0
Future Obligations	0	14,600	0
Est. Total Cost	5,569	68,024	14,289