



**USAID** | **MONGOLIA**  
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# BUILDING A MARKET ECONOMY IN MONGOLIA

FINAL REPORT OF THE ECONOMIC POLICY REFORM AND COMPETITIVENESS  
PROJECT



*Photo: Mongolia EPRC/Munkhzul Janchiv*

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# BUILDING A MARKET ECONOMY IN MONGOLIA

FINAL REPORT OF THE ECONOMIC  
POLICY REFORM AND COMPETITIVENESS  
PROJECT

Project: Mongolia Economic Policy Reform and  
Competitiveness Project (EPRC)  
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# CONTENTS

ACRONYMS .....	7
EXECUTIVE SUMMARY .....	9
SECTION I: THE CONTEXT: MONGOLIA IN TRANSITION .....	19
SUCCESSFUL TRANSITION FROM A CENTRALLY PLANNED ECONOMY .....	20
DEEPENING THE TRANSITION: ISSUES AND CHALLENGES	20
INTEGRATION INTO THE WORLD ECONOMY .....	21
 SECTION II: THE MONGOLIA-USAID PARTNERSHIP: A RESTROSPECTIVE .....	25
JUMP-STARTING THE ECONOMY: EMERGENCY ASSISTANCE .....	26
BUILDING A MARKET ECONOMY .....	26
DEMOCRATIZATION TO GOOD GOVERNANCE .....	28
 SECTION III: THE PROJECT .....	31
PROJECT OVERVIEW .....	32
PROJECT STRATEGY .....	32
BUILDING THE INSTITUTIONAL BLOCKS OF A MARKET ECONOMY .....	33
Mongolian Mortgage Corporation .....	34
Corporate Governance Development Center .....	35
Credit Information Bureau .....	37
Banking and Finance Academy .....	38
National Tripartite Council for Mining Education and Conflict Mitigation .....	39
HELPING GOVERNMENT INSTITUTIONS WORK BETTER .	42
Reforming the tax system .....	42
Regulating the banking sector .....	44
Regulating financial markets .....	46
Regulating the energy sector .....	48
Supporting fair market competition .....	50
Facilitating trade .....	52
Promoting a single electronic window for foreign trade	52
Clearing imports faster through risk management ....	53

Coordinating inspections of imports .....	55
Improving logistics facilities to clear imports and exports .....	56
Mongolia as a transit corridor between China and Europe .....	58
Developing knowledge and skills for a market economy	60
<b>EQUIPPING CITIZENS FOR PARTICIPATION .....</b>	<b>61</b>
Helping citizens dialogue with government .....	62
Improving mass media coverage of economic issues through the Economic Journalism Club .....	63
Helping citizens understand mining and participate in its benefits .....	65
Helping government agencies communicate with the public .....	66
<b>HELPING MONGOLIAN BUSINESS, COUNTRY COMPETITIVENESS, AND PRIVATE INVESTMENT .....</b>	<b>68</b>
Routes to markets for Mongolian cashmere .....	69
Developing tourism products and promoting Mongolia as a destination .....	71
Attracting private investment through public-private partnerships and concessions .....	74
Developing domestic markets and employment: emerging opportunities .....	76
Supporting competitive air service .....	78
<b>SECTION IV: GOING FORWARD .....</b>	<b>83</b>
THE EVOLVING CONTEXT .....	84
LESSONS LEARNED .....	85
CHALLENGES AND OPPORTUNITIES AHEAD .....	88
OPPORTUNITIES FOR USAID ASSISTANCE .....	89
<b>ANNEXES .....</b>	<b>91</b>

# ACRONYMS

ADB	Asian Development Bank
AFCCP	Agency for Fair Competition and Consumer Protection
BDF	Business Development Fund
BFA	Banking and Finance Academy
BOM	Bank of Mongolia
BPI	Business Plus Initiative
CAA	Civil Aviation Authority
CAIS	Customs Administration Information System
CGA	Customs General Administration
CGDC	Corporate Governance Development Center
CIB	Credit Information Bureau
CIT	Corporate income tax
EBRD	European Bank for Reconstruction and Development
EJC	Economic Journalism Club
EPCRC	Economic Policy and Competitiveness Research Center
EPRC	Economic Policy Reform and Competitiveness Project
ERA	Energy Regulatory Authority
FRC	Financial Regulatory Commission
GASI	General Agency for Specialized Inspections
GDP	Gross domestic product
GDT	General Department of Taxation
GOM	Government of Mongolia
HTS	Harmonized Tariff System
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPO	Initial public offering
IT	Information technology
KfW	Kreditanstalt für Wiederaufbau
KRA	Key result area
MCF	Mongolian Competitiveness Fund
MFS	Mongolian Fibermark Society
MIK	Mongolian Mortgage Corporation
MNCCI	Mongolian National Chamber of Commerce and Industry
MNT	Mongolian Tugrik
MNTO	Mongolian National Tourism Organization
MOF	Ministry of Finance
MOU	Memorandum of understanding
MSE	Mongolian Stock Exchange
NBFI	Non-bank financial institution
NCTTF	National Committee on Transportation and Trade Facilitation
NGO	Nongovernmental organization
NTC	National Tripartite Council for Mining Education and Conflict Mitigation
PIR	Project intermediate result
PIT	Personal income tax
PPP	Public-private partnership
RM	Risk management
SEW	Single electronic window
SOE	State-owned enterprise
SPC	State Property Committee
SSIA	State Specialized Inspection Agency
UBTZ	<i>Ulaanbaatar Tumur Zam</i>
USOA	Uniform System of Accounts
VAT	Value-added tax
WTO	World Trade Organization





# EXECUTIVE SUMMARY

*Nescit occasum*  
 [It knows no decline]

Landlocked between two powerful neighbors, China and Russia, Mongolia has achieved a remarkable transition from a Soviet planned economy to an open, democratic market economy in the last two decades. Sparsely populated — 2.8 million people in a vast territory of 1.5 million km<sup>2</sup> — and richly endowed with large deposits of copper, gold, and coking coal, Mongolians have managed to create the only working democracy in an otherwise bleak Central Asian landscape.

Mongolia has embraced democratic values and aggressively moved toward a market economy. Regular elections and smooth transitions of governments have taken place as scheduled, and three quarters of the economy is now in private hands, from virtually zero two decades ago.

During the 20 years of transition, Mongolians have created a reasonable framework of laws and regulations informed by democratic principles and supportive of private sector development. They have also had to balance the geopolitical interests of the country’s two powerful neighbors through development of the Third Neighbor Policy. Such a policy has been pursued to maximize options for the country to avoid dependence on Russia and China by seeking closer ties with the United States, the European Union, Canada, Australia, Japan, and South Korea.

Aided by the openness to new ideas and the drive to integrate the country into the world economy, this policy has served Mongolia well. Assistance from its “third neighbors” has helped the country achieve a smooth and exemplary transition to democracy and a market economy. Yet, Mongolia is on the verge of an equally profound historical transition. Exploitation of its vast mineral deposits will change the traditional lifestyles and landscape of the country and attract the interest of its two powerful neighbors and countries beyond its borders.

Although Mongolia has largely completed its first generation of reforms to establish a democratic market economy by creating an appropriate framework of laws and regulations, it now needs to move into a second generation of reforms: making these institutions work. The framework and designs of a market economy are

## IN A NUTSHELL: SEVEN YEARS OF SUCCESSFUL MONGOLIA-USAID PARTNERSHIPS

Seven years of USAID-Mongolia partnerships to help build the basic institutions of a market economy the Economic Policy Reform and Competitiveness Project (EPRC) leave behind:

***1. A modern tax system.*** Tax legislation enacted in 2006 with USAID technical support and facilitation of intensive national dialogue and consensus building on the tax laws, brought the Mongolian tax code in line with best international practices and International Financial Reporting Standards (IFRS), simplified laws and regulations, removed economic distortions of old tax laws, and made the system more transparent and predictable by providing taxpayers with improved access to simplified instructions, information, and assistance. Analysis of the impact of the tax reform three years after enactment showed that the tax reform and technical assistance to the General Department of Taxation reduced the burden on businesses and individuals, expanded the tax base, increased tax revenues and had a measurable impact distinct from economic growth. [\[More: Annex B, Detailed Information Sheets, Tax Reform\]](#)

Success stories: “Transforming the Tax System,”



“Raising the Bar: Tax Office Customer Service”



in place, but the institutional building blocks that make it work need to be strengthened and developed.

Mongolia’s and USAID’s partnership began in 1991, focusing on emergency relief to assist Mongolians through the first difficult years of independence. Early assistance included a cash transfer of \$10 million to buy critically needed materials, a monetized butter program, 30,000 mt of emergency wheat supplies, and technical support and training for Mongolian decision-makers on marketplace philosophy, market economics, and management.

Two of the most successful privatizations completed with USAID assistance were those of Khan Bank, formerly the state-owned Agricultural Bank of Mongolia, and the Trade and Development Bank. Privatization of these banks and the closure of insolvent ones turned the sector around. On the verge of collapse in 1996, the banking sector was relatively stable by 2001 and largely privatized. USAID provided further assistance to the banking sector following the 2008-2008 financial crises. At the request of the Bank of Mongolia, the project conducted assessments of all banks and provided recommendations and assistance to help resolve systemic banking sector issues, work out with troubled banks, and strengthen bank supervision. Financial sector assistance expanded beyond the banking sector and included recommendations for pension reform in the late 1990s and the creation of specialized financial institutions in the last seven years. USAID assistance has been particularly successful in working with Mongolian private sector partners to create Mongolia’s first secondary mortgage market institution, the country’s first private-sector-led credit information bureau, and the first specialized banking and finance professional training center.

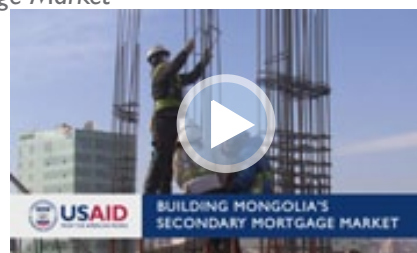
Making a virtue out of necessity, with annual budgets rarely reaching above \$10 million, USAID has focused its efforts in the most critical areas to assist Mongolia in its democratic transition to a free-market economy. In the last seven years, the Economic Policy Reform and Competitiveness Project (EPRC) has continued this approach by supporting the agency’s objective to accelerate sustainable, private-sector-led growth through a multi-faceted, flexible program.

USAID and the project have facilitated the transition to an open, democratic market economy by helping Mongolians implement the first generation of reforms — legal and regulatory framework — and start the

## IN A NUTSHELL...

**2. Mongolia’s first secondary mortgage institution.** Established in 2006 with USAID assistance by ten commercial banks and the central bank as shareholders, the Mongolian Mortgage Corporation (MIK, in its Mongolian acronym) is commercially run, private-sector-controlled, and self-sustaining. Operating under enabling legislation (Mortgage Collateral Law and the Asset Backed Securities Law) drafted with USAID support, by project end MIK had concluded nine purchases of mortgage portfolios for a total of 10.8 billion MNT, directly sold mortgage-backed securities worth 6.3 billion MNT, and registered the first mortgage-backed bonds in Mongolia worth a total of 25 billion MNT. *[More: Annex B, Detailed Information Sheets, Mongolia Mortgage Corporation]*

Success story: “Building Mongolia’s Secondary Mortgage Market”



**3. Mongolia’s first Corporate Governance Center.** Registered in April 2008, the Corporate Governance Development Center (CGDC) is private-sector-funded and controlled. By project end, CGDC had 19 institutional members and 30 individual members, had trained over 1,100 company directors and executives, successfully organized three annual corporate governance (CG) fora supported by participants’ fees and corporate sponsorships, and completed four CG assessments under contract for Mongolian corporations. *[More: Annex B, Detailed Information Sheets, Corporate Governance Development Center]*

Success story: “Strengthening Corporate Governance in Mongolia”



second generation of reforms — building the institutional blocks required to support a market economy. The project teamed up with Mongolian private-sector counterparts to establish the:

- Mongolian Mortgage Corporation (MIK)
- Corporate Governance Development Center (CGDC)
- Credit Information Bureau (CIB)
- Banking and Finance Academy (BFA)
- National Tripartite Council for Mining Education and Conflict Mitigation

The common thread of these institutions is that they have been established with Mongolian private sector capital, are Mongolian owned and controlled, and have a sustainable business model, i.e., the ability to generate revenue, cover their costs, and as appropriate, generate returns to investors.

In addition to helping Mongolia develop new institutions to support a market economy, the project assisted selected government institutions to work better. Project assistance in helping government institutions work better focused on improving laws and regulations, as well as developing processes, tools, and skills to help implement changes. Project work in this area focused on:

- Reforming the tax system
- Regulating the banking sector
- Regulating financial markets
- Regulating the energy sector
- Supporting fair market competition
- Facilitating trade
  - Promoting a single electronic window (SEW) for foreign trade
  - Clearing imports faster through risk management
  - Coordinating inspections of imports
  - Improving logistics facilities to clear imports and exports
  - Promote Mongolia as a transit corridor between China and Europe
- Developing specialized professional and management skills

Institutions provide the framework for achieving specific goals, but their performance depends on the knowledge and attitudes of participants. A pluralist open society requires informed citizens to enable them to effectively participate in decisions that affect them, hold discussions with government, and hold government accountable.

## IN A NUTSHELL...

**4. Mongolia's first private Credit Information Bureau.** Created with USAID assistance, the Credit Information Bureau (CIB) was legally registered in April 2009 with fifteen commercial banks, two non-banking financial institutions and the Mongolian Bankers Association as shareholders, with current capital of 1,290,256,000 MNT. CIB will operate under legislation, prepared with USAID assistance, enabling the operation of private credit information bureaus. The law passed the first reading in Parliament late in the spring session of 2011 and is expected to be enacted in the fall session. At project end, CIB was engaged in negotiation of a licensing agreement with Dun & Bradstreet. *[More: Annex B, Detailed Information Sheets, Credit Information Bureau]*



*Mr. Leon Chee, Director of Credit Bureau Solutions, Dun & Bradstreet (D&B), and Mr. Bold Magvan, Chairman, Credit Information Bureau (CIB) signed a Memorandum of Understanding to establish the first private credit information service provider in Mongolia, 12 October 2010.*

The project worked with citizens to equip them to participate in a dialogue about economic issues and with government agencies to improve their communications and openness to the public. The range of activities was broad: from the symbolism of citizens asking live questions of top national leaders on national television, to educating journalists on economic issues and the workings of a market economy, to helping citizens understand mining and participate in its benefits. Project activities focused on:

- Helping citizens conduct a dialogue with government
- Improving mass media coverage of economic issues through the Economic Journalism Club (EJC)
- Helping citizens understand mining and participate in its benefits
- Helping government agencies communicate with the public

Moving to the second generation of reforms — developing and making institutions work in a democratic market economy — will present challenges and opportunities for the country and the international community. Lessons learned from implementation of this project can provide insights and inputs to help address these challenges.

Reflection on what facilitated project activities and achievements leads to four major contributing factors:

1. A *project design* that combined the provision of economic policy advice, assistance to the private sector, and public outreach for a suitable time horizon — initially, five years — with a sharp focus on private-sector-led economic growth and the resources required to deliver the necessary critical mass of inputs
2. A high level of *trust, open communication, and collaboration* among the mission, the embassy, and the contractor supportive of key strategic objectives yet flexible to respond to emerging policy initiatives
3. An equally high level of *openness and trust of Mongolian counterparts* that facilitated project technical support work
4. A *dedicated and professional project team* that made working a pleasure

Although these factors are replicable to some extent, their convergence at the same time and place is unusual. The project owes much of its success to this convergence.

## IN A NUTSHELL...

### **5. Mongolia's first private sector institution for professional training in banking and finance.**

Created with USAID assistance and registered in February 2011, the Banking and Finance Academy (BFA) had eight commercial banks as shareholders and a capital of 80 million MNT by project end.

Per agreement signed between BFA and the EPRC, the project seconded a professional to act as executive director from February until project end to assist with start-up tasks, help develop the loan officers training curriculum and course materials, and deliver a training-of-trainers course. In May 2011, BFA delivered the first training-of-trainers workshop for the Loan Officer Development Program to twenty-two participants.

By project end, BFA was engaged in negotiations to assume the bankers training function currently performed at the central bank, including curriculum, staff, and funds of 140 million MNT [[More: Annex B, Detailed Information Sheets, Banking and Finance Academy](#)]



Loan officers' development program training-of-trainers, 24-26 May 2011.



Loan officers' development program training-of-trainers, 24-26 May 2011.

## Lessons Learned

This propitious environment was sustained during the seven years of project operations and led to the notable successes highlighted in the adjacent text panel, “In a Nutshell: Seven Years of Successful Mongolia-USAID Partnerships.” The text panel also contains links to short “success stories” video clips where Mongolian partners discuss project impacts in their own words.

The project leaves behind a legacy of sustainable institutions—basic building blocks of a market economy—that Mongolians built or improved with USAID assistance. Annex B of the report documents in detail how these successes were patiently built, piece by piece, over the seven years of project operations. Yet, not everything was successful; there were failures. Annex B describes these, analyzes the reasons for the failures, and proposes strategies to address them. After seven years of USAID assistance through this project, it is legitimate to ask a broader question: what did we learn? In addition to the details provided in Annex B for each activity, we summarize the lessons learned as follows:

- Educating and informing citizens to enable them to participate in national dialogues about decisions that affect their lives was indispensable to achieve consensus around key issues such as the new tax laws. This will be a continuing challenge as Mongolia seeks to exploit its rich mining resources and decide how to allocate its benefits.* Initially conceived as a mechanism to support policy dialogue, project activities in this area became the entry point and lever for policy change and reforms. Institutions provide the framework for achieving specific goals, but their performance depends on the knowledge and attitudes of participants. A pluralist open society requires informed citizens to enable them to participate effectively in decisions that affect them, conduct dialogue with the government, and hold the government accountable. These are novel ideas in a society like Mongolia, with only its first generation coming of age under a market economy. The deep tax reform of 2005-2006 would not have been possible without the intensive public education and consensus-building campaigns that the government conducted with project support. One of the biggest challenges facing Mongolia going forward will be how to disseminate information about mining so that citizens can understand the issues, make informed decisions, and participate in its benefits.

### IN A NUTSHELL...

**6. A national mechanism for mining education and conflict mitigation.** Over the last two years USAID worked with civil society organizations, extractive-sector industry members, institutions, and government to strengthen their capacity to engage in structured and productive dialogue and create a national-to-local mechanism to address grievances and mitigate conflicts in mining-related issues. After seven months of negotiations, the Government of Mongolia, civil society, and business signed an agreement in March 2011 to establish the National Tripartite Council for Mining Education and Conflict Mitigation (NTC).

The NTC has the potential to create a much-needed space for major stakeholders to set aside differences and collectively work on addressing grievances and conflicts, while providing opportunities to share information, build consensus, establish trust and credibility, and work toward peacemaking through transparency and accountability. In addition to resolving grievances, the council can continue the project’s work on educating the public on the mine life cycle to ensure that all mining stakeholders share the same basic information about the industry. By project end, NTC had approved its bylaws, formally constituted and registered with 15 members elected from industry, government, and civil society, conducted six training workshops for a total of 125 representatives from government, civil society organizations, and industry on ‘Conflict to Resolution – Costs, risks, and avoidance,’ and received all mining education training materials that the project developed, tested, and delivered. [\[More: Annex B, Detailed Information Sheets, National Tripartite Council\]](#)

Video clip: “Lifting Local Voices in Mining.”



- *Civil society and business organizations have limited capacity to develop and propose alternatives to engage government in a productive dialogue.* Work with civil society organizations on mining education and consensus-building during the last two years of the project laid bare the need to strengthen their capacity develop value-adding proposals to engage government in a structured and productive dialogue. With very few exceptions, existing civil society and business organizations are weak and do not provide effective advocacy for their members. But the old patterns of top-down communication and closure are beginning to change. Mongolian businesses have started to develop advocacy institutions such as the CGDC and Economic Policy and Competitiveness Research Center (EPCRC) and committing resources to them. On the government side, models of openness, communication, and service orientation have begun to emerge, as exemplified by the General Department of Taxation's (GDT) program on customer service. Developing self-sustainable models to improve the capacity of civil society organizations to achieve a working consensus among members to focus on core competencies to contribute effective, value-adding proposals to a dialogue with government remains an unmet challenge. This will not be possible without long-term, patient and competent commitment from international assistance. Without this commitment, it is unlikely that civil society organizations will evolve rapidly enough to provide alternative voices and visions in a national dialogue about Mongolian society.
- *Unclear institutional authorities and overlapping responsibilities of some government agencies often lead to a gridlock in decision-making.* Two failures illustrate this point: the slow progress in implementation of the Single Electronic Window for trade facilitation (SEW) and of the proposed creation of a company to establish a public-private partnership (PPP) structure to develop logistics facilities in Zamyn Uud — Mongolia's dry port. In spite of keen interest from Mongolian private-sector stakeholders in both cases, relevant GOM agencies failed to agree and act on these opportunities. The lesson learned was that there is a need to address the institutional malaise that affects some government entities that lack a clear focus or purpose, resources, proper authority to get the job done or have overlapping, duplicative responsibilities. A second generation of reforms should focus on improving the performance

## IN A NUTSHELL...

### **7. Mechanisms for citizens' education, national dialogue, and consensus building.**

Aided by Mongolians' openness and receptivity to new ideas, the project visualized and realized the opportunity to assist both government officials and institutions communicate better and develop citizens' and stakeholders' capacity to engage in an informed dialogue about economic policy issues through national multimedia chats. Sponsored through the Open Government website of the Cabinet Secretariat, the project introduced the Open Talks program concept in Mongolia. Beginning in December 2004 with the participation of the Speaker of Parliament and the Prime Minister, top decision makers would answer live questions from citizens on national television and radio. A novelty in 2004, the question-and-answer program format carried nationwide through TV and radio has now become a common feature in Mongolian television. By project end, the Cabinet Secretariat had sponsored 16 Open Talks (later known as Stakeholders Talks) programs on national television and radio and listeners had submitted a total of 3,889 questions for high level decision-makers from government and business. The program series was especially useful in helping build a national consensus and support for tax reform in 2005 and 2006.

*[More: Annex B, Detailed Information Sheets, Helping citizens dialogue with government]*

Video clip: "Open Governance and National Public Dialogue."



Then Parliament Speaker Enkhbayar and Prime Minister Elbegdorj respond to questions from citizens on the Government Action Plan for 2004-2008 during the first national multimedia Open Talks program (national TV, radio, and Internet) sponsored by the Open Government website of the Cabinet Secretariat on 21 December 2004.

of selected government entities, as their inefficiency generates hidden costs that drag on the whole economy, at best, or provide unscheduled benefits — corruption — to a few, at worst. This second generation of reforms needs to help agencies simplify and develop well-designed processes — their core business — and make them known to the public and users. Institutional redesign of entities that regulate the banking sector — those involved in trade facilitation and infrastructure development, such as railways and aviation — should be given high priority for Mongolia to build on the first generation of reforms (an appropriate legal and regulatory framework) it has laid for a democratic market economy.

- *Proper project strategy and competent technical implementation can mobilize resources to facilitate change.* The successes of this project provide additional evidence that USAID technical assistance can mobilize resources and facilitate deep change when coupled with a proper strategy and competent technical implementation. The strategic vision of the project was to bring best international practices to Mongolia, facilitate discussions and dialogue among Mongolians about these options, and help develop a local consensus about the way forward. This strategy paid off handsomely during the national tax reform debates that eventually led to the revamping of the taxation system to bring it in line with best international practices. The strategy also paid dividends when engaging Mongolian stakeholders in the creation of new institutions such as the Mongolian Mortgage Corporation, the Corporate Governance Development Center, the Credit Information Bureau, and the Banking and Finance Academy. In these cases, the project took the initial risk of funding the feasibility studies, facilitated discussions and meetings of counterparts, and provided initial technical assistance. Mongolian partners then took the major risks of raising capital and creating the institutions. Through this strategy, the project was able to mobilize \$26.4 million of additional funds from client co-payments, capital contributions of local partners, and multilateral and bilateral initiatives.

**Challenges and Opportunities Ahead**

Based on the lessons learned and in addition to addressing them, Mongolia faces four main challenges:

1. *Economic governance.* The common thread running through the web of prioritizing institutions to make

**IN A NUTSHELL...**

**8. Risk Management Program for Customs Inspections.** Given Mongolia’s rankings of 158th out of 181 countries in the 2011 “Trading across borders” Doing Business indicator of the World Bank and 123rd out of 139 countries in the “Customs procedures” indicator of the 2010-2011 World Economic Forum, there is a clear need to facilitate trade and improve performance. USAID provided support for the passage of new customs laws in 2008 mandating the introduction of risk management (RM) to reduce the number of physical inspections and expedite the clearance of imports. The project also provided intensive assistance to help Customs General Administration (CGA) revise the risk management software module of the Customs Administration Information System, conduct pilot tests and evaluations of results, develop RM training modules, and reorganize its departments. By project end, CGA had incorporated RM as its key objective in its 2011 annual work plan and intended to do a national rollout of the RM program in September 2011. *[More: Annex B, Detailed Information Sheets, Clearing imports faster through risk management]*



*Customs senior managers national meeting on risk management, 20-24 January 2011.*

them work better to deepen the transition to a democratic, open-market economy is governance — the fabric that allows citizens, civil society, and businesses to have a voice, participate in benefits, and hold decision-makers accountable. How Mongolia addresses these issues and management of its natural resources in the next five to ten years will determine whether it emulates, for example, Chile, or falls prey to the resource-rich curse that has affected other nations. Citizens’ education, managing expectations, and developing mechanisms of dialogue and participation will be big challenges, but they also provide Mongolia with the opportunity to apply lessons learned from other countries and avoid their mistakes.

2. *Enabling environment for private investment and fostering fair competition.* Mongolia is at the bottom in international rankings of quality of infrastructure. It needs to mobilize private investment to help reduce this deficit and enable economic growth. In addition to addressing the institutional malaise of some government entities, Mongolia needs to promote fair competition and strengthen an independent regulatory capacity of its railways, civil aviation, banking, and financial sector, among others.
3. *Role of the state in the economy.* Performance of the remaining state-owned enterprises (SOEs) has generally been poor, but the government has taken initial steps to re-structure them along commercial lines. Beyond the challenge of developing and implementing a workable model to restructure SOEs looms a bigger challenge: the role of the state in the economy. Should the state be an economic agent, that is, compete with the private sector, or limit its role to being a regulator, enforcer of laws, and promoter of fair competition? Developing and facilitating effective mechanisms of national dialogue and equipping Mongolian citizens, civil society, business, and government to seek common ground to help define what this role is or should be will be a continuous challenge.
4. *Expansion of the domestic market and employment generation.* Increasing urbanization, rising disposable incomes, and changing patterns of consumption will continue to expand domestic demand for goods and services. These trends will be further reinforced by large investments in the mining sector that will transform Mongolian society and provide opportunities for expansion of domestic businesses

## IN A NUTSHELL...

### **9. A technically competent, financially self-sustained energy sector regulator.**

Established in 2001 with USAID support, the Energy Regulatory Authority (ERA) has gained recognition in Central Asia as an exemplary sector regulator. With project support, the ERA has standardized accounting systems of 21 licensee energy companies which have produced annual financial statements based on International Financial Reporting Standards since 2007; established an audit unit; developed performance benchmarking for licensee companies; concluded 11 performance agreements with them; adopted a tariff methodology to allow economic dispatching of energy in the central energy system to reduce coal use and pollution; and, successfully raised energy tariffs to bring them closer to recovery of operations and maintenance costs.

By project end, the ERA was negotiating implementation of economic dispatching in the central energy system. [\[More: Annex B, Detailed Information Sheets, Regulating the energy sector\]](#)



Energy Regulatory Authority workshop for journalists on “Energy sector financial situation and tariff issues,” 8 May 2009.



and services and job creation. The challenge will be how to use these trends to best advantage to induce greater private investment, job creation, and upgrading of labor force skills.

### Opportunities for USAID Assistance

The design of the Business Plus Initiative (BPI) — the successor activity to EPRC — anchors it on working with businesses, civil society, and government to strengthen a business-enabling environment. The design follows a proven model of a sharp focus and enough time and resources to position BPI as the leading provider of assistance supportive of private-sector-led economic growth. It continues the USAID/Mongolia strategy of making a virtue out of necessity by concentrating relatively scarce resources to deliver a critical mass of inputs targeted to make a difference.

The detailed discussion of project activities, results, challenges, and opportunities contained in the body of the report and annexes, together with the reflections on broad lessons learned, challenges, and opportunities of Mongolia provide a rich array of opportunities for assistance, but no fixed blueprint. If there is one unifying concept going forward, it is for USAID to facilitate good economic governance in Mongolia.

Developing imaginative and effective means of equipping citizens, business, and civil society with the information and skills to participate in a national dialogue about mining issues, transparency, and a voice in the distribution of its benefits can be a niche for BPI. The way Mongolians approach and make these decisions in the next five years will determine whether the country rises to the challenge to become one of the best in its class or falls prey to the resource curse that has affected other countries so endowed. Judicious implementation of Mongolia's Third Neighbor Policy to enhance its geopolitical options, combined with USAID assistance to support economic governance, broadly writ, can make a difference so that Mongolia nescit occasum — shows no decline.

## IN A NUTSHELL...

**10. Human resources: Knowledge and skills for a market economy.** USAID assistance helped Mongolian partners create, invest in, and run financially sustainable institutions that provide specialized services (MIK, secondary mortgage market), provide education and advocacy (Corporate Governance Development Center), specialized banking skills (Banking and Finance Academy), and mining education (National Tripartite Council on Conflict Resolution and Mine Education). In addition, the project directly produced and distributed 71 project newsletters for public use, delivered 329 presentations and training events for 7,756 participants, for a total of 2,263,007 person-days, and facilitated specialized overseas training and attendance at 67 international events for 48 counterparts and 34 project staff. [\[More: Annex C, Training and Events\]](#)



*International Seminar on ‘Public-Private Partnerships for Infrastructure Investment in Mongolia’ co-organized with the Ad Hoc Parliamentary Committee on PPPs, the World Bank Institute, and the Asian Development Bank Institute, 2 and 3 July 2009.*



Photo: Tiarescott

SECTION ONE

# THE CONTEXT: MONGOLIA IN TRANSITION

SUCCESSFUL TRANSITION FROM A CENTRALLY PLANNED ECONOMY

DEEPENING THE TRANSITION: ISSUES AND CHALLENGES

INTEGRATION INTO THE WORLD ECONOMY

## SUCCESSFUL TRANSITION FROM A CENTRALLY PLANNED ECONOMY

Landlocked between two powerful neighbors, China and Russia, Mongolia has achieved a remarkable transition from the Soviet planned economy to an open, democratic market economy in the last two decades. Sparsely populated — 2.8 million people in a vast territory of 1.5 million km<sup>2</sup> — and richly endowed with large deposits of copper, gold, and coking coal, Mongolians have managed to create the only working democracy in an otherwise bleak Central Asian landscape.

Mongolia has embraced democratic values and aggressively moved toward a market economy. Regular elections and smooth transitions of governments have taken place as scheduled, and three-quarters of the economy is now in private hands, from virtually zero two decades ago.

During the last 20 years of transition, Mongolians have created a reasonable framework of laws and regulations informed by democratic principles and supportive of private-sector development. They have also had to balance the geopolitical interests of the country's two powerful neighbors through development of the Third Neighbor Policy. That policy has pursued to maximize options for the country to avoid dependence on Russia and China by seeking closer ties with the United States, the European Union, Canada, Australia, Japan, and South Korea.

Aided by the openness to new ideas and drive to integrate the country into the world economy, this policy has served Mongolia well. Assistance from the “third neighbors” has helped the country achieve a smooth and exemplary transition to democracy and a market economy. Yet, Mongolia is on the verge of an equally profound historical transition. Exploitation of its vast mineral deposits will change the traditional lifestyles and landscape of the country and attract the interest of its two powerful neighbors and other countries.

Mongolia will attract geopolitical attention incommensurate to its size as a source of valuable commodities to fuel the world economy. Its Third Neighbor Policy will have to become more sophisticated to develop, put in place, and execute mechanisms that, without challenging its powerful neighbors directly, subtly minimize Mongolia's dependence on them and maximize its economic, foreign policy, and markets options. This will require a concerted, sustained, and creative effort.

## DEEPENING THE TRANSITION: ISSUES AND CHALLENGES

While Mongolia has largely completed its first generation of reforms to establish a democratic market economy by creating an appropriate framework of laws and regulations, it now needs to move into a second generation of reforms: making these institutions work. The framework and designs of a market economy are in place, but the institutional building blocks that make it work need to be strengthened and developed.

The remarkable tax reform process and world-class taxation codes

that Mongolia has implemented with project assistance shows that this is possible through sustained support for developing a working national consensus to enact needed reforms. And so does the creation of Mongolian private-sector-led, self-sustaining institutional building blocks such as a secondary mortgage market institution, a center for corporate governance, and a training institution for bankers and finance professionals.

Although it is impossible to help all institutions work, a second generation of reforms needs to address the institutional malaise that affects some government entities that lack a clear focus or purpose, resources, proper authority to get the job done or have overlapping, duplicative responsibilities. Their performance and inefficiency generate hidden costs that drag the whole economy at best or provide unscheduled benefits — corruption — to a few, at worst. Institutional redesign of entities involved in trade facilitation and infrastructure development — railways and aviation — should be given high priority if Mongolia is to shake its bottom country rankings in world comparisons of performance in these areas.

The common thread running through the web of prioritizing institutions to make them work better to deepen the transition to a democratic, open market economy is governance — the fabric that allows citizens and businesses have a voice, participate in benefits, and hold decision-makers accountable. How Mongolia addresses these issues and the management of its natural resources in the next five to ten years will determine whether it emulates, say, Chile, or falls prey to the resource-rich curse that has affected other nations.

## **INTEGRATION INTO THE WORLD ECONOMY**

In pursuit of its Third Neighbor Policy and links to the world community, Mongolia has become a signatory or member of most treaties and conventions in the last twenty years. These political ties will acquire a new dimension in the years ahead, as Mongolia becomes one of the top suppliers of copper and begins to exploit its coking coal and gold reserves. Mongolia will be tightly linked to the world economy; this will have profound implications. Beyond being the only political democracy between South Korea and Poland, Mongolia will increase its geopolitical importance. Backed by its high-in-demand natural resources, it will gain a seat at the table in the world community.

This project ends when Mongolia has largely completed a successful political transition and is on the verge of a new stage, when tighter economic integration into the world community will occur. This will be a novel experience for the country. Mongolia will need to manage three main issues in this integration: the boom-and-bust cycles of commodity prices, the distribution of benefits, and the role of the state and private sector in the economy.

Mongolia will become susceptible to fluctuations in commodity prices. Boom cycles will bring increased incomes, but also currency appreciation,

which will threaten traditional exports and livelihoods if not managed properly through monetary and fiscal measures that dampen this trend. Stabilization funds that put money away during boom cycles for use during periods of low commodity prices have proven useful in this regard. Chile, a large copper producer, provides one of the best practices, and Mongolia is setting up such a mechanism.

The distribution of benefits will be a more vexing issue. During the next five years, Mongolia will need to make concerted efforts to strengthen mechanisms of citizen participation, dialogue, and accountability, and to educate citizens on mining issues. It has to strengthen governance to insure a fair distribution of benefits from mining, reduce poverty, and address corruption.

In the next five to ten years, Mongolians will have to develop a national consensus on a development model to follow, especially the role of the state in the economy. With perhaps one or two exceptions, performance of state-owned enterprises has uniformly been poor as accountability, or more broadly corporate governance, has been weak. Unless these issues are addressed and companies restructured, further state control of the economy will crowd out private-sector businesses.

In the next section, we describe the ways USAID has helped Mongolia achieve a successful democratic transition. Subsequent sections describe how the project worked with Mongolian counterparts to assist them in building the blocks, or institutions, of an open-market economy, making government institutions work better, equipping citizens for participation, and helping Mongolian businesses, country competitiveness, and private investment.



Photo: Mongolia EPRC/Tsolmon Naidandorj



*Photo: Mongolia EPRC/Rena Guenduez*



## SECTION TWO

# THE MONGOLIA- USAID PARTNERSHIP: A RESTROSPECTIVE

JUMP-STARTING THE ECONOMY: EMERGENCY ASSISTANCE

BUILDING A MARKET ECONOMY

DEMOCRATIZATION TO GOOD GOVERNANCE

## JUMP-STARTING THE ECONOMY: EMERGENCY ASSISTANCE

In 1990, Mongolia became the first country to give up Soviet-style communism. After years of heavy subsidies as a satellite state, with Soviet aid reaching 30 percent of gross domestic product (GDP), the abrupt break from the Soviet Union wreaked havoc on Mongolia's economy, resulting in slow construction, a halt in infrastructure development, and a shocking increase in prices of food and other imported staples. At this pivotal point, the Mongolian government made a firm commitment to embark on a path toward political and economic reform.

Mongolia and USAID's partnership began in 1991, focusing in the first years on emergency relief to assist Mongolians through the first difficult years of independence. Early assistance included an emergency cash transfer of \$10 million to buy critically needed materials, a monetized butter program, 30,000 mt of emergency wheat supplies, and technical support and training for Mongolian decision-makers on marketplace philosophy, market economics, and management. Beginning in 1991 and continuing through 2005, USAID sponsored 23 masters' degrees in the United States.

However, the biggest focus in the first years was keeping the lights and heat on. Mongolia's energy infrastructure was built by the Russians, using parts produced throughout the Soviet Union. By the early 1990s, this infrastructure was rapidly decaying and Mongolians had neither the technical equipment nor the expertise to keep the mines and power plants functioning. USAID's first foray into the energy sector involved hands-on help repairing these critical mines and plants — all of which are still in operation despite their age. Infrastructure assistance in the energy sector extended to providing diesel generators in five rural *aimag* centers from 1997-1999, many of which are still in use today.

Despite the emergency situation, in 1992, Mongolia ratified its constitution, creating independent executive, legislative, and judicial branches of government and guaranteeing basic democratic rights and political freedoms. By 1994, the economy began to grow, slowly but steadily, for the first time following years of contraction after the loss of Soviet subsidies. In 1996, Mongolian citizens elected the Democratic Coalition to government, ousting the communist Mongolian People's Revolutionary Party, with a mandate of accelerated economic reform, focus on privatization, and commitment to full democracy. With the government and the economy on relatively firm footing by the mid-1990s, USAID began to focus on the sustainable transition to a market-oriented, democratic society, through a two-part strategy of building private-sector-led growth and strengthening the nascent democracy.

## BUILDING A MARKET ECONOMY

With the Mongolian government's support for private-sector-led growth, in 1996, USAID began its strong partnership with the government to solidify the country's transition to a private-sector-led market economy. Although the economy had begun to recover, inefficiencies remained

that hindered growth. For the past 15 years, USAID and the government have partnered on key areas to drive growth — focusing on the energy sector, privatization, strengthening the financial sector, building an enabling environment for business, and promoting participation of marginalized citizens in the benefits of economic growth.

After the initial emergency assistance in the energy sector, the agency focused on working with policy-makers to improve the efficiency and financial soundness of the sector. In addition to assistance in increasing prices for electricity and heat to cover costs for the first time after



Photo: Mongolia EPRC/Tsolmon Naidandorj

USAID was one of the first donors to work outside of the capital city, working with citizens like Tumurchuluun Tavkhai, a herder in Umnugobi.

the transition, one of the most critical contributions was helping to draft an energy law to unbundle the power sector and create an independent regulatory body. The law passed in 2001, creating the independent Energy Regulatory Authority (ERA), a crucial step in moving toward a market-oriented energy sector. USAID has continued to work with the ERA to build its capacity to oversee licensing of energy and heating companies, set prices and tariffs, and improve public awareness of the need to increase prices for heat and electricity to cover costs.

USAID began working with the Prime Minister's Office in 1996, providing analysis and assistance in reform of key issues related to trade, investment, and private-sector development. One of the major successes in improving the environment

for private-sector growth was the liberal customs regime with accession of Mongolia to the World Trade Organization (WTO) in 1998, giving Mongolia one of the world's most open trading regimes. Another key achievement was the comprehensive tax reform in 2007, which drastically reduced the market-distortions, greatly expanded the tax base, and lowered tax rates, promoting economic growth.

One of the largest hindrances to growth was state-ownership of companies. Although the government launched a mass privatization program in 1991, by the mid-1990s privatization was at a standstill. In 1998, USAID began assistance to the State Property Committee (SPC) by first creating a simple list of most-valued companies to designate the most profitable state-owned enterprises for sale to attract foreign investors and developing SPC's tendering procedures. By 2004, more than 25 percent of the economy was in private hands.

Two of the most successful privatizations completed with USAID assistance were those of Khan Bank, formerly the state-owned Agricultural Bank of Mongolia, and the Trade and Development Bank. Privatization of these banks and the closure of insolvent ones turned the sector around. On the verge of collapse in 1996, the banking sector was relatively stable by 2001 and largely privatized. USAID provided

further assistance to the banking sector following the 2008-2008 financial crises. At the request of the Bank of Mongolia, the project conducted assessments of all banks and provided recommendations and assistance to help resolve systemic banking sector issues, work out with troubled banks, and strengthen bank supervision. Financial sector assistance expanded beyond the banking sector and included recommendations for pension reform in the late 1990s and the creation of specialized financial institutions in the last seven years. USAID assistance has been particularly successful in working with Mongolian private sector partners to create Mongolia's first secondary mortgage market institution, the country's first private-sector-led credit information bureau, and the first specialized banking and finance professional training center.

Outside of the policy sphere, USAID recognized the importance of integrating Mongolians in rural areas into the developing market economy and became one of the first donors to focus on bottom-up development in rural areas. Beginning in the Gobi region, USAID focused on supporting rural businesses, providing training, facilitating access to finance, and advising businesses to help increase their sales through developing a market-oriented agriculture and marketing system. In 2002, USAID launched a similar program to improve the economic opportunities of marginalized citizens in the growing "ger districts" in Ulaanbaatar and other major cities like Darkhan and Erdenet, who left rural areas due to the lack of opportunities. After almost a decade of USAID funding, both programs continue today with support from the U.S. Department of Agriculture.

## DEMOCRATIZATION TO GOOD GOVERNANCE

Alongside efforts to build a market-economy, USAID concentrated on supporting Mongolia's transition to democracy. A strong democracy depends on an active civil society to ensure citizens' voices are heard and a responsive, transparent, and accountable government. USAID has partnered with government and civil society organizations in the last two decades to help from both angles.

From the start, USAID supported civic engagement in the nascent democracy by contributing to growth of a number of the first nongovernmental organizations (NGOs) in Ulaanbaatar, helping them develop the skills to organize effectively and advocate for changes in government policy. By the late 1990s, while these organizations existed in the capital, citizens in rural areas did not have the same support. USAID was the first donor to look outside the capital, focusing in the Gobi region on strengthening civil society organizations, both to represent the interests of citizens to local and central governments and to develop business-focused organizations to bring economic benefits to citizens.

From the government side, USAID focused on building the capacity of the judiciary, parliament, and new political parties following the passage of Mongolia's constitution. For both parliament and political parties, USAID assisted in improving public outreach, helping political parties

conduct their first town hall meetings and open sessions with citizens, nongovernmental organizations, and special interest groups. This focus on outreach and transparency has continued for both parliament and political parties, as well as more recently with government agencies, to both consult with citizens prior to making decisions and openly explain actions to citizens.

In addition to outreach, USAID worked with parliament to assist with legislative development and train members in basic skills related to parliamentary procedures. The agency's involvement also included making domestic political processes more competitive and transparent by working with the Mongolian government to create transparent voting procedures.

Another crucial aspect in a democracy is governance by rule of law. Through a comprehensive judicial reform program from 2001 to 2009, USAID helped improve courts' case management and public access to information by both automating every courtroom in the country, as well as setting up a public terminal in each courtroom where citizens could look up prior cases and decisions. The agency also trained every judge and prosecutor in the country and developed new courses for law schools, bringing the entire field to a higher standard.

In the latter half of the past decade, USAID's focus shifted toward strengthening effective and accountable governance, a crucial factor in how the country will deal with growing mining revenues. Despite relatively low ranking among neighbors, corruption and the perception of corruption in Mongolia have been growing in recent years, which build public mistrust, increase the cost of business transactions, and heighten the threat of mismanagement of mining revenues to come. USAID helped address this threat by assisting with anti-corruption legislation, which established an independent authority against corruption.

Making a virtue out of necessity, with annual budgets rarely reaching above \$10 million, the agency has focused its efforts in the most critical areas to assist Mongolia in its democratic transition to a free-market economy. In the last seven years, the EPRC project has continued this approach by supporting the agency's objective to accelerate sustainable, private-sector-led growth through a multi-faceted, flexible program.

*Ulaanbaatar, Mongolia's rapidly growing capital city, is home to more than one-third of the population.*



## SECTION THREE

# THE PROJECT

PROJECT OVERVIEW

PROJECT STRATEGY

BUILDING THE INSTITUTIONAL BLOCKS OF A MARKET ECONOMY

HELPING GOVERNMENT INSTITUTIONS WORK BETTER

EQUIPPING CITIZENS FOR PARTICIPATION

HELPING MONGOLIAN BUSINESSES, COUNTRY COMPETITIVENESS,  
AND PRIVATE INVESTMENT

## PROJECT OVERVIEW

EPRC was an activity funded by USAID/Mongolia from September through June 2011 to support the U.S. Government Strategic Objective, “to generate rapid, sustained, and broad-based economic growth.” Specifically, the project was designed to:

- Accelerate and deepen the policy liberalization process in Mongolia
- Promote increased competitiveness in the Mongolian economy by improving the enabling environment for private-sector growth and helping develop more competitive industries and sectors.

Achievement of this strategic objective was supported through four project components:

1. Economic and trade policy support
2. Energy sector reform support
3. Business competitiveness (first phase) financial markets (second phase)
4. Consensus-building, public education and national dialogue.

Project activities in business competitiveness, primarily in the cashmere and tourism sector, ended in the fall of 2008 to focus on support for the development of financial markets. Exhibit III-I provides a timeline of project activities in each component over the life of the project.

**Exhibit III-I: Project activities timeline by component**

Project Component	Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Economic and Trade Policy										
Energy Sector Reform										
Business Competitiveness										
Financial Markets										
National Dialogue										

## PROJECT STRATEGY

Project strategy followed two principles: forge partnerships and leverage resources, with donors and with Mongolian counterparts. The project coordinated activities, as required, with bilateral and multilateral agencies to marshal additional resources to achieve common objectives and to avoid duplication of efforts. Examples of this strategy were the participation of the IFC in assisting the Credit Information Bureau (CIB) and the Corporate Governance Development Center (CGDC) as well as the broad coalition of bilateral and multilaterals that the project facilitated to assist the Bank of Mongolia with the restructuring of the banking sector.

The project was also very successful in mobilizing resources from Mongolian counterparts to leverage resources as: a) contributions (co-payments) for technical assistance services; and, b) capital raised from shareholders to establish new companies or institutions in the emerging market economy.

USAID and the project worked closely to design two mechanisms for client contributions to technical assistance: The Business Development Fund (BDF) and the Mongolia Competitiveness Fund (MCF).



The Business Development Fund (BDF) obligated a total of \$194,878.32 to help fund 24 engagements of assistance to individual client firms. These firms, in turn, committed \$208,776.50 as co-payment contributions. Total value of projects leveraged through BDF funds was \$403,654.82.

The Mongolian Competitiveness Fund (MCF) obligated \$459,514.42 in commitments to support 39 agreements, including a \$20,000.00 to match corporate donations given to the Corporate Governance Development Center (GDC), and another disbursement of \$5,066.42 made on behalf of the Credit Information Bureau in May 2010 to match expenses related to performing a due diligence of finalists in the tender to select potential strategic investors/operators. Client counterparts committed an additional \$776,964.76 as co-payments. Total value of projects leveraged through MCF funding was \$1,236,479.18.

An indicator of the success of the strategy to mobilize resources is that by project end the estimated value of funds leveraged from client co-payments, contributions of local partners, bilateral, and multilateral agencies on initiatives supported, led or brokered by the project was \$26.4m. [\[More: Annex A, Project results framework and joint project initiatives\]](#)

## BUILDING THE INSTITUTIONAL BLOCKS OF A MARKET ECONOMY

Twenty years into the transition from a centrally planned economy, Mongolia has developed a body of laws supportive of a market economy and democratic society. The project contributed to fill gaps in needed new laws and, in its most successful accomplishment, the overhaul of tax laws. Yet, the institutions required to support an open-market economy — its basic building blocks — were weak or non-existent.

To build some of the institutional blocks to support a market economy, the project teamed up with Mongolian private-sector counterparts to establish the following organizations:

- Mongolian Mortgage Corporation
- Corporate Governance Development Center
- Credit Information Bureau
- Banking and Finance Academy
- National Tripartite Council for Mining Education and Conflict Mitigation.

The common thread of these institutions is that they have been established with Mongolian private-sector capital, are Mongolian owned and controlled, and have a sustainable business model, i.e., the ability to generate revenue, cover their costs and, as appropriate, generate returns to investors. In all cases, the role of the project was to:

- Generate a working consensus among potential participants or stakeholders, leading to the formation of a working group
- Underwrite the initial risk by assessing the feasibility of the undertaking — including development of the basic business model and business plans, governance structure, bylaws, etc.
- Present and discuss findings with the working group to decide on options and how to proceed, leading to the legal registration of the entity and its capitalization by participants and future shareholders.
- Provide assistance to the new entity, including temporary secondment of project staff and developing draft legislation if required.

Following is an overview of these institutions: background, objectives, results, and challenges and opportunities going forward. Annex B provides additional information on each institution through links at the end of each overview. [\[More: Annex B, Detailed Information Sheets\]](#)

## MONGOLIAN MORTGAGE CORPORATION

**Background** The 2004-2008 Action Plan of the coalition government included a promise to deliver 40,000 housing units. The Office of the Prime Minister asked the project to assist it in developing and proposing alternatives to fulfill this promise.

In November 2005, based on international experience — especially from Latin America, as countries such as Chile, Colombia, and Mexico moved to second-generation models to finance housing for low-income residents as state-controlled mortgage banks went bankrupt — the project proposed a scheme of mortgage down payment subsidies run through commercial banks. The scheme is yet to be implemented, as the U.S. mortgage meltdown cooled Mongolian Parliament support for such an initiative.

However, during the assessment of alternatives to finance housing, the project identified a nascent niche to establish a private-sector-controlled initiative in the form of a second-tier mortgage finance institution. Consultations with local banks and the Bank of Mongolia (BOM) found support for the idea, and bankers and the BOM established a working group to develop the concept with project assistance.

The working group identified the need to create space through legislation for private-sector participation in development of a secondary mortgage market in response to draft legislation proposed at the time that would have given the state a monopoly in the market.

At that time, the total value of the primary mortgage market was about \$5 million, and there was no standardization of mortgage loan documents and/or origination.

In March 2006, participating banks signed a memorandum of understanding (MOU) to establish a secondary mortgage institution, and by September 2006, shareholders signed the Mongolian Mortgage Corporation's Founding Agreement. The project provided assistance with development of the business model and business plan and secondment of a senior technical staff member to get MIK off the ground.

**Objectives** Per the founding agreement, the objectives of MIK are to:

- Promote development of a secondary mortgage market
- Raise medium- to long-term funds through sale of its securities and as a direct borrower
- Collaborate with the government on legal, regulatory, and institutional issues necessary to promote development of primary and secondary mortgage markets
- Help standardize underwriting policies and documentation for issuance of loans on the primary mortgage market
- Conduct open-market activities to support its core activities
- Provide services on securities
- Effect foreclosure of mortgaged assets

**Results**

- Creation of the first secondary mortgage market institution in Mongolia, which is commercially operated and private-sector-controlled



Building Mongolia's secondary mortgage market

- Leverage of project funds, through shareholders' investment of \$2.2 million and 4.8 million euro liquidity facility provided by *Kreditanstalt für Wiederaufbau* (KfW)
- Enabled a legal and regulatory environment leading to passage of the Mortgage Collateral Law and the Asset-Backed Securities Law
- Initial development of the secondary mortgage market and standardization of primary mortgage documents
- Deepening and broadening of the financial market
- Provision of liquidity to banks for eventual improved term matching of their assets and liabilities
- Concluded nine purchases of mortgage portfolios for a total of 10.8 billion MNT
- Registered the first mortgage-backed bonds in Mongolia worth a total of 25 billion MNT
- MIK bond recognized as a repo instrument of the BOM
- Directly sold mortgage-backed securities worth 6.3 billion MNT to four investors through swapped mortgage pools and cash settlements
- Insured mortgage pools on life insurance and collateral insurance.

### Challenges and opportunities ahead

As the first and only Mongolian secondary mortgage market institution, MIK is well-positioned to take advantage of opportunities in the rapidly expanding mortgage market. Capitalizing on these opportunities will require a clear and purposeful vision to develop and exploit them, more aggressive marketing, and solid technical execution. With the economic downturn and financial crisis now behind, MIK can potentially exploit current investors' interest in Mongolia and resume prior project-supported preparations for developing and issuing investment-grade mortgage-backed securities. MIK could also position itself as a bona fide agent to help the GOM develop and implement housing programs for lower-income groups, such as the mortgage down-payment supplements program that was designed with project assistance but which Parliament put on hold during the financial crisis.

A major challenge for MIK in the next two or three years will be to preserve and enhance its private-sector-led status. Given the failure of government-created agencies to promote housing, MIK may become an attractive target for GOM investment and control. Current shareholders will have to decide whether to move more aggressively to enhance MIK's current preeminent market position by, among other things, developing and issuing investment-grade mortgage-backed securities or losing control. [[More: Annex B, Detailed Information Sheets, Mongolia Mortgage Corporation](#)]

## CORPORATE GOVERNANCE DEVELOPMENT CENTER

**Background** Although Mongolia has a modern corporate governance code, compliance and practices fall far short of international best practices. A project assessment in September 2008 identified three priority problem areas: inadequate transparency and disclosure, weak and ineffective boards of directors, and inequitable treatment of minority shareholders.

The project identified the need to:

- Develop current institutional capacity to promote and enforce corporate



Photo: Mongolia EPRC/  
Lkhagvasuren Byambaa

### Objectives

- governance practices
- Increase the capacity of directors to understand and exercise their duties and obligations
- Increase awareness of shareholders' rights and educate the public about investing in a transparent and fair capital market environment

The project presented results of the corporate governance assessment and recommendations at the first Corporate Governance Forum in October 2008, following which stakeholders adopted a resolution to establish a Mongolian center for corporate governance.

At the second Corporate Governance Forum in April 2009, the project presented the concept paper and the business plan for the Mongolian Corporate Governance Development Center. The CGDC was established as a membership-based NGO with individual and institutional members.

- Promote and advocate good corporate governance practices in all Mongolian companies, large or small, private or state-owned
- Develop and deliver training programs for company directors and company secretaries to improve professionalism, transparency, accountability, responsibility, and fair and equitable treatment of all shareholders to protect their rights and help create value
- Provide consultancy services on good governance to companies
- Conduct research and develop publications on corporate governance
- Increase public awareness of the importance of good corporate governance

### Results

- Creation of the first institution of corporate governance in Mongolia, private-sector-led
- CGDC is financially solvent with a sustainable institutional business model with local partners' commitments
- Leverage of project funds through corporate donations and involvement of the International Finance Corporation (IFC)
- CGDC's annual Corporate Governance Fora have become a respected and well-recognized event in the marketplace
- CGDC has trained more than 1,100 participants, using project-developed training materials on corporate governance

EPRC and CGDC assisted three pilot state-owned enterprises improve their corporate governance by adopting the Balanced Scorecard Methodology – a strategic planning and management system to improve and monitor a company's performance.

### Challenges and opportunities ahead

As the first private-sector-led corporate governance institution in the country, CGDC has implemented a sustainable business model. As the pace of economic activity accompanying mining investments and developments increases, companies are becoming more aware of the advantages good corporate governance offers in terms of public and investor perceptions and the ability to raise capital at competitive rates. CGDC is well-positioned to take advantage of Mongolian businesses' growing interest in improving their corporate governance.

Challenges for CGDC in the next two to three years will be to sharpen and continue to develop its product lines — including targeted training and consulting services, improve the marketing and sales of these products, and recruit a selected cadre of respected Mongolian business practitioners who can share real-life experiences with training participants. [\[More: Annex B, Detailed Information Sheets, Corporate Governance Development Center\]](#)

### Strengthening Corporate Governance in Mongolia



## CREDIT INFORMATION BUREAU

*Background* The BOM has operated credit information services since the mid-1990s. Initially designed to provide data on loans, the BOM's services evolved into the main source for lenders to get creditworthiness information on borrowers. Increased levels of economic activity and lending in the last decade have put strains on the system in terms of timeliness and comprehensiveness of the database, user accessibility, and compatibility with the diverse systems that banks and financial institutions use. In November 2005, BOM and the project convened a public forum to discuss the issues and develop alternatives, including privatization of these services. Major credit market issues identified at the forum included:

- Objectives*
- High levels of explicit and implicit bad debts
  - High lending risks where borrowers rely on excessive leverage and collateral is often double-pledged
  - Lack of audited accounts and financial-sector transparency
  - Weak culture for honoring debt and for punishing defaulters
  - Weak institutional capacity for credit risk and project analysis
  - Gaps in the regulatory framework and an element of moral hazard

- Results*
- Promote development of efficient credit markets, increasing transparency and decreasing risks and costs for lenders and borrowers
  - Compile an accurate, comprehensive, and current database of borrower information on firms and individuals, which contains positive and negative information
  - Collect payment information from lenders and other businesses, such as retailers, telecommunications companies, and utilities
  - Obtain information on all loans made in the market, including business and personal loans, credit cards, mortgages, project loans, and foreign loans in Mongolia
  - Collaborate with the BOM on legal, regulatory, and institutional issues necessary to promote development of credit markets.
  - Provide consumers access to their own credit histories and permit correction of errors
  - Aid credit-granting institutions in effectively pricing credit risk

- Challenges and opportunities ahead*
- Creation of the first private-sector-led and controlled credit information services, the Credit Information Bureau LLC, formally registered in April 2009
  - Sustainable institutional business model with local partners' investment of 1,290,256,000 MNT provided by 13 banks, the MBA, and two non-bank financial institutions
  - Leverage of project funds
  - Enabled legal and regulatory environment – new draft law on credit information services drafted in May 2007 by the MBA and shareholders with project assistance is now on the agenda for Parliament discussion in the spring session of 2011
  - CIB, with project assistance, signed an MOU in September 2010 with Dun & Bradstreet and is in negotiations to establish a joint venture company to provide consumer and commercial credit information services in Mongolia

Given that capital is not a high constraint, a challenge for CIB will be to decide on the kind of relationship it wishes to have with a foreign partner. CIB will need to weigh the presumed perceptions of competency against pressure to increase pricing for services that a venture with a foreign partner would bring relative to the objective of CIB shareholders (banks) to have better information with which to price loans.

Another major challenge will be passage of the CIB law currently in Parliament and how the law will define the relationship with the credit registry that the BOM maintains, which banks find inadequate and incomplete. The project has provided ample examples of different models for this relationship. It remains to be seen if this relationship will be negotiated so that BOM has access to needed information on loans for the purposes of banking supervision and managing monetary policy, while increasing transparency and access to reliable information on borrowers and loans, regardless of how politically sensitive these may be.

Yet, realizing the opportunity that CIB has in bringing modern credit information services to Mongolia is worth the challenges. As the size and complexity of the economy grows, proper pricing of loans based on reliable credit risk information will help expand the credit market and reduce the cost of loans. Borrowers with a good credit history will no longer have to pay a hidden premium in the form of higher interest rates and high collateral requirements to subsidize interest rates of loans to other borrowers. [\[More: Annex B, Detailed Information Sheets, Credit Information Bureau\]](#)

## BANKING AND FINANCE ACADEMY

**Background** The market, services, and products of commercial banking and non-bank financial institutions (NBFIs) have reached a critical mass that enables delivery of training and skills for banking and finance professionals to achieve economies of scale. The Mongolian Bankers Association and NBFIs worked with the project to assess training needs in the market, which led to creation of an independent, private-sector-controlled institution to serve their needs, the Banking and Finance Academy.

Training offered through the BOM will continue for bank regulators, while the BFA will focus on training for commercial banks and NBFIs. BFA registered as a limited liability company in December 2010 with 80 million MNT of shareholders' capital.

The project seconded EPRC's financial markets specialist to act as acting executive director of the BFA, assist with start-up tasks, and develop curriculum, including a training-of-trainers course for loan officers.

- Objectives**
- Provide high-quality professional training and skills development based on best practices for banking and finance professionals
  - Be an independent, respected, commercially viable, transparent, and sustainable institution that serves the needs of the banking and finance markets
  - Support research and educational activities in the banking and finance sector

- Educate the public and decision makers on banking and financial sector issues

#### Results

- Creation of the first private-sector-led and controlled banking and financial sector training institution, the Banking and Finance Academy, registered as Medlegguur, LLC (Мэдлэггүүр ХХК) in February 2011.
- Sustainable institutional business model with local partners' investment of 80 million MNT provided by eight banks.
- Leverage of project funds.

#### Challenges and opportunities ahead

The BFA is enthusiastically supported by all private-sector banks, as banking- and financial-sector training, professional skills, and capacity development needs are not fully met. The BFA needs continued assistance and technical support in further developing the Loan Officer Development Program to ensure that it is a sought after certification program for banking and finance professionals. Further, the banking community expects to develop more basic courses in training for tellers, branch managers, officers, and financial analysts, which will require further institutional capacity building.

Within the next two-year period, the major challenge for the BFA is to continue to develop its product lines – including certification training, customized training programs, and research, while working to improve the publicity and promotion of these products. Further, the center will need to recruit a selected cadre of respected Mongolian banking leaders and practitioners to commit themselves to share their professional experiences in its programs. Another challenge for the BFA is to network with counterparts elsewhere in the world to gain access to the best practice knowledge in banker training. This is essential to ensure it becomes a respectable training institution that meets the demands of Mongolian banking- and financial-sector professionals. *[More: Annex B, Detailed Information Sheets, Banking and Finance Academy]*

## NATIONAL TRIPARTITE COUNCIL FOR MINING EDUCATION AND CONFLICT MITIGATION

#### Background

Growing international attention to Mongolia's mineral wealth has resulted in a greater push for mine development in the country. However since 2008, there has been a steady increase in the number of reported grievances related to the extractive industry sector; many have led to protests, sometimes followed by violence. As the mining sector continues to grow, and if the public continues to lack opportunities to participate in mining issues, these grievances are likely to increase.

In Mongolia, conflicts are generally resolved in the judiciary system, which is the most formalized and regulated response to settling differences. Although this system defines clear outcomes for participants, the resolutions are not always satisfactory for the parties involved. The process is also costly and time-consuming, which can exacerbate further conflict.

The non-judiciary process is a less formalized process in which affected parties can work through and resolve issues. Although this process is not legally binding, it can rebuild relationships based on sharing knowledge,

communication, and mutual understanding, as well as negotiation and mediation.

Representatives of mining stakeholders in Mongolia, including civil society, government, and the mining industry, came together to find a solution to the escalating grievances, to reduce the risk of conflicts and resolve grievances equitably as they arise.

After seven months of project support, the national to local non-judiciary National Tripartite Council for Mining Education and Conflict Mitigation was formalized in December 2010 and sanctioned by the prime minister in 2011. Led by the Mongolian Employers Federation and the Confederation of Mongolian Trade Unions, the tripartite mechanism will work to resolve grievances at the local level through already established networks in each *aimag*.

The National Tripartite Council has the potential create a much needed space for major stakeholders to set aside differences and collectively work on addressing grievances and conflicts, while providing opportunities to share information, build consensus, establish trust and credibility, and work toward peacemaking through transparency and accountability. Dialogue and participation also give each stakeholder an opportunity to play an active role in decision-making processes, while moving toward consensus and empowerment on often diverse and complex issues such as mining and natural resource.

In addition to resolving grievances, the council will continue the project's work on educating the public on the mine life cycle to ensure that all mining stakeholders share the same basic information about the industry. This shared knowledge enables greater participation from citizens and civil society organizations in mining.

- Objectives**
- Strengthen the capacity of civil society organizations, extractive-sector industry members, institutions, and government to engage in structured and productive dialogue
  - Increase awareness of reputational, financial, political, and social risk as related to mining and natural resource grievances and potential civil unrest
  - Develop and deliver a Mine Life Cycle educational program strategy to promote consensus and sustainability for the mining sector of Mongolia
  - Create a national-to-local mechanism to address grievances and mitigate conflicts in mining-related issues
  - Promote a transparent and safe multi-stakeholder forum for public dialogue and participation on mining-related issues to build consensus on national and local issues related to mining and natural resource grievances
- Results**
- Helped civil society organizations organize themselves through the Two Hills Council in December 2008, composed of 25 civil society organizations representing anti-mining and pro-development interests from several regions of Mongolia
  - Facilitated an informal agreement between the government and the Two Hills Council to participate and provide feedback on issues related to the Investment Agreement between the GOM and Ivanhoe Mines for Oyu Tolgoi
  - Facilitated a meeting between Two Hills Council and Ivanhoe Mines to discuss issues and grievances, resulting in ongoing dialogue





- Ministry of Mineral Resources and Energy provided an office to the Two Hills Council to facilitate dialogue and access to information
- Tripartite agreement signed on 22 March 2011 by the government of Mongolia, civil society, and business to establish the National Tripartite Council for Mining Education and Conflict Mitigation, a national mechanism for dispute resolution, conflict mitigation, and education on mining issues; following an MOU that the three parties signed on 31 December 2010 to explore the possibility of establishing such a mechanism
- Bylaws and regulations of the National Tripartite Council approved with 15 members elected from industry, government, and civil society
- Handover to the National Tripartite Council of the Mine Life Cycle educational and public outreach materials that the project developed, piloted, and used in training during the last two years

### *Challenges and opportunities ahead*

As a newcomer in development of vast mineral and coal deposits, Mongolia has the unusual opportunity to apply lessons learned from other countries and set new standards of best international practice in consensus-building, conflict mitigation, and education in the mining sector. The formation of the National Tripartite Council by stakeholders from civil society, the mining industry, and government presents such an opportunity, but there are many challenges ahead.

The most important challenges for the National Tripartite Council in the next two or three years are:

- Developing a national-to-local protocol or process for grievance handling and conflict mitigation, i.e., who to contact, how, where, for what type of issue, how to mediate, etc. This is the single most important immediate task; failure to develop, fine tune, and publicize these processes will render the council ineffective, joining other ineffective agencies and entities that lack a clear mission, objectives, and focus
- Ensuring that the development and implementation of the alternative grievance and dispute-handling mechanism involves transparent public consultation and participation; failure to be inclusive could lead to an ineffective mechanism and create distrust between stakeholders
- Developing financial independence by providing services that are valued and for which clients are willing to pay; in the initial phases, this will involve offering workshops using the training materials the project developed and maintaining a small staff and efficient administration
- Positioning itself in the market as a bona fide and effective forum to build consensus in mining issues
- Develop and market services effectively to diversify its sources of funding, otherwise the council runs the risk of becoming a hostage to financing from government, industry, or donors

How the National Tripartite Council manages these challenges in the next two or three years will determine whether Mongolia can exploit the opportunity to set best international practices by gathering parties whose goals have often been in conflict around the same table. [\[More: Annex B, Detailed Information Sheets, National Tripartite Council\]](#)

## HELPING GOVERNMENT INSTITUTIONS WORK BETTER

In addition to helping Mongolia develop new institutions to support a market economy, the project also assisted selected government institutions to work better. The process of consensus-building to achieve changes in government institutions often requires intensive concentration of effort for a period of time. Reforming the tax system, the most enduring and successful project effort, took two years of specialized and highly technical assistance, and further assistance with implementation over the subsequent two-years.

Project assistance in helping government institutions work better focused on improving laws and regulations, as well as developing processes, tools, and skills to help implement changes.

Results of these efforts were mixed. The tax reform and the ongoing implementation of risk management in customs inspections can be classified as successes. But enforcement of regulations in the banking sector — in spite of massive assistance from the project and international finance institutions such as the World Bank, the Asian Development Bank (ADB), the International Monetary Fund (IMF), and the IFC — and trade facilitation measures such as the SEW and private-sector involvement in development of logistics facilities at Mongolia's dry port, Zamyn Uud, were unsuccessful. The overviews of each case provide reflections on reasons for these failures, while the final section discusses lessons learned from these failures.

Project work on helping government institutions work better focused on:

- Reforming the tax system
- Regulating the banking sector
- Regulating financial markets
- Regulating the energy sector
- Supporting fair market competition
- Facilitating trade
  - Promoting a single electronic window for foreign trade
  - Clearing imports faster through risk management
  - Coordinating inspections of imports
  - Improving logistics facilities to clear imports and exports
  - Mongolia as a transit corridor between China and Europe
- Developing specialized professional and management skills

The overview of these activities follows. Annex B provides additional information on each activity through links at the end of each overview. [[More: Annex B, Detailed Information Sheets](#)]

### REFORMING THE TAX SYSTEM

*Background* Before the tax reform that culminated with tax legislation that Parliament passed in June 2006, the main deficiencies of the Mongolian tax system were:

- A high tax burden on low-income wage earners and on labor costs, promoting a large shadow economy
- High corporate tax rates and administrative/legislative provisions such as unallowable business expenses and investment tax credits constrained business growth
- Provisions, regulations, concepts, and definitions developed piecemeal during more than a decade were scattered in different laws and decrees and were often contradictory, unclear, incomplete, or contrary to international best practices
- Low thresholds between corporate tax brackets kept companies small to avoid being taxed at higher rates, providing disincentives to company

- growth and more competitive access to credit
- Value-added tax (VAT) exemptions and loopholes created throughout the years reduced the VAT tax base and made the system non-transparent and difficult to administer
- Discriminatory provisions hindered investment by Mongolian businesses as they could not use investment tax credits
- Responses to “the most problematic factors for doing business in Mongolia” from the Executive Opinion Survey conducted in 2005 by the World Economic Forum cited “tax rates” in third place and “tax regulations” in fifth place, for the most problematic factors for doing business; inefficient government bureaucracy, inadequate supply of infrastructure, and corruption were also among the top five

**Objectives** In April 2005, the GOM through the Office of the Prime Minister summarized the consensus that a competitiveness-based tax reform package would have six interrelated objectives:

1. Increase country competitiveness by lowering the tax burden on businesses, enabling job creation
2. Expand the Mongolian economy by reducing the tax burden and labor costs on wage-earners
3. Simplify tax administration procedures to reduce compliance costs and arbitrariness, reducing the size of the shadow economy and expanding the tax base
4. Support domestic investors by removing discriminatory tax provisions and adjusting taxes to favor domestic production
5. Shift the tax burden from investment/production toward consumption/ownership
6. Preserve a sound fiscal environment

*Transforming the Tax System*



**Results** An impact analysis of the first three years of implementation of the USAID-supported overhaul of the tax system reveals that the reforms have uniformly and measurably met their objectives. These reforms have:

*Raising the Bar: Tax Office Customer Service*



- Rationalized an antiquated tax system, making it compliant with best international practices and International Financial Reporting Standards (IFRS)
- Eliminated economic distortions of old tax laws
- Simplified laws and regulations
- Provided taxpayers with improved access to simplified instructions, information, and assistance, making the system more transparent and predictable
- Expanded the tax base
- Increased tax revenues, achieving fiscal neutrality
- Had a measurable impact distinct from underlying economic growth.

**Challenges and opportunities ahead** As a result of a broad political consensus and collaboration among all parties, the tax legislation enacted in 2006 brought the Mongolian tax code in line with best practices and delivered measurable and distinct benefits to the economy. Further support for improving customer service and training tax inspectors also had a positive impact on taxpayers’ perceptions of the tax office. Yet, challenges remain.

The projected increase in economic activity that the plethora of mining developments and investments will bring about will significantly affect the ability

of the tax office to process corporate tax returns that are also likely to use technically demanding accounting and legal provisions. Effective functioning of the recently created large taxpayers' office, revamped computer systems, continuous training of tax inspectors on accounting and IFRS provisions and revisions, and rapid development of auditing capabilities will be key priorities of the tax office in the next two or three years.



*After the tax reform, the General Department of Taxation went further to change the tax system in Mongolia by improving customer service in tax offices around the country, with support from EPRC.*

More difficult than improving tax administration will be to develop a working political consensus to continue to shift the burden of taxation from production—keeping business costs down—to consumption, i.e., higher taxes on luxury goods. Equally challenging will be to keep the so far remarkably “clean” tax laws relatively free of provisions favoring interest groups.

[\[More: Annex B, Detailed Information Sheets, Tax Reform\]](#)

## REGULATING THE BANKING SECTOR

**Background** The placing of Anod Bank in receivership in December 2008, eight months after its initial public offering (IPO) was symptomatic of deep underlying problems in the Mongolian banking sector. Potential erosion of public confidence in the banking system and the unknown potential fiscal costs of rescuing struggling banks were threats to the system.

In March 2009, the BOM raised the required capital adequacy ratio from 10 percent to 12 percent for commercial banks in an effort to strengthen the

sector and help mitigate the impact of the downturn of economic activity that had followed a period of rapid growth in lending, especially in the real estate sector. With 15 licensed commercial banks in the country, the BOM requested project assistance to perform an assessment and provide recommendations to strengthen and consolidate the banking sector.

From the first quarter of 2009 through the end of the project in June 2011, the project provided assistance to the BOM to help regulate and strengthen bank supervision.

- Objectives*
- Assist the BOM to strengthen the banking sector by addressing systemic risks and helping banks consolidate and restructure to achieve their objective of “fewer, stronger, and cleaner banks”
  - Assist the BOM with resolution of problem banks and cases presenting systemic risks
  - Assist with drafting legal amendments to strengthen legal provisions on bank regulation of the Banking Law and independence of the BOM in the Central Bank Law
- Results*
- Introduced a CAMELS-based (capital, asset quality, management quality, earnings, liquidity, sensitivity to market risk) rapid banking-sector assessment methodology used to produce four confidential banking sector reports in May 2009, July 2009, October 2009, and December 2009 to help the BOM develop policies and implement actions to reduce systemic risk, enforce legal and regulatory compliance with prudential ratios, and pursue the objective of “fewer, stronger, and cleaner banks.”
  - Based on the first banking sector report of May 2009, project led formation of a working group of international financial institutions that included the World Bank, ADB, IMF, IFC, and European Bank for Reconstruction and Development (EBRD) to develop a framework of coordinated technical assistance to the BOM to help restructure the banking sector
  - Assisted BOM in creating a unit to address problem banks and systemic risks, providing analyses, structuring scenarios, and terms of proposed transactions
  - Helped draft proposed amendments to the banking and central bank laws based on international best practices; Parliament amended the Law on the Central Bank and the Law on Banking on 28 January 2010
  - Developed options for the BOM to address issues of non-compliance with banking law, with attention paid to banks violating related-party transactions regulations and prudential ratio compliance, and created road maps for consolidation and supervisory action plans for certain banks in December 2010

*Challenges and opportunities ahead*

Restructuring and consolidating the Mongolian banking sector into “fewer, stronger, and cleaner banks” remains an unrealized opportunity in spite of the coordinated and resource-intensive technical assistance that the project, the World Bank, IMF, and ADB have provided in the last two years. Despite the unified message from donors that the banking sector had unresolved systemic issues and was not compliant with prudential ratios and legal and regulatory provisions, needed resolutions were not carried out. Progress has been made, but the underlying systemic risks and lack of regulatory compliance of some banks remain largely unresolved.

Obstacles to cleaning up the banking sector are not technical, legal, or regulatory. The BOM has all the requisite legal, regulatory, and technical instruments to regulate the sector, but it lacks the institutional and political independence to enforce compliance. Given the failure of technical solutions, the challenge is how to develop a working political consensus to strengthen the independence of the BOM and regulatory compliance.

A first, albeit difficult, institutional change would be to address the governance of the BOM to align it with best practices. Mongolia's central bank does not have an independent board of directors. Although it would be naïve to expect that political affiliation would not play a role in appointment of directors to the BOM's board, it could provide a mechanism where political interests are negotiated internally rather than in public and foster at least the perception that the BOM is relatively independent and not a hostage to politics.

A second institutional change that merits consideration, assessment, and discussion is the separation of bank supervision into an entity separate from BOM. Although Mongolia is a small country, its central bank will face considerable challenges in the next few years in managing monetary policy to prevent undue appreciation of the local currency. The BOM will probably need to engage in currency sterilization measures and open-market operations to help soak up excess foreign currency. Splitting bank supervision from the BOM into a new entity may make sense under these circumstances. [[More: Annex B, Detailed Information Sheets, Regulating the banking sector](#)]

## REGULATING FINANCIAL MARKETS

**Background** The Mongolian Stock Exchange (MSE) was established in 1991, serving primarily to implement the government's plan for the privatization of large state-owned enterprises—citizens could use state-issued vouchers to purchase shares of large enterprises on the stock exchange that were being privatized. When secondary trading began in 1995, open to domestic and international investors, weaknesses of many newly privatized companies were exposed. During the next decade, investors were reluctant to trade on the MSE due to the lack of transparency of listed companies. In addition, parallel trading—the trading of shares outside of the MSE—was common, which did not allow accurate price discovery of shares on the exchange. All of this presented higher risks to investors, which constrained growth of the MSE.

In January 2006, the Financial Regulatory Commission (FRC) was established to protect the rights of investors through regulation and oversight of all listed companies on the MSE and all NBFIs in Mongolia, including insurance organizations, savings and credit cooperatives, securities market firms, and others. The FRC sought to mandate and encourage good corporate governance practices, including transparency and disclosure, for all companies under its oversight.

Although establishment of the FRC was a big step toward improving the practices of listed companies and NBFIs, it lacked capacity for regulation, supervision, and enforcement. The commission did not have enough trained staff or appropriate information technology (IT) systems to oversee companies under its authority. It used a paper-based process for supervision, with no

systematic method of capturing and analyzing information from companies. In addition, the commission lacked regulations to mandate good corporate governance practices.

In 2007, the project began working with the FRC to build its capacity in each of these areas and improve transparency in Mongolia's financial markets.

- Objectives*
- Improve the legal environment for financial markets
  - Strengthen the capacity of the FRC in regulation, supervision, and enforcement
  - Strengthen the FRC's ability to supervise companies through implementation of FinA, an information management system developed by USAID to collect data from financial institutions, analyze the data, and publish it via a website portal to investors and the general public to ensure financial transparency and systematic disclosure
  - Improve regulatory framework for FRC by establishing a corporate governance rating index for listed companies and NBFIs
- Results*
- Assisted with drafting and discussions of the Asset-Backed Securities Law passed by Parliament
  - New procedures developed and adopted for IPOs
  - Completed installation of FinA on FRC servers and training of staff; began pilot stage of data collection from listed companies, NBFIs, and savings and credit cooperatives; data collection from insurance companies is in the development stage; FRC staff can create reports of data from all areas
  - Created a website portal to enable public view of data on listed companies and NBFIs (microfinance cooperatives, and savings and deposit institutions), including financial reports, annual reports, directors, management, and other information; portal will be available to the public after FRC finalizes internal policies and processes; project also assisted with development of a corporate governance website where investors can gain access to corporate governance information about listed securities
  - Increased regulatory and supervisory oversight and enforcement capacity of FRC and regulators
  - Reviewed and provided recommendations on the Investment Fund Law and the Securities Law, both of which were under review at FRC as of June 2011

*Challenges and opportunities ahead*

Investments in the mining sector will stimulate rapid development of businesses to supply the sector, as well as ancillary opportunities for small and medium enterprises. A challenge for the FRC in the next two or three years will be to strengthen its capacity to regulate the 182 NBFIs in Mongolia to enable them to provide needed services. The FinA Financial Data Collection and Analysis software package now installed and tested at the FRC, training of FRC staff on the package, expansion of FinA to include NBFIs, and proper legislation such as the draft Credit Savings Cooperative Law currently in Parliament can all help FRC meet this challenge.

Another major challenge, as well as an opportunity, will be to protect the interests of investors and enforce disclosure and transparency in a rapidly changing business and financial environment. To meet this challenge, the FRC will need to develop its capacity to analyze the FinA data that listed companies upload and enforce its regulations and procedures for IPOs to prevent episodes

of a company going out of business eight months after its IPO, as was the case with Anod Bank. [*More: Annex B, Detailed Information Sheets, Regulating financial markets*]

## REGULATING THE ENERGY SECTOR

**Background** Mongolia's energy sector regulator, the ERA, was established in 2001 with support from USAID and as part of a package of reforms in the sector. At project inception, in October 2003, the sector had been unbundled and there were 18 energy companies, most operating as state-owned enterprises. Companies were operating with three-year interim operating licenses and a general tariff methodology and single-buyer market were in use.

Also at project inception, old energy-sector assets were at or close to the end of their useful lives, and tariffs and the prices of coal and coal transport were below cost-recovery levels.

EPRC projections made at project inception showed that unless new generating capacity was installed and distribution networks upgraded, Mongolia would face serious energy shortfalls as early as 2012, at which point the maximum capacity of 255 megawatts of imported power from Russia would not meet country demand for electricity. This did not even consider the growing need for heating in Ulaanbaatar or demands that the burgeoning mining sector would pose.

As the initial project prognosis of the sector has become a reality, the need will be more pressing to attract private investment to build new power facilities and upgrade and improve existing capacity.

- Objectives** Assist the Energy Regulatory Authority to:
- Make the energy sector regulatory environment more transparent, market-oriented, and efficient
  - Improve the commercial orientation and practices at energy SOEs
  - Enhance tariff design and cost recovery levels of tariffs
  - Improve efficiency of the wholesale power market by introducing competitive elements
  - Improve coordination of national energy sector policies

- Results**
- Ministry of Finance (MOF) issues Decree No. 07 dated 12 January 2005 mandating the use of IFRS-based Uniform System of Accounts (USOAs) for all energy sector companies
  - Uniform System of Accounts compliant with IFRS developed, installed, and in use by 21 licensee energy companies, which produced annual financial statements for calendar years 2007, 2008, 2009, and 2010; ERA required USOA for comparative cost accounting and tariff regulation; well-supported financial statements documented the dire financial condition of energy-sector companies for the first time
  - Audit Unit of ERA proposed, created, trained, and functioning; unit reviews tariff proposals of licensee companies
  - ERA held public hearings on developing regulations to obtain public opinion and evaluate public perception on issues such as proposed tariff increases, complaints from consumers, licensed activities, etc
  - Developed and executed public education and information campaigns to





Photo: Mongolia EPRC/Tsolmon Naidandorj

Power plants on Ulaanbaatar's horizon

*Hot Topic: UB Heating:  
Demand and Conservation*



*Hot Topic: UB Heating:  
Facts, Figures, and Opinions*



- educate the public on energy issues and build support for needed tariff increases
- Performance benchmarking of licensee companies developed, adopted, and in use: ERA publishes quarterly results for public use, making performance of energy companies transparent to citizens
- ERA negotiated and signed 11 performance agreements with licensee companies to improve performance based on measurable indicators developed since 2007 and in use
- Tariffs and Subsidies Multi-year Simulator developed, presented, and delivered to the ERA and the Ministry of Mineral Resources and Energy; simulator allows decision-makers to calculate the mix of tariff increases and subsidies required to meet revenue requirements of licensee companies in the Central Energy System
- Organized and supported USAID Chairmanship of 14 policy dialogue and coordination meetings on energy issues among the GOM and donors, including World Bank, ADB, *Deutsche Gesellschaft für Technische Zusammenarbeit GmbH*, KfW, and the Japan International Cooperation Agency
- Upgraded Two-Part Tariff Methodology adopted to enable merit order dispatching in the Central Energy System, which will lower variable and fuel costs and reduce greenhouse gas emissions
- Bilateral contract market design developed, along with market rules to shift from the current single buyer market
- Developed numerous draft amendments to the Energy Law and participated in a similar number of working groups during the last seven years; Cabinet approved the current draft and submitted it to Parliament, which aims to support an improved environment for private investment, proper tariff setting, cost-recovery level tariffs, power-market design, obligations to recover investment of licensees by tariff revenues, and other provisions

### Challenges and opportunities ahead

The ERA, with USAID support, has managed to become a competent sector regulator and has been able to maintain relative political and financial independence in a difficult environment. Its biggest challenge will be to preserve this independence and avoid setbacks. This will require continuous education of policy-makers and the public as the functions of an independent and competent regulator to promote and maintain competition and promote accountability in a sector are not yet well understood.

A second challenge of the ERA for the next two to three years will be to continue to advocate, negotiate, and enact tariff increases for heat and electricity to recover regulatory operations and maintenance costs, as well as costs of increases in coal prices and railway tariffs for transporting coal.

The most promising opportunity for the ERA in the next two to three years will be implementation of economic dispatching of energy by the most efficient producer to reduce coal use and associated costs in the Central Energy System and air pollution in Ulaanbaatar. The recent approval of the two-part tariff methodology for power generating companies will allow them to get the revenues necessary to recover allowable fixed costs, regardless of the level of dispatch. [\[More: Annex B, Detailed Information Sheets, Regulating the energy sector\]](#)

## SUPPORTING FAIR MARKET COMPETITION

### Background

Regulating markets to prevent unfair competition and protect consumers is a relatively novel concept in Mongolia. Since its transition to a market economy, the country has been examining the experiences of other countries and developing the laws and regulations to support fair market competition.

The first competition legislation, the Law Prohibiting Unfair Competition, was enacted in 1993 with the objective of establishing conditions for fair competition and to prevent, limit, and prohibit anti-competitive behavior. The law was amended in 2000 to establish a government institution charged with monitoring and preventing anti-competitive behavior. The Unfair Competition Regulatory Authority was established in 2005, under administration of the first deputy prime minister, to enforce the law. In 2009, the authority's mandate was expanded to include consumer protection and renamed the Agency for Fair Competition and Consumer Protection (AFCCP).

The Parliament passed a new competition law in July 2010 with improvements in several areas in accordance with international standards. The new law provided AFCCP with increased authority and a wider scope for enforcement and advocacy actions for dealing with anticompetitive behavior. The law also put the agency in charge of enforcing additional laws, including those on procurement and advertisement.

Despite the improved law and extended mandate, AFCCP lacks the resources and professional staff required to perform the functions mandated. Public, business, and policy-makers' understanding of the functions of a fair competition authority is limited, as is acceptance of the agency.

### Objectives

- Improve the legal and regulatory environment for fair competition and consumer protection
- Build professional capacity of AFCCP to conduct market studies

- Assist AFCCP in clarifying its vision, mission, objectives and focus of its interventions in accordance with the new law
- Help educate the public, journalists, businesses, and policy-makers on fair competition and the role of competition authorities such as AFCCP

### Results

- Parliament approved a new Fair Competition Law in July 2010.
- AFCCP's vision, mission, and objectives were realigned to comply with the law through workshops provided with project assistance.
- Assisted the AFCCP in conducting the first market study in Mongolia on the meat sector; findings presented to Economic Journalism Club members on 25 May, 2010; market study on the petroleum sector under way.
- Two nationwide televised talk shows held in partnership with Cabinet Secretariat's Open Government website to answer questions from citizens about market competition.
- First International Competition Forum held 27 May 2011, to discuss international experiences on fair competition, current issues on fair competition in Mongolia, as well as interfaces between sector regulations and role of competition authorities.

### Challenges and opportunities ahead

Given the mindset inherited from a centrally planned economy, the major challenge of a competition authority such as AFCCP is to educate politicians, businesses, and the public on its proper role in a market economy: to prevent unfair and anti-competitive behavior, not to fix or control prices. This challenge is yet to be met as the AFCCP itself begins to focus on this key message and its delivery to the public.

A second major challenge of the agency is to improve its public image and position by focusing on carefully selected cases where the lack of transparency and public knowledge of market operations are likely to lead, or have led, to unfair business practices that are costly to consumers. But the agency has to meet this challenge with the meager resources it currently has even to enforce the current law. The authority is clearly understaffed, much more critically after approval of the new law, which gave it more responsibilities in the areas of competition enforcement and public procurement. Skills needed to perform competition enforcement are almost nonexistent, much less to perform market studies. Shortage of lawyers and economists, precariousness of IT resources, lack of automation, and extreme vulnerability to external pressures limit the ability of the agency to perform its functions, and by implication, respect for its work in the marketplace.

The opportunity that Mongolia has to develop a well-functioning and competent agency to improve transparency of government procurements, identify collusion, abuses of market power, corruption, and protect consumers has yet to be realized. It remains an open question whether the agency will obtain the resources it needs to perform the functions that the law mandates in the next few years.

International cooperation, such as the technical assistance that the project provided, can help, but there has to be a political consensus to develop this "institutional building block" to provide the checks and balances that imperfect markets need. [\[More: Annex B, Detailed Information Sheets, Supporting fair market competition\]](#)

## FACILITATING TRADE

Results of the first ranking of Mongolia among countries surveyed for the World Economic Forum's *Global Competitiveness Report 2005-2006*, conducted under project sponsorship, showed the low ranking of Mongolia in trade facilitation. Out of 117 countries, Mongolia ranked 107 on "irregular payments in exports and imports," indicating that undocumented extra payments or bribes were fairly common at the border, and 110 on overall infrastructure quality.

After launching the project-supported *Global Competitiveness Report* findings in Mongolia in October 2005, the Open Society Forum and the project held a series of roundtable discussions with Mongolian businesses to identify competitiveness bottlenecks and prioritize actions. Although Mongolian businesses at that time were not ready to address sector-specific competitiveness constraints, trade facilitation emerged as a key bottleneck, with the highest potential benefits to the overall economy.

The project focused on facilitating trade through a number of initiatives, from working with government agencies to improve processes at the border, to identifying how to improve the infrastructure to process traded goods more efficiently.

Unfortunately, trade remains a bottleneck for the economy. The low rankings in the first *Global Competitiveness Report* have not dramatically improved in the 2010-2011 report; Mongolia still falls near the bottom in infrastructure, burden of customs procedures, and irregular payments. The overviews that follow each of the project initiatives shed more light on where Mongolia can focus to facilitate trade more effectively in the future.

## PROMOTING A SINGLE ELECTRONIC WINDOW FOR FOREIGN TRADE

*Background* In early 2006 following the assessment of the first *Global Competitiveness Report* findings, the project surveyed traders, brokers, and government agencies involved in foreign trade to map the processes for imports and exports. Findings supported the need for streamlining existing processes through a SEW to replace the existing cumbersome, red-tape-ridden system of clearances and permits for imports and exports.

A SEW would have all import, export, and transit-related documents and information lodged at a single entry point, resulting in enormous benefits to government and the trade community. The government would use its resources more efficiently; develop the foundations of an e-government system; increase revenues; and increase transparency and accountability, among other benefits. The trade community would benefit from accelerated cargo clearance, making only one stop to exchange information with government agencies.

The project worked with the Mongolian Chamber of Commerce and Industry (MNCCI) to elicit support for the government to form a working group to seek establishment of a SEW. In October 2006, the government passed a resolution to establish a SEW for foreign trade and appointed a working group

to develop the National Program for the SEW.

- Objectives** Project objectives were to:
- Introduce the concept of a SEW for foreign trade facilitation and educate decision makers, the trading community, and the public on best international practices and successful cases of implementation
  - Introduce the concept of PPPs as a potential vehicle to implement the SEW in Mongolia as a separate, commercially run and operated legal entity with government participation, a strategic partner/investor, and private-sector investors to insure sustainability, transparency, and use of state-of-the-art technologies and management
  - Support GOM efforts to develop and implement its National Program for the SEW

- Results**
- Decision-makers, traders, and stakeholders better informed about SEW, its benefits, international best practices, and successful country experiences
  - Introduced the concept of PPPs as a potential vehicle to attract private investment and to implement the SEW for foreign trade
  - Helped develop and adopt the National Program for the SEW by the GOM
  - Focused efforts on building elements of a SEW, such as risk-based inspections at Customs, when changes in Cabinet composition and disbandment of SEW working group put implementation of the SEW on hold

**Challenges and opportunities ahead**

Implementation of SEW to facilitate foreign trade remains an unrealized opportunity and one that is likely to remain so until at least two challenges are addressed: 1) creation of a body with the authority and resources — such as a PPP company — to implement and supervise efforts of GOM agencies and parties involved in foreign trade; and 2) re-engineering of the General Agency for Specialized Inspections' (GASI) inspection processes at the border, including computerization, as GASI, unlike Customs, is not automated.

In the absence of an entity with the authority and resources to coordinate efforts and hold agencies accountable for a sustained period, the commonly used government working groups do not work. Changes of leadership in ministries and agencies result in disbandment of working group members and/or the group does not have authority over the agencies to implement the necessary changes. Creation of a permanent entity with the delegated authority and resources to coordinate efforts of agencies and trade businesses and competitively select strategic partners and investors remains a challenge. Project experience, and those of others in Mongolia, has so far shown that other alternatives do not work. [\[More: Annex B, Detailed Information Sheets, Promoting a single electronic window for foreign trade\]](#)

## CLEARING IMPORTS FASTER THROUGH RISK MANAGEMENT

- Background** As unclear and overlapping responsibilities of agencies involved in foreign trade precluded the formation of a separate company to implement a SEW for foreign trade facilitation, the project focused on an element of SEW — assisting Customs with development and implementation of a risk-management program to expedite inspections at the border and reduce their number. In the World Economic Forum's *Global Competitiveness Report 2010-2011*, Mongolia ranked

123 out of 139 in “customs procedures,” indicating the ongoing need to focus specifically on working with Customs, in addition to the other factors hindering trade.

Customs’ procedures had been to inspect 100 percent of all shipments crossing the border. This was excessively time-consuming for customs officers and resulted in long waits at the border, as well as less than optimal security as officers did not have time to thoroughly inspect goods that were potentially more dangerous. In a risk management system, customs officers classify goods according to their risk profile and expedite the passage of most goods, enabling them to spend more time inspecting more risky goods.

With project assistance, Customs made significant progress in developing, adopting, and implementing a risk-based inspections system.

*Objectives* The project assisted Customs to focus on the following objectives:

- Facilitate trade by reducing the time required to clear shipments and in preparation for implementation of a SEW for foreign trade
- Conduct inspections based on risk, according to established risk profiles
- Reduce the number of physical inspections
- Preserve and enhance customs control functions and revenue collections
- Increase transparency of customs operations and customer service focus
- Work with other border control agencies to establish a coordinated border inspections system based on risk management

- Results*
- New customs laws enacted in 2008 mandating implementation of risk management for customs inspections
  - Customs risk management unit established in 2008 to organize activities to implement risk management and oversee the design and development of the risk management component of the new Customs Administration Information System (CAIS)
  - Revised risk profiles and selectivity criteria of risk management software module of CAIS, pilot testings, and evaluation of results
  - Five Risk Management Training Modules developed for use by the Customs Training Unit to implement the risk management program
  - Draft customs operational strategy developed and discussed by management in November 2010, adopting risk management as a key tool for customs inspections
  - Customs operation strategy incorporating risk management in Customs Work Plan for 2011 formally approved in January 2011
  - Based on project recommendations, Customs reorganized to implement risk management by creating a Department for Risk Management, Valuation and Post Clearance Audit, a Strategic Committee to manage and oversee risk management, and a Selectivity Unit to manage daily risk management activities, oversee implementation, and monitor profiles.

*Challenges and opportunities ahead* A successful implementation of risk management at Customs to expedite inspections will benefit consumers and the economy by reducing the time it takes to clear each of the thousands of shipments during the year—the “aggregate transaction costs.” It will also help Mongolia move away from bottom country rankings in trade facilitation.

To take advantage of this opportunity, customs risk management will face four main challenges in the next two or three years: 1) continued refinement and testing of the risk-management software module; 2) training of customs staff and inspectors on risk-management principles and technical training of risk-management units; 3) develop and implement a communications program for the public and business (trading) community to explain the program and obtain feedback; 4) strengthen its IT system to ensure constant availability and adequate performance to support expected growth.

Yet, successful implementation of risk management at Customs is only part of the puzzle, as other agencies also perform inspections of imports. The biggest challenge for Mongolia will be to make these agencies coordinate their inspections to avoid duplication and reduce time, unscheduled payments, and red tape. Getting things right at a major agency such as Customs is a step in the right direction, but the road ahead is long and arduous.

*[More: Annex B, Detailed Information Sheets, Clearing imports faster through risk management]*

## COORDINATING INSPECTIONS OF IMPORTS

### Background

Countries with common borders are moving toward integrated border management to facilitate trade and transport. Integrated border management refers to the organization and supervision of border agency activities to meet the common challenge of facilitating the movement of legitimate goods and people while maintaining secure borders. International conventions and agreements lay out the standards and recommended practices for the administration of international border crossings, trade (including transit), and transportation.

Integrated border management requires inter-agency coordination and an overriding legal authority to mandate and implement it. Such authority would also facilitate international negotiations on border administration, trade and transportation.

In Mongolia, two agencies inspect imports and exports: Customs and GASI. Although Customs is highly computerized, GASI is not; it does not have a server or network to automate their inspection processes, leading to cumbersome manual inspection processes at the border.

The project scaled-down initial efforts to foster integrated border management that would have involved coordinating the work of all agencies involved in border control, and focused instead on assisting GASI in defining its inspection processes at the border, applying risk-management processes to such inspections, and working toward a system of coordinated inspections with Customs to avoid duplication and facilitate trade. Integrated border management was too ambitious a goal, given the institutional weaknesses in coordinating border inspections.

### Objectives

- Assist GASI with mapping and re-engineering its inspection processes at the border
- Assist GASI with introduction of the Harmonized Tariff System (HTS) product codes and Mongolian extensions as used in Customs

- Introduce risk-management principles in GASI inspections using a similar methodology as that in Customs
- Assist Customs and GASI in developing a mechanism of coordination at the management and operational level
- Assist Customs and GASI in moving toward coordinated inspections

#### Results

- GASI completed mapping its border inspection processes.
- GASI adopted the HTS product codes and Mongolian extensions used in Customs
- GASI completed initial classification, by HTS codes, of goods it needs to inspect and goods delegated for Customs only to inspect
- GASI adopted risk-based management inspection, following the same methodology used in Customs
- A joint working group of Customs and GASI has been established to coordinate agencies' efforts and progress toward coordinated inspections at the border

#### Challenges and opportunities ahead

The immediate challenge to coordinate inspections at the border is to automate GASI's border inspections and coordinate them with those of Customs to avoid duplication of inspections and expedite trade. A challenge for the bilateral Customs-GASI working group established to coordinate border inspections will be to drive the unification of risk-management procedures of both agencies and provide GASI with access to the Customs IT systems in the short term. If precedents provide clues to the future, this will be a difficult set of challenges to overcome without a higher authority with the resources and legal mandate to expedite the process.

GASI will also need to move more aggressively to delegate authorities to Customs to perform inspections on its behalf and accept them. Simply put, GASI does too many inspections at the border and needs to implement risk-based inspections faster. The current system of uncoordinated border inspections poses a drag not only to traders but also to the economy as a whole. [\[More: Annex B, Detailed Information Sheets, Coordinating inspections of imports\]](#)

## IMPROVING LOGISTICS FACILITIES TO CLEAR IMPORTS AND EXPORTS

#### Background

Located on the border with China, Zamyn Uud is Mongolia's dry port. Cargo that travels by rail through China must be transshipped to Mongolian railways, as the railway gauges (track widths) of the two countries are different.

Increased Mongolian imports and growing Chinese transit trade overland to Russia and Europe have overwhelmed Zamyn Uud facilities. This became evident in mid-2007 when China closed the border for more than a week to allow Mongolia to clear the backlog.

In contrast to Zamyn Uud, the city across the border in China, Erlian, has developed into a thriving hub for trade and transshipment to and from Mongolia and beyond. There, public-sector, state-owned enterprises, and the private sector are actively involved in transformation of the city and its facilities.



Constraints for the efficient handling of imports, exports, and increased revenues from transit are, in decreasing order of importance:

- Insufficient number of locomotives, rolling stock, and investment of the Mongolian-Russian joint venture railway company - *Ulaanbaatar Tumor Zam* (UBTZ)
- Inadequate road-to-rail transshipment facilities and management
- Congested physical facilities for border clearance.

Mongolia's failure to address these constraints has significant consequences, including:

- Higher costs and longer waiting times to clear imported goods, raising prices to consumers who must bear the cost of these inefficiencies
- Pressure to outsource trans-shipment functions to Erlian, resulting in loss of jobs and revenue for Mongolia
- Loss of potential foreign exchange revenues for Mongolia as railway freight traffic between China and Europe has sought alternative routes to bypass Zamyn Uud and Mongolia

As work with UBTZ was beyond the scope of the project, assistance focused on improving logistics facilities and services for handling imports in Zamyn Uud

#### Objectives

- Provide technical support to the National Committee on Transport and Trade Facilitation (NCTTF)
- Promote private-sector involvement in the NCTTF, especially freight-forwarding and transport companies
- Conduct an assessment of facilities and logistics for clearance of imports, freight transit, and transshipment in Zamyn Uud
- Provide analyses and recommendations and work with stakeholders to improve logistics for clearance of imports in Zamyn Uud

#### Results

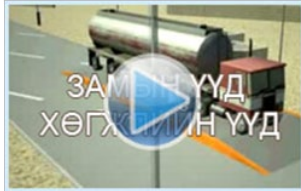
- Technical support provided to the NCTTF; private sector involved in its meetings and deliberations; freight-forwarders association and members participating
- Assessment of facilities and logistics for clearance of imports, and road-to-rail transshipment in Zamyn Uud completed, findings discussed with relevant GOM agencies and private-sector stakeholders
- Introduced the concept of a PPP to mobilize private-sector investment and structure a Logistics Park for Zamyn Uud
- Completed a market-demand study with initial estimates of revenue of the core business of the proposed logistics park — transshipment charges — and prepared 30-year projections of revenue streams, under different scenarios, for the proposed PPP facility
- Worked with the Association of Freight Forwarders to propose the creation of a PPP company for the Zamyn Uud Logistics Park at the Consultative Council on Investment Climate and Private Sector Development. The prime minister issued a recommendation and assigned the minister of finance and the chief of the state property committee to implement the recommendation pursuant to Resolution of the Government No. 183 of 2008
- Worked with and assisted freight forwarders in signing an MOU on 22 January 2009 to participate jointly in the PPP company to be formed to

develop the Logistics Park in Zamyn Uud

- Worked with and assisted freight forwarders in drafting a proposed MOU in May 2009 to be signed with the GOM to establish the proposed PPP company to develop the Logistics Park in Zamyn Uud

### Challenges and opportunities ahead

Hot Topic: Zamyn Uud: Gate of Development



Judging by the unsuccessful efforts to develop a working institutional consensus among government agencies to establish a PPP structure for private sector investment in development of the Zamyn Uud Logistics Park, in spite of a prime minister's resolution to create such a company and willing local investors, Mongolia's biggest challenge will be to improve its infrastructure. The country ranked last on the World Economic Forum's *Global Competitiveness Report 2009-2010* indicator on quality of overall infrastructure, moving up only slightly to 137 out of 139 in the most recent report, and the experience of Zamyn Uud so far reflects such ranking. It also confirms that Mongolia needs to develop a working political consensus to realign its agencies and ministries with clear missions, non-overlapping authorities, and resources to get things done.

Without this political consensus and institutional realignment, the opportunity to attract private investment to help address its significant deficit in infrastructure and shake itself from bottom world rankings, Mongolia will not be able to capitalize on this opportunity. [\[More: Annex B, Detailed Information Sheets, Improving logistics facilities to clear imports and exports\]](#)

## MONGOLIA AS A TRANSIT CORRIDOR BETWEEN CHINA AND EUROPE

### Background

Landlocked between China and Russia, Mongolia has the potential to become an international trade transit corridor that links China and Europe. Transit transport refers to the through-transport of goods that are loaded and unloaded in countries other than Mongolia, i.e. freight that simply passes through the country.

Mongolia is the shortest corridor for railway transit between China and Europe. This feature could be developed into a competitive advantage and provide foreign-exchange revenues. With facilities and logistics improvements, Mongolia would present the most efficient corridor for trade, accelerating domestic economic growth and potentially alleviating economic and social problems. In fact, most of Mongolia's railway income derives from transit transportation, allowing the railway to maintain lower tariffs for passenger transport and movement of domestic goods, such as food and coal.

To explore this opportunity, the NCTTF requested technical assistance in developing the Transit Mongolia national program. Development of transit transport and logistics requires a sustained policy commitment to coordinate efforts of government agencies and entities, the private sector, and neighboring countries. Thus far, Mongolia has been unable to develop and sustain such commitment.

### Objectives

- Provide technical support to the NCTTF on the Transit Mongolia project
- Promote participation of the private sector in the NCTTF, especially freight-forwarding and transport companies
- Educate the public and policy-makers on the potential of developing



Photo: Mongolia EPRC/Photo Archive

Increased volumes of imports and exports flowing through Zamyn Uud, Mongolia's "dry port" on the border with China, have overwhelmed existing facilities.

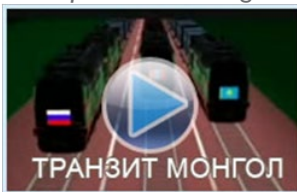
Mongolia as a transit corridor between China and Europe to increase foreign-exchange revenues, spearhead development of infrastructure and logistics facilities, improve management and efficiency of border, customs, and state inspection activities, and generate employment

- Assess the potential of Mongolia as a transit corridor relative to competing railway routes
- Provide technical assistance with drafting technical requirements on transit transport agreements with China and Russia

#### Results

- Government approved the Transit Mongolia national program in May 2008.
- Private sector (freight-forwarding and transport companies) participate in NCTTF meetings.
- Transit Mongolia documentary, produced in collaboration with Mongolian Railway Authority, Mongolian Tumur Zam and TransCON LLC, documentary aired six times during the first week of November 2009 on national television.
- *Open Talks* program, 'Is Mongolia's 'Silk Road' Fraying?' broadcast on national television following a 10-day Chinese moratorium on shipping containers to or through Mongolia until a backlog of containers at the Zamyn Uud border was cleared.
- Drafted and discussed technical annexes to the draft Trilateral Transit Traffic Agreement with governments of China, Mongolia, and the Russian Federation.

Hot Topic: Transit Mongolia



#### Challenges and opportunities ahead

Mongolia's segment of the ancient Silk Route overland, more appropriately the ancient "tea route" is not frayed, it is broken. Mongolia has not been able to capitalize on its geographic advantage of offering the shortest land corridor between China and Europe and implement its Transit Mongolia project. The opportunity is largely gone, as other competing corridors have developed.

Geopolitical constraints have limited options available to Mongolia. The Mongolian-Russian joint venture company, UBTZ, which controls the main north-south railway line, has been unable to make the investments required to modernize and replace insufficient and obsolete locomotives, rolling stock, and

tracks. Without this investment and modernization, the Transit Mongolia project could not work, and it has not. As the Millennium Challenge Corporation was working in Mongolia on a project to modernize the railways, EPRC did not work with UBTZ, to avoid duplication of efforts.

Mongolia's biggest challenge in the railway sector will be to build the Railway Regulatory Authority into an independent, competent, and transparent regulator capable of attracting private investment in railways linking Mongolia to international markets while avoiding past mistakes and protecting against monopolies. This probably will require a five-year project with international technical assistance from countries with experience in railways and their regulation.

A competent and independent railway regulator could also help implement the yet-to-be realized opportunity that the Law on Railway Transportation in July 2007 provided for private ownership of traction and rolling stock and attract private investment to modernize railway services. In spite of the enthusiasm of private investors, especially freight-forwarding companies, upon passage of the law, the absence of clear rules on pricing, common access to network tracks, and loading priorities have prevented the much-needed infusion of private-sector capital in this sector. This would be a priority challenge that an independent and competent sector regulator could address. [*More: Annex B, Detailed Information Sheets, Mongolia as a transit corridor between China and Europe*]

## DEVELOPING KNOWLEDGE AND SKILLS FOR A MARKET ECONOMY

**Background** Emerging from a centrally planned economy two decades ago, Mongolia has a vast need to educate its citizens on the principles, operations, and institutions of an open-market economy and provide government and businesses with the technical and professional skills required to excel in such an economy.

The project provided direct specialized training, organized events, and facilitated training and attendance at events overseas for counterparts. Given the vast need, the project sought ways of leveraging training and access to information by partnering with Mongolian stakeholders. This leverage took many forms, from working with journalists, helping government agencies communicate, and national television Open Talks programs connecting leaders with citizens, to creating sustainable local institutions to provide education, advocacy, and professional skills.

- Objectives**
- Provide citizens with readable, non-technical information about a market economy and its institutions
  - Provide partners and project staff with specialized professional and technical skills
  - Help create local, financially self-sustainable institutions to provide education and specialized professional skills

- Results**
- Helped Mongolian partners create, invest in, and run financially sustainable institutions that provide specialized services (MIK, secondary mortgage market), provide education and advocacy (Corporate Governance Development Center), specialized banking skills (Banking and Finance

Academy), and mining education (National Tripartite Council on Conflict Resolution and Mine Education)

- Produced and distributed 71 project newsletters for public use.
- Developed and maintained a project website, [www.eprc-chemonics.biz](http://www.eprc-chemonics.biz), providing continuous public access to newsletters, technical reports — except those of a confidential nature — quarterly reports, pedagogical presentations, success story video clips, and quarterly performance reports
- Delivered 329 presentations and training events for 7,756 participants, for a total of 2,263,007 person-days
- Facilitated specialized overseas training and attendance at 67 international events for 48 counterparts and 34 project staff

### *Challenges and opportunities ahead*

The major challenge will be to help support and develop local, cost-effective multipliers, i.e., institutions to disseminate public information, promote advocacy, and provide specialized technical and professional skills. Project efforts in this area have been effective, but the need is vast and transcends what a project can achieve by itself.

Two opportunities to make a difference are in mining education and entrepreneurship development. Coming into being later than anticipated, the National Tripartite Council can provide a national-to-local high multiplier mechanism to educate citizens and communities on mining issues. Another opportunity is a center for entrepreneurship to provide consulting and customized technical assistance and advocacy for Mongolian businesses on a financially self-sustainable, commercial basis, and started with donor assistance. [\[More: Annex B, Detailed Information Sheets, Developing knowledge and skills for a market economy\]](#)

## EQUIPPING CITIZENS FOR PARTICIPATION

Institutions provide the framework for achieving specific goals, but their performance depends on the knowledge and attitudes of participants. A pluralist open society requires informed citizens to enable them to effectively participate in decisions that affect them, conduct dialogue with government, and hold government accountable. These are novel ideas in a society like Mongolia, with only its first generation coming of age under a market economy.

The project worked with citizens to equip them to participate in a dialogue about economic issues and with government agencies to improve their communications and openness to the public. The range of activities was broad: from the symbolism of citizens asking live questions of top national leaders on national television, to educating journalists on economic issues and the workings of a market economy, to helping citizens understand mining and participate in its benefits.

Project activities focused on:

- Helping citizens conduct a dialogue with government
- Improving mass media coverage of economic issues through the Economic Journalism Club
- Helping citizens understand mining and participate in its benefits
- Helping government agencies communicate with the public.

The openness of Mongolian citizens and receptivity to new ideas were key factors in the success of project activities in this area. On the government side, the public education campaign during 2005-2006 to build a national consensus on tax reform showed initially skeptic government officials the benefits of openness and communications with the public. The prevailing mindset and culture of closed government agencies has begun to change and models of openness and service orientation have emerged, shown by the tax department's program on customer service.

The overview of project activities to equip citizens for participation: background, objectives, results, and their challenges and opportunities going forward follows. Annex B provides additional information on each activity through links at the end of each overview. [[More: Annex B, Detailed Information Sheets](#)]

## HELPING CITIZENS DIALOGUE WITH GOVERNMENT

**Background** Mongolia has achieved an exemplary democratic transition from a centrally planned to a market economy. The country has consistently followed a policy of becoming a member and/or signatory to global and regional bodies and conventions and developed a supportive legal framework. Nonetheless, the framework, institutions, and mechanisms necessary to support citizens' participation, good governance, advocacy, and transparency are incipient.

Given Mongolia's youth as a democracy, the requirements of a functioning pluralistic and democratic society of having engaged and educated citizens, free exchange of information and knowledge, and government officials and institutions that communicate with citizens and are open to their inputs are relatively novel.

Aided by Mongolians' openness and receptivity to new ideas, the project visualized and realized the opportunity to assist government officials and institutions in communicating better and developing citizens' and stakeholders' capacity to engage in an informed dialogue through the means described herein.

- Objectives**
- Improve public transparency and information on economic issues affecting the country
  - Improve public accountability and communications with citizens by developing mechanisms for citizen dialogue with government and business decision-makers
  - Provide and divulgate best international practices and cases to inform the dialogue between policy-makers and stakeholders on potential initiatives to improve country competitiveness

- Results**
- Introduced the Open Talks program concept in Mongolia where top-level decision-makers, beginning in December 2004 with the participation of the prime minister and speaker of Parliament, answer live questions coming via telephone and SMS from citizens on a program carried nationwide by TV and radio; the format of the program is now a common feature in Mongolian television.
  - Mongolian citizens provided with opportunities to participate in dialogue with and ask questions of decision-makers, improving accountability.
  - Citizens and decision-makers better informed about economic policy issues through targeted programs on taxation, trade facilitation, PPPs, lack of investment in the energy sector and capacity to satisfy projected needs, and economic impact of potential air liberalization.
  - Held 16 Open Talks (later known as Stakeholders Talks) programs on national television and radio in collaboration with the Parliament Secretariat's Open Government website; viewers and listeners submitted 3,889 questions for high-level decision-makers from government and business.
  - Broadcast six educational television programs nationwide, including four Hot Topix programs on energy, transportation, and logistics.

## Challenges and opportunities ahead

Open Governance and national public dialogue: Mongolia takes advantage of IT



Beginning with the national television and multimedia Open Talks program in December 2004 where leaders of the coalition government, the speaker of Parliament, and the prime minister answered live questions from citizens on the 2004-2008 Government Action Plan, the project expanded this national virtual town hall program format to other topics. The tax reform process of 2005 and 2006, for example, developed a series of Open Talks where citizens could ask questions of government officials and business leaders and debate tax issues. Television programs where leaders debate and citizens ask questions, following the Open Talks national television program format, have now become common on Mongolian television. The initial challenge of involving citizens was turned into an opportunity.

As these national public dialogue program formats have become popular, the challenge will be to move to the next stage: developing a more specialized mechanism of dialogue and negotiation among business, civil society, and government agencies to cut red tape, simplify procedures, and improve transparency and accountability. This will not be an easy task, as businesses are often reticent to publically air their grievances with government agencies for fear of reprisals, and appropriate channels for civil society to engage in productive dialogue with government agencies, as opposed to demonstrations, are in their infancy. [\[More: Annex B, Detailed Information Sheets, Helping citizens dialogue with government\]](#)

### IMPROVING MASS MEDIA COVERAGE OF ECONOMIC ISSUES THROUGH THE ECONOMIC JOURNALISM CLUB

#### Background

The media in Mongolia have grown and improved significantly in the last 20 years. In the past 10 years, there has been a more than 50 percent increase in the number of media outlets.

With the vast and growing number of media outlets, there is fierce competition for readers and funding; independent media outlets have difficulty operating as profit making businesses. Therefore most media outlets are privately owned, often by politicians who use them as a loudspeaker for their interests.

This competition and difficulty in finding funding for news has contributed to a high percentage of 'paid-for' articles and programs that are published and broadcast—journalists write the content that is paid for rather than independent and well-researched articles. In addition, this competition has led to a substantial amount of yellow press, or sensational news, to draw readers, rather than a focus on high-quality reporting. Therefore, despite the number of newspapers and television programs, unbiased reporting on economic issues has been lacking.

The project partnered with the Press Institute, the leading NGO promoting independent and fact-based journalism in Mongolia, and other supporting organizations, including the World Bank and Open Society Forum to launch the Economic Journalism Club to focus on improving the skills of journalists covering economic issues, and their access to sources of information to write well-researched and unbiased articles.

On the eve of Mongolia's rapid economic development, the need for accurate reporting on economic issues is essential for the public to understand the issues and have an educated voice in the democratic process.



Photo: Mongolia EPRC/Megan O'Neil

Journalists visited Baganuur coal mine to provide news coverage on the state of the country's largest operating coal mine as part of a public education campaign with the Energy Regulatory Authority.

**Objectives** Through club-organized roundtable discussions, training, and site visits, journalists get first-hand access to accurate information, directly from technical experts and decision-makers. With discussion sessions throughout training and roundtable events, journalists work to understand the issues and how to present them in an accessible way for the public.

- Results**
- Economic journalists got exposure to technical information on economic issues and had the opportunity to exchange ideas with experts
  - EJC organized 27 roundtable discussions, training events, site visits, and other events on topics ranging from the role of investigative journalism in improving corporate governance to the state of Mongolia's energy sector
  - EJC member journalists produced 183 news stories following club events through print and online newspapers, radio, and television
  - The quantity and quality of economic news coverage increased.
  - Project leveraged resources by enlisting other donors and institutions to collaborate

**Challenges and opportunities ahead** An open-market economy requires a transformation of institutions and relationships as well as informed citizens. Finding effective means of educating citizens on the institutions and operations of a democratic market economy has been and will remain a challenge.

*Jumpstarting Economic Journalism in Mongolia*



Effective use of mass media (newspapers, magazines, radio, television, and websites) can provide multipliers, that help meet this challenge. The documented results show that the recently established EJC provided such a multiplier, as its meetings generated many articles and mass media coverage for public use.

As the challenges of educating citizens on economic issues and the workings of a market economy will persist, educating journalists who write about economic issues for the public will continue to be an effective channel of communications. [\[More: Annex B, Detailed Information Sheets, Improving mass media coverage of economic issues through the Economic Journalism Club\]](#)



## HELPING CITIZENS UNDERSTAND MINING AND PARTICIPATE IN ITS BENEFITS

*Background* Mining will become a key driver of the Mongolian economy as the country taps its vast mineral resources. Already, mining contributes about 40 percent of the country's GDP and the signing of a \$4.6 billion investment agreement in March 2010 to develop a mine from the world's largest copper and gold deposit is likely to make Mongolia the fourth-largest copper producer in the world, deeply transforming the country.

There is little and uneven understanding of mining, its cycles, trade-offs, benefits, and risks among Mongolian citizens. The lack of shared basic information on mining is an obstacle for effective informed participation by citizens in decisions affecting them. In addition, the lack of mechanisms for dialogue and participation among citizens, government, and mining companies creates an atmosphere of distrust and potential for conflicts.

Often, the diverse stakeholders of mining, including civil society, government, and the mining industry, are at odds, as mining frequently involves companies moving individuals off their lands or out of their livelihoods to extract minerals, the benefit of which may or may not be felt by the local community.

A fundamental role of the newly established National Tripartite Council for Mining Education and Conflict Mitigation will be to continue to educate citizens on mining, its effects on their communities and country, and how to participate in and benefit from the growing mining industry. In working to mitigate conflicts, the council will also continue to work with all parties involved in mining to learn how to avoid and resolve conflicts.

- Objectives*
- Develop public educational materials on mining
  - Improve disclosure and public education on mining issues
  - Develop mechanisms to facilitate citizens' participation and dialogue on mining-related issues
  - Create mechanisms for civil society, mining industry, and government to dialogue and develop working consensus on mining issues

- Results*
- Developed public education materials on mining issues: a) the Minerals, Metals, and Mine Life Cycle modules; b) a trainers' manual; c) a train-the-trainers program; d) selected, trained, and certified nine trainers to conduct training for communities in mining-affected areas; e) developed educational video on The Mine Life Cycle; and; f) developed a community handbook for trainers' use
  - Delivered the six-module workshop series on Minerals, Metals, and Mine Life Cycle, in 12 workshops, training 396 participants from civil society, government, and industry on mining issues, to help them communicate with one another, and develop a working consensus
  - Certified 26 Mine Life Cycle trainers
  - Developed a workshop series on Conflict Resolution: Costs, Risks, and Avoidance and delivered it to 600 representatives from the mining industry, government, and civil society

*Challenges and opportunities ahead* The project developed, pilot-tested, refined, and handed over an extensive set of instructional materials based on the Mine Life Cycle, to the National



Photo: Mongolia EPRC/Tsolmon Naidandorj

EPRC educated students in mining-intensive Dalanzadgad on the life cycle of a mine and how communities can get involved.

Tripartite Council for Mining Education and Conflict Mitigation. In addition, the project selected and trained trainers to deliver these materials to communities across Mongolia.

#### Lifting Local Voices in Mining



The challenge will be for the National Tripartite Council, and for Mongolia, to build on these materials and develop cost-effective means for using these materials to improve citizens' understanding of mining and participation in its benefits. The magnitude of the challenge of educating citizens about mining and the need to maintain a delicate balance of three parties frequently at odds with one another will require external technical assistance to the council during the next two to three years. *[More: Annex B, Detailed Information Sheets, Helping citizens understand mining and participate in its benefits]*

## HELPING GOVERNMENT AGENCIES COMMUNICATE WITH THE PUBLIC

### Background

Most government agencies lacked a culture of open communication with citizens and were unable to communicate effectively with the public. The public had little information about their roles, services, and programs.

#### From Rocks to Riches



Key government agencies, including GDT, GASI, and Customs lacked or had only one public affairs officer; a key constraint for effective communication with the public. Public affairs officers of the agencies often lacked professional training and had little knowledge or experience in developing and implementing public communications strategies and working with the media.

Government agencies also did not use communications tools effectively.

Agencies often did not have public information websites, and those that did failed to update them regularly, did not include information that was helpful to citizens, and did not allow for two-way communication between citizens and government officials.

Upper management and staff of the agencies often lacked a basic understanding of the importance of communications to the media and the public to improve disclosure and transparency. The lack of information provided to citizens about services and procedures of government agencies reinforced public perceptions of their lack of transparency and responsiveness.

### Objectives

- Improve disclosure, public education on issues, facilitation of procedures and services to the public, and resolution of complaints
- Improve the availability of and access to important and useful information for Mongolian citizens through government websites
- Increase the amount of easy-to-understand communications and promotional materials for the public about the role and functions of the agency and promote compliance with policies, regulations, and procedures
- Improve agencies' understanding of the role of civil servants to serve the public
- Improve government agencies' understanding of the importance of effective public relations and public communications.
- Strengthen the methods, tools, and capacity of government agencies to provide information to citizens
- Improve public perception of agencies and the relationships between citizens and government

### Results

- 14 “meet the press” workshops for journalists held linking government agencies with journalists through The Press Institute; 102 newspaper articles and 76 television and radio news programs generated
- 14 training workshops held for 389 participants from government agencies (166 men; 223 women) on public communications and customer service
- Joomla! open-source content management system converted to Mongolian language, allowing government agencies to design and manage websites that are easy-to-use, license-free, and have full Mongolian language capability to communicate with citizens and improve transparency; 45 GOM websites and more than 20,000 nongovernment Mongolian websites use the system

### Challenges and opportunities ahead

The transition to a democratic market economy posed challenges to government agencies not used to openness and communicating with citizens and clients. Initially reticent to communicate with the public, the public information campaign that the tax office conducted with project support in 2005 and 2006 showed the potential of a well-run public communications program. Government agencies became more interested in communicating with the public.

#### Raising the Bar: Tax Office Customer Service



To satisfy agencies' demand for assistance with communications, the project developed products or packages of assistance, including the full adaptation into Mongolian of open-source software to develop and manage websites — Joomla! International Mongolian Edition — now widely used in Mongolian websites, public and private. Assistance to government agencies to communicate with citizens often provided an impetus for the agency to review and simplify its processes and to make them clear to the public. The most

successful case was a series of user-friendly tax brochures that the tax office developed with project assistance.

The challenge of assisting agencies with communications with citizens has been and will continue to be how to help them develop stories worth telling, i.e., how to help them simplify procedures and cut the red tape for citizens. [\[More: Annex B, Detailed Information Sheets, Helping government agencies communicate with the public\]](#)

## HELPING MONGOLIAN BUSINESSES, COUNTRY COMPETITIVENESS, AND PRIVATE INVESTMENT

An open-market economy requires a stable and predictable macroeconomic and business environment, but the competitiveness of a country ultimately rests with the ability of its businesses to develop and deliver products and services that are valued, generate profits, and provide employment. Project activities in this area were diverse and designed to improve country competitiveness: from assisting businesses, especially in the cashmere and tourism sectors, helping draft enabling legislation for concessions to attract private investment, and getting Mongolia ranked in the World Economic Forum's *Global Competitiveness Report*, to assessing opportunities for new businesses to serve a growing domestic market and provide jobs.

Beginning more than seven years ago, project activities in this area are best seen as initial investments in improving the knowledge and skills of Mongolian businesses, policy-makers, and citizens of best international practices and helping them become aware of unrealized opportunities. Such is the case of the program to assist businesses, the concept of country competitiveness to improve the business environment, and PPPs to attract private investment in infrastructure.

The business assistance program ran for five years at a time when businesses were basically learning how to operate and running in survival mode. Times have changed since then, as more businesses are able to generate profits.

Introduced to Mongolia in 2005, the concept of country competitiveness is only now becoming understood, embraced, and supported among leading businesses and policy-makers. Similarly, the concept of PPPs and concessions that the project initially promoted in 2005 through proposed enabling legislation and in 2009 as a means to create a logistics park was finally embraced in the Concessions Law passed in January 2010.

Additional “enabling investments” the project made in the last year, for potential high returns in the next two to three years, include promotion of liberalization of air services and assessment of opportunities in selected sectors to create or expand businesses to satisfy growing domestic demand.

Project activities in this area include:

- Routes to markets for Mongolian cashmere
- Developing tourism products and promoting Mongolia as a destination
- Attracting private investment through PPPs and concessions
- Developing domestic markets and employment: emerging opportunities
- Supporting competition and liberalization of air service

The overview of project activities to help businesses, country competitiveness, and private investment: background, objectives, results, and their challenges and opportunities follows. Annex B provides additional information on each activity through links at the end of each overview. [\[More: Annex B, Detailed Information Sheets\]](#)

## ROUTES TO MARKETS FOR MONGOLIAN CASHMERE

*Background* Mongolia is the second-largest raw cashmere supplier in the world, after China, supplying more than 20 percent of the world's raw cashmere. Exports of raw, semi-processed, and value-added cashmere represent about 10 percent of the country's total exports in 2007, according to the National Statistics Office. The international demand for finished cashmere products and Mongolia's abundant raw materials results in a high potential for growth in the country's cashmere value chain.

However, Mongolia's cashmere industry was failing to take advantage of this potential. The project analyzed the cashmere value chain in 2005 and found that the industry suffered from poorly managed companies with no access to affordable sources of finance, inconsistent quality of cashmere products, no links to international markets, and fierce competition from China, which boasted a far larger industry with low costs and low prices.

At the time the largest firm, Gobi Cashmere, was still state-owned, losing \$2 million per year, and operating with old and poorly maintained equipment. Despite USAID support in attempting to privatize the firm since 2001, this was not achieved until 2007. The second-largest firm at the time was privately owned but unable to raise funds to buy raw cashmere. Other firms faced difficulties in low productivity, lack of design capabilities, and no links to international buyers. All of these companies also lacked access to affordable financing; with domestic interest rates at 37 percent, it was very difficult for companies to be profitable.

The top cashmere producer globally, China, outlined its strategy in 2005 to control and regulate the entire value-added cashmere sector, using excess processing capacity to finish products using Mongolian and other raw cashmere and export them under its own brands. Mongolia's exports of raw cashmere had already been increasing, and if the trend continued, China could use its buying power to drive prices of raw cashmere down, which would hurt Mongolian herders and the economy.

Further threatening the growth of Mongolia's cashmere industry was the end of the Multifiber Arrangement on 1 January 2005. The arrangement had allowed the United States and European Union to impose import quotas on textile and apparel products from low-cost producers. As Mongolia was not subject to these quotas, the end of the arrangement brought far more competition from low-cost producers in countries who had previously been restricted from exporting goods to the United States and European Union.

However, opportunities for growth existed. The global cashmere market was growing, with better marketing and more low- and middle-market brands offering affordable products. In addition, high labor costs in Europe caused many factories to close, leaving room for Mongolia to fill in the gaps.

With encouragement from the government of Mongolia, EPRC developed the Routes to Markets program to help cashmere companies produce higher-quality cashmere products, establish links to international markets, open the door for international investors, and build the brand of Mongolian cashmere globally.

The project worked with five companies producing final cashmere products that were willing to share the costs of the assistance. From 2005 to 2007, the project conducted individual meetings and provided specialized consulting for each of the companies to upgrade their product quality, identify investors, and introduce them to international agents and buyers in the United States and Europe.

The project also collaborated with the Mongolian Fibermark Society (MFS), established with support from USAID in 2003, to develop and market the brand of Mongolian cashmere to sell products in international markets. MFS assisted the project and five companies on a second tour to the United States to market their goods and promote the brand of Mongolian cashmere.

However, the project found that MFS needed to improve the requirements for its certification to meet international standards for finished- and semi-finished products and the ability to effectively test cashmere with an accredited laboratory. The project collaborated with Intertek Testing, a multinational company, to assess the feasibility of establishing an independent laboratory in Mongolia and estimated that a foreign testing company could recover its initial investments in three years.

**Objectives** The objectives of the Routes to Markets program were to help Mongolian cashmere companies:

- Understand and become familiar with requirements of U.S. and European markets, including design, seasonal trends, quality standards, and delivery
- Establish relationships with U.S. and European up-market stores and distributors
- Facilitate potential new investments
- Upgrade their product lines and quality standards to meet requirements of international markets

### Results

- Designed and implemented mechanisms to leverage project funds to assist individual Mongolian businesses through the Business Development Fund (BDF) and collaborative projects to improve competitiveness through the Mongolian Competitiveness Fund (MCF); total fund commitments of BDF and MCF at the end of the project amounted to \$654,393 and the value of client contributions was \$985,741 for a match of \$1.51 in clients' contributions for each dollar spent through these funds
- From 2005 to 2007, the project supported Gobi Corporation, Ezio Foradori, Goyo, Altai cashmere, and Eermel Cashmere Company upgrade their product lines and quality standards; EPRC's BDF provided \$241,323, funding for diverse projects, with companies contributing 53 percent of these funds.
- The project advised Eermel Cashmere Company on a complete restructuring of the business; the company rose from bottom rankings in the domestic cashmere market to exporting \$500,000 worth of finished cashmere products in 2006 and about \$1,000,000 in 2007
- The project assisted four Mongolian cashmere companies that shared costs to attend a large sourcing trade show in Las Vegas in February 2006. For three of the companies, this was their first meeting with U.S. buyers
- During 2006 with assistance from the Routes to Market program, participating cashmere companies exported in excess of \$500,000 of



*Gobi Cashmere Company designer with one of her unique cashmere dresses. Gobi Cashmere Company was one of the five companies EPRC assisted through the project's Routes to Markets program.*

- cashmere products to new customers in Europe and United States
- The project worked with the Mongolian Fibermark Society through its MCF to organize a mini-exhibition of Mongolian cashmere in New York in March 2007, with the same four cashmere companies, resulting in orders worth \$100,000
- Privatization of Gobi Cashmere Company; the project conducted a pre-privatization technical and financial review; project consultants assumed initial management of the newly privatized company

### *Challenges and opportunities ahead*

The project's Routes to Markets program introduced Mongolian cashmere product manufacturers to foreign buyers, demands of these markets in terms of quality, styles, and prices, and helped develop links and product orders. But, the challenge of helping the sector produce what the markets want remains. Cashmere companies that have understood this principle are growing and increasing their foreign sales; those that have not are lagging.

Intimately intertwined with traditional lifestyles of Mongolia, its cashmere sector has been the subject of innumerable assessments, policy papers, and projects. They have made contributions, but none has made a difference, and the challenge to modernize the sector through its value chain (producers, processors, manufacturers, marketing, technology, and finance) remains unmet.

An immediate challenge will be continuation of efforts to develop a Mongolia cashmere brand that USAID began nine years ago. Although the brand was registered in several foreign markets, attempts to develop a consensus on technical specifications and laboratory certification was not successful due to a fragmentation of interests. In retrospect, the sector was not yet ready for development of a Mongolia brand, the requirements for supporting it, and the advantages it brings in foreign markets when it is backed by strict enforcement of quality standards.

Building foreign consumers' identification with a Mongolia cashmere brand will not be easy, but it can provide a unifying concept to pull sector stakeholders together. Mongolia could borrow a page from Colombian coffee producers and processors. The Juan Valdez coffee brand provides a successful example of building a brand with a high level of recognition in North American markets that allows it to command a price premium in those markets. Cashmere is to Mongolia what coffee is to Colombia: a defining product of nationhood.

[\[More: Annex B, Detailed Information Sheets, Routes to market for Mongolian cashmere\]](#)

## **DEVELOPING TOURISM PRODUCTS AND PROMOTING MONGOLIA AS A DESTINATION**

### *Background*

With the transition to a free-market economy beginning in the 1990s, the Mongolian government began looking to tourism as a potential source for social and economic development and the creation of new jobs. The government took steps to promote tourism by developing a suitable legal and policy environment for private companies to operate in the sector.

In 1996, Mongolia joined the World Tourism Organization and began actively participating in international tourism trade fairs in the European Union, United States, Japan, Korea, and China to promote Mongolia abroad as a destination. In

In 1999, the government approved the Master Plan to foster National Tourism in Mongolia, its strategy to grow the tourism sector through 2015, and established the Mongolian Tourism Board as a government implementing agency, which was later expanded and merged into the Ministry of Roads, Transport, and Tourism in 2004.

In 2000, the government passed the Tourism Law to regulate all aspects of the tourism sector. After some amendments were passed in 2001, the law considered important aspects of the industry, but arguably failed to allow the private sector the freedom to manage its own business by trying to over-regulate tourism-related activities. In addition, the government was criticized for not actively serving private-sector needs through adequate promotion of Mongolia in key tourism markets.

Despite faults in the law and criticism, the government continued its efforts to promote Mongolia abroad, using branding to advertise the country, naming 2003 the Visit Mongolia Year, 2004 the Discover Mongolia Year, and 2006 the 800<sup>th</sup> Anniversary of the Mongol State Year.

Fragmentation of private companies in the sector, insufficient marketing of travel opportunities, and lack of diversity of tourism products constrained growth of the industry. There was no uniting force from the private sector promoting tourism and providing input into government policy related to tourism.

Potential tourists abroad had little access to information on travel adventures in Mongolia. Although leading tourism-related companies promoted their products on their own websites, these sites were difficult to find for potential tourists, and many served simply as online brochures that were quickly out of date.

In addition, most individual tour companies provided similar services—ger camps with the same menus, level of services, lack of activities, etc. There was little diversification of tourism products to attract visitors and bring the benefits of tourism to local communities through community-based tourism products.

If tourists did come to Mongolia, there was no place for them to learn about tour options and bookings, cultural events, hotel reservations, internal flight and train schedules, and other services that would make their stay easier, potentially longer, and full of opportunities to spend money.

Mongolia was also missing opportunities to promote travel and tourism in the more remote parts of the country. Without information about these places, there was no demand for transportation or tours in these areas, and no opportunities for local communities to benefit from tourism.

From 2004 to 2008, EPRC worked to enhance the competitiveness of the tourism sector by addressing these constraints with counterparts from government, private sector, and nongovernment organizations. Project initiatives included launching the first tourism portal to improve the visibility of Mongolia to potential travelers; opening the first tourist information center in the country; developing tourism products through co-funding for private sector





Photo: Mongolia EPRC/Tsolmon Naidandorj

Traditional eagle hunters from Bayan Olgii are a major tourist attraction in Mongolia.

initiatives; and facilitating creation of the independent Mongolian National Tourism Organization (MNTO), responsible for implementing state policy on tourism, training, information dissemination, promotion, and research.

- Objectives**
- Assist with development of an enabling legal and policy environment to support private businesses in the tourism sector
  - Help develop new tourism products and circuits
  - Promote Mongolia as a destination in European and North American markets
  - Assist tourism companies in establishing links with foreign tour operators, understanding requirements of different markets, and improving their services
  - Help develop and disseminate information for visitors to Mongolia

- Results**
- Assisted with revisions and draft amendments to Tourism Law.
  - Helped develop tourism products and circuits, including community-based tourism products in Khuvsgul *aimag* among the Tsataan (reindeer) people, the Chinggis Trail in Khentii *aimag*, and Western *aimags* tourism circuits.
  - Improved marketing of Mongolia as a destination in North America and Europe through participation in tourism trade shows.
  - National Geographic award to Mongolia as Best of 2008 Adventure Destination.
  - Assisted with establishment of the independent, private-sector-led MNTO, founded by 11 NGOs, seven private companies, and three individuals, which provides a united and coherent voice for the tourism industry to impact government policy and builds a national brand for Mongolian tourism.
  - Helped Mongolian tourism companies establish links with foreign tour

- operators through participation in international trade shows.
- Helped improve tourism services by supporting 19 organizations with co-funding through the MCF; total funding from the project reached \$355,313, with client contributions reaching \$643,927.
- Assisted MNTTO in developing a partnership with Odyssey Books & Guides publishing company and gathering information for Mongolia: Nomad Empire of the Eternal Blue Sky, part of Odyssey's companion series, launched in December 2009 in Ulaanbaatar and now sold in 23 countries.
- Helped establish Mongolia's first tourism information center in the Central Post Office, which served 191,574 tourists from its opening in 2005 through 2008. Although this center closed in 2008, a private tourist information center opened soon after in downtown Ulaanbaatar, which provides the same services with no donor support.
- Established first tourism portal website in 2007 to market Mongolia internationally and provide comprehensive information on travel and tour opportunities for prospective travelers worldwide. Today there are new privately supported portal sites that offer information on tourism products, accommodations, and services.

### *Challenges and opportunities ahead*

Mongolia is a seasonal country. Harsh and long winters dampen economic activity. Tourism is no exception: capacities built for summer peaks are underused in the winter months. Little can be done about this seasonality, but much can be done to improve flow of foreign visitors and tourists.

The major constraint to increased revenues from tourism lies outside the sector. International air access to Mongolia is more difficult than it should be. It is more expensive and less frequent than it could be due to bilateral air transport agreements that constrain competition and high aviation fuel prices, the product of anti-competitive contract procurement practices. Without addressing these challenges, growth of the tourism sector will be constrained and unable to develop its full potential contribution to the economy and job creation.

As tested through project efforts to market Mongolia as a destination, the country has a good potential to develop tourism in the adventure travel segments. Active promotion overseas of this Mongolia brand of tourism and addressing the liberalization of air services and aviation fuel procurement should provide enabling conditions for Mongolia to capitalize on the tourism opportunities it has. *[More: Annex B, Detailed Information Sheets, Developing tourism and promoting Mongolia as a destination]*

## **ATTRACTING PRIVATE INVESTMENT THROUGH PUBLIC-PRIVATE PARTNERSHIPS AND CONCESSIONS**

*Background* Mongolia faces a severe shortage of modern infrastructure to support its rapid economic growth, ranking 137 out of 139 on the World Economic Forum's *Global Competitiveness Report 2010-2011* indicator on quality of overall infrastructure, up from last place the previous year. There is a shortage of public funds to finance desperately needed renewal and expansion of the energy sector, transportation services, potable and waste water services, schools, hospitals, and jails, as well as development of new cities in mining-intensive areas.

With the estimated level of funding to meet these needs reaching \$10 billion, the government looked for a new model to modernize Mongolia's inadequate infrastructure. An effective method used internationally to leverage public funds for such investment is involving the private sector through a concession or a PPP. A concession refers to a grant by the government to a private company to provide a service traditionally provided by the government for a defined period via a PPP. Properly structured PPPs can mobilize private capital to develop badly needed, economically viable infrastructure.

In 2005, the Ministry of Justice asked EPRC for assistance to draft a concessions law as a chapter to the State and Local Property Law. The chapter would have added concessions as method of procurement of infrastructure services from the private sector. However, at the time, the government was not ready for this step and the draft was shelved.

In October 2009, the government adopted a state policy on PPPs and restarted discussions on a concessions law. After soliciting comments from the project and other donors on the draft law, parliament passed the first standalone Concessions Law in January 2010 to facilitate concessions and PPPs.

Aside from the legal framework, the government also explored options to facilitate trade and transport at Zamyn Uud, the main border point with China for international trade, where the volume of rail and road cargo processed through the border crossing tripled from 2004 to 2008. A new logistics park would vastly improve the efficiency of trade by smoothing the flow of goods in and out of Mongolia, reducing congestion at the border, and decreasing processing time for road to rail cargo. Estimates of the opportunity cost of poor logistics at the border crossing reached \$2.78 million weekly in the peak May-July season. The project conducted a feasibility study for a modern freight logistics park in Zamyn Uud, proposing development of the park through a PPP to leverage public investment with private funds.

- Objectives*
- Assist the government to create conditions for international investment in Mongolian infrastructure
  - Draft laws to create a framework to facilitate domestic and international infrastructure investment
  - Advise the government on international best practices in infrastructure investment and provide formal and informal training for the SPC's PPP unit and line ministries
  - Assist with preparation of model documents for concessions, including a project screening questionnaire, request of qualifications, and request for proposal
  - Draft model concession contracts
  - Conduct a pre-feasibility study for freight logistics park at Zamyn Uud and identify feasibility of using a PPP
- Results*
- Parliament adopted the Concessions Law on 28 January 2010.
  - Project drafted model concession contracts for the State Property Committee to facilitate implementation of toll road and power projects.
  - Introduced Mongolian policy-makers and private-sector stakeholders to international best practices for PPPs through international conference and

training

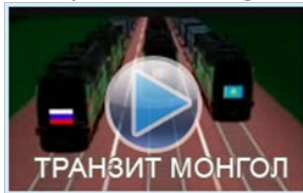
### *Challenges and opportunities ahead*

With passage of the Concessions Law in January 2010, Mongolia has enabling legislation to structure concessions and PPPs to attract private investment to help finance its deficit in infrastructure. Properly structured concessions and PPPs will also provide the opportunity to move the country up from bottom worldwide rankings in this area.

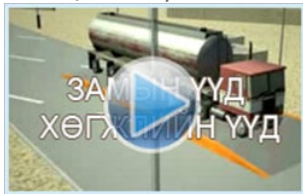
With the law now in effect for more than a year, the major challenge will be to make it work. To meet this challenge in the next two or three years will require:

1. Development and public discussion of proposed regulations and procedures to implement the law
2. Development and public diffusion of clear processes and sample forms for managing potential concessions and PPPs at different stages of the project cycle
3. Technical, legal, and business training of staff of the PPP unit
4. Technical training of GOM staff of relevant ministries, agencies, and central and local government units
5. An ongoing communications strategy to educate businesses, policy-makers, government officials, and the public on PPPs, concessions, and successful country experiences

Hot Topic: Transit Mongolia



Hot Topic: Zamyn Uud: Gate of Development



The most promising opportunity that concessions and PPPs offer is their potential to attract private investment to overhaul obsolete assets in the energy, transport, and water sectors to improve the quality and coverage of delivery of service. The challenges for Mongolia will be to develop instruments that mitigate the risk to investors, as has been successfully done in other emerging economies, when government-set tariffs are below cost recovery. Investors do not go into business to lose money. This has to be clearly understood. The government's role is to protect the fiscal interests, foster competition, and negotiate the best deal, but investors need a return on their money for the level of risk they undertake. Otherwise, investment capital will go elsewhere or try to negotiate less than transparent quid pro quo deals. [\[More: Annex B, Detailed Information Sheets, Attracting private investment through Public-Private Partnerships and concessions\]](#)

## **DEVELOPING DOMESTIC MARKETS AND EMPLOYMENT: EMERGING OPPORTUNITIES**

### *Background*

Urbanization and rising disposable incomes are changing consumption patterns and expanding domestic demand for products. In urban areas, diets are becoming more diversified and demand for milk, dairy products, eggs, and poultry meat, among other goods, is straining local production capacity, leading to increased imports to satisfy this growing demand. The same applies to construction materials and other products.

In 2008, Mongolia's manufacturing sector accounted for only 4.3 percent of GDP. Of the economically active population of 1 million, only 48,000 were employed in this sector. But, the small manufacturing sector and the open and relatively undifferentiated Mongolian economy are likely to change rapidly. The emergence and expansion of mining supply chains will fuel faster growth in disposable incomes and urbanization.

Growth of domestic demand will provide opportunities for Mongolian businesses to expand selectively into new lines of products and services that will offer economies of scale and location and cost advantages, making them capable of competing with imported products. These new businesses will generate increased employment, upgrading of labor force skills, development of supply and distribution chains, and economic multipliers.

To facilitate diversification of the economy and generate employment, the government of Mongolia declared 2009 as the Industrialization Support Year. To support this initiative, and at government request, the project assessed market trends, domestic demand, and production of cement, iron bars, and glass.

To satisfy a growing demand for poultry meat, the project conducted a detailed analysis of market trends (domestic demand and imports), technological requirements (especially feed requirements), costs, profitability, and structuring of business enterprises.

- Objectives**
- Conduct pre-feasibility assessments of selected sectors where Mongolian businesses could competitively satisfy domestic demand
  - Assess capacity of local businesses to expand and meet growing domestic demand
  - Identify and address key inputs and technological, management, structuring, and capital requirements
  - Present, discuss, and make findings publically available
- Results**
- Developed and tested a methodology for facilitating entry of Mongolian private businesses into new lines of products and services to satisfy domestic demand competitively.
  - Assessed market demand trends, local production, and imports of construction materials (cement, iron bar, and glass), presented and discussed the following findings:
    - Market demand for cement, iron bar, and glass has been increasing rapidly since 2004 and is expected to continue to increase due to economic growth and demand for housing.
    - Raw materials and inputs for cement and iron bar production are located close to the local market and are competitive in cost and technical specifications.
    - However, local producers have been unable to expand production due to a lack of management capability to establish a well-running supply chain, and access to capital.
    - Two cement production plants could be built to meet local demand: one large-scale production plant at Dalanjargalan *soum* of Dornogovi Province to supply to markets in Ulaanbaatar, Oyu-Tolgoi, Tavan Tolgoi, and Zamyn Uud; and one medium-scale plant at Bayakhongor *soum* to supply markets in Western *aimags* and nearby locations.
    - The government should undertake the restructuring of the Darkhan Metallurgical Factory.
  - Completed pre-feasibility assessment on establishing a broiler industry in Mongolia and determined that establishing an industry is feasible; presented the following findings and recommendations to policy-makers and sector players:

- Domestic demand for poultry meat has been rising rapidly, at 22 percent per year since 2004, and 90 percent of the market is supplied by imported frozen chicken.
- Although corn, a core ingredient for chicken feed, is not locally produced, it can be replaced with a mixture of feed-grade wheat, locally available at reasonable prices, and a special enzyme, *xylanage*, that can be easily imported.
- Establishment of a broiler industry is technologically feasible and highly profitable for the diverse enterprises that could be structured.

### *Challenges and opportunities ahead*

Growth of domestic demand due to urbanization and rising incomes will provide the opportunity for Mongolian businesses to generate jobs by expanding selectively into new products and services that can effectively compete with imports. The challenge will be to design and implement assistance that does not distort markets but brings best international practices and technologies and adapts them to specific Mongolian circumstances.

The difficult economic conditions of Mongolia in late 2003, when the project started, have changed. Businesses have expanded and the economy has improved, with mining investments supporting further economic growth. These trends and the expectations of Mongolian citizens encapsulated in: ‘where is my job?’ and ‘what is mining going to do for me?’ led the project to assess sectors such as cement and poultry meat production.

The project methodology to finance selected market assessments (domestic production and imports trends) that offer Mongolian businesses the opportunity to expand into new products or services, provide jobs, and compete with imports can be replicated. The immediate challenge will be to design and implement a locally embedded package of assistance that is cost-effective, commercially oriented, and financially self-sustaining to assist Mongolian businesses with execution and expedite their expansion when such expansion is found profitable and competitive in the assessments. [\[More: Annex B, Detailed Information Sheets, Developing domestic markets and employment: Emerging opportunities\]](#)

## **SUPPORTING COMPETITIVE AIR SERVICE**

### *Background*

Lack of basic infrastructure is a major factor constraining economic growth in Mongolia. According to the World Economic Forum’s *Global Competitiveness Report 2010-2011*, Mongolia ranks 129 out of 139 countries in the quality of air transport infrastructure and at the bottom of the rankings in overall infrastructure at 137. Simply stated, Mongolia is not investing enough in infrastructure. Persistent under-investment is having a negative impact on economic growth, living standards, and private-sector development.

Domestically, air transportation plays a decisive role in supporting national development, especially in the development of economically remote provinces given the sparsely populated, vast territory of Mongolia. Internationally, it is also a key sector to facilitate foreign trade and reach international markets, particularly tourism markets.

The development of untapped mineral resources is expected to lead to

significant economic growth. Economic growth usually results in increased demands on transportation sector, including air service, in addition to the persistent, unmet demand, especially during peak travel seasons. It is critical that Mongolia begins to prepare the aviation sector to accommodate and manage the expected growth by expanding passenger traffic and capacity and strengthening safety and economic regulations of the civil aviation industry.

GOM needs a policy that frames long-standing and unfulfilled policy objectives of the civil aviation sector in the broader context of poor infrastructure, enabling economic growth ushered by mining investments, and mobilization of private capital within the framework of the recently passed Concessions Law to help finance the upgrading of international and domestic airports.

Mongolia has one state-owned international air carrier, MIAT, and two domestic privately owned airlines. With the expected annual double-digit increases in business travel, tourism, and airfreight, Mongolian civil aviation is lacking capacity in terms of airline seats and infrastructure to handle the additional volume. Although, the GOM has signed bilateral air service agreements with more than 30 countries, there are only four active routes connecting Ulaanbaatar with Beijing, Seoul, Moscow, and Berlin, with restrictions on flight frequency, capacity, and designated air carriers to operate between these routes.

#### Objectives

- Assist the Civil Aviation Authority (CAA) with drafting strategic policy objectives for civil aviation
- Assist the Economic Policy and Competitiveness Research Center (EPCRC) with the conduct of an assessment of economic impacts of a potential liberalization of air services in Mongolia
- Assist EPCRC with a public communications campaign to educate consumers and decision makers on air liberalization and its potential benefits

#### Results

- Drafted strategic policy objectives for civil aviation, including restructuring options for CAA, creation of a Civil Aviation Fund, and air liberalization delivered and discussed.
- Assessment of economic impact of potential air liberalization completed with EPCRC, with support from InterVISTAS; estimated economic impact (calculated in 2010 prices) include:
  - International air traffic: 112 percent increase (over 2010 levels)
  - Domestic air traffic: increase ranging from 43 percent to 87 percent (through onward connections)
  - International air cargo volume: 62 percent increase (from 2009 levels)
  - Reduction of international air fares: 42 percent decrease as a result of competition
  - Air fare savings: 158.4 billion MNT (\$121 million)
  - Additional international visitors: 117,000 visitors (21 percent increase over 2010 levels)
  - Additional visitor spending: 123.4 billion MNT (\$94 million)
  - Total additional jobs: 21,540, which is 2.1 percent growth in total employment
  - Total impact on GDP: 2.5 percent growth or 253 billion MNT (\$190 million).

- EPCRC released report in Mongolian and English, workshops on air liberalization held for journalists, newspaper articles published, and nationally televised Stakeholders Talk held on air liberalization and its benefits.

### *Challenges and opportunities ahead*

Mongolia's small and seasonal market, large territory, and sparse population place constraints on air services in the country. These constraints can be mitigated by appropriate policies, as has been reiterated during the last eight years. Mongolia's biggest challenge has been and remains how to move from repeated iterations of aviation-sector policy papers to concrete actions aimed at mitigating these constraints, expand services, and lower costs for consumers.

A key potential instrument to address this challenge would be an independent and transparent regulator for the sector. The CAA would need to be restructured and its regulatory component strengthened. Thanks to revenues from fly-over rights, the CAA is one of the few agencies that can cover not only its own operational costs but typically three quarters of the annual budget capital investments to improve airport and aviation infrastructure. Air domestic service to non-profitable destinations, for example, could be improved by negotiating subsidies on a per passenger/kilometer basis in exchange for competitively awarded multi-year granting of route licenses to private air carriers, which would enable them to secure financing on a more competitive basis.

Yet, the biggest opportunity, as demonstrated by the experience of other countries and documented quantitatively for Mongolia, is the potential liberalization of international air services. Although there is an incipient realization among certain policy-makers of the benefits of liberalizing air service and the need to make it more competitive, it remains to be seen whether consumers and businesses, once aware of these benefits, will join forces with the reform-oriented policy-makers to break the current inertia that benefits the few. [\[More: Annex B, Detailed Information Sheets, Supporting competitive air service\]](#)





**WORLD GROWTH  
MONGOLIA**





SECTION FOUR

# GOING FORWARD

THE EVOLVING CONTEXT

LESSONS LEARNED

CHALLENGES AND OPPORTUNITIES AHEAD

OPPORTUNITIES FOR USAID ASSISTANCE

## THE EVOLVING CONTEXT

This project ends at a time when Mongolia has largely completed a successful transition to a democratic market economy. It has implemented the first generation of reforms by creating an appropriate framework of laws and regulations and is ready to move into a second generation of reforms: making institutions work. The framework and designs of a market economy are in place, but the institutional building blocks that make it work need to be strengthened and developed.

Mongolia is also on the verge of an equally profound historical transformation. Exploitation of its vast mineral deposits will change the traditional lifestyles and landscape of the country and attract geopolitical attention incommensurate to its size as a source of valuable commodities to fuel the world economy. Its Third Neighbor Policy will have to become more sophisticated to develop and implement mechanisms that, without challenging its two powerful neighbors directly, subtly minimize Mongolia's dependence on them and maximize its economic, foreign policy, and markets options. This will require a concerted, sustained, and creative effort.

Large investments in the mining sector will accelerate ongoing urbanization, increase disposable incomes, and change patterns of consumption, expanding domestic demand. A growing domestic market will provide opportunities for expansion and creation of domestic industries and services and job creation in selected sectors as economies of scale develop.

USAID and the project have facilitated this transition by helping Mongolians implement its first generation of reforms — legal and regulatory framework — and start the second generation of reforms — building the institutional blocks required to support a market economy. The project teamed with Mongolian private-sector counterparts to establish the:

- Mongolian Mortgage Corporation
- Corporate Governance Development Center
- Credit Information Bureau
- Banking and Finance Academy
- National Tripartite Council for Mining Education and Conflict Mitigation.

The common thread of these institutions is that they have been established with Mongolian private-sector capital, are Mongolian-owned and -controlled, and have a sustainable business model, i.e., the ability to generate revenue, cover their costs and, as appropriate, generate returns to investors.

In addition to helping Mongolia develop new institutions to support a market economy, the project also assisted selected government institutions to work better. Project assistance in helping government institutions work better focused on improving laws and regulations, as well as developing processes, tools, and skills to help implement changes. Project work on helping government institutions work better focused on:

- Reforming the tax system
- Regulating the banking sector

- Regulating financial markets
- Regulating the energy sector
- Supporting fair market competition
- Facilitating trade
  - o Promoting a single electronic window for foreign trade
  - o Clearing imports faster through risk management
  - o Coordinating inspections of imports
  - o Improving logistics facilities to clear imports and exports
  - o Promoting Mongolia as a transit corridor between China and Europe
- Developing specialized professional and management skills.

Institutions provide the framework for achieving specific goals, but their performance depends on the knowledge and attitudes of participants. A pluralist open society requires informed citizens to enable them to effectively participate in decisions that affect them, conduct dialogue with the government, and hold the government accountable.

The project worked with citizens to equip them to participate in a dialogue about economic issues and with government agencies to improve their communications and openness to the public. The range of activities was broad: from the symbolism of citizens asking live questions of top national leaders on national television, to educating journalists on economic issues and the workings of a market economy, to helping citizens understand mining and participate in its benefits. Project activities focused on:

- Helping citizens hold dialogue with the government
- Improving mass media coverage of economic issues through the Economic Journalism Club
- Helping citizens understand mining and participate in its benefits
- Helping government agencies communicate with the public

Moving to the second generation of reforms — developing and making institutions work in a democratic market economy — will present challenges and opportunities for the country and the international community. Lessons learned from implementation of this project can provide insights and inputs to help address these challenges.

## LESSONS LEARNED

Reflection on what facilitated project activities and achievements leads to four major contributing factors:

1. A *project design* that combined provision of economic policy advice, assistance to the private sector, and public outreach for a suitable time horizon — initially, five years — with a sharp focus on private-sector-led economic growth and the resources required to deliver the necessary critical mass of inputs
2. A high level of *trust, open communication, and collaboration* among the mission, the embassy, and the contractor supportive of key strategic objectives, while remaining flexible to respond to emerging policy initiatives
3. An equally high level of *openness and trust of Mongolian counterparts* that

facilitated project technical support work

4. *A dedicated and professional project team that made working a pleasure*

Although these factors are replicable to some extent, their convergence at the same time and place is unusual. The project owes much of its success to this convergence. This propitious environment was sustained during the seven years of project operations and led to the notable successes highlighted in the *In a Nutshell: Seven Years of Successful Mongolia-USAID Partnerships* text panel included in the Executive Summary. The project leaves behind a legacy of sustainable institutions—basic building blocks of a market economy—that Mongolians built or improved with USAID assistance. Yet, not everything was successful; there were failures. Annex B described these, analyzed the reasons for the failures, and proposed strategies to address them. After seven years of USAID assistance through this project, it is legitimate to ask a broader question: what did we learn? In addition to the details provided in Annex B for each activity, we summarize the lessons learned as follows:

- Educating and informing citizens to enable them to participate in national dialogues about decisions that affect their lives was indispensable to achieve consensus around key issues such as the new tax laws. This will be a continuing challenge as Mongolia seeks to exploit its rich mining resources and decide how to allocate its benefits.* Initially conceived as a mechanism to support policy dialogue, project activities in this area became the entry point and lever for policy change and reforms. Institutions provide the framework for achieving specific goals, but their performance depends on the knowledge and attitudes of participants. A pluralist open society requires informed citizens to enable them to participate effectively in decisions that affect them, conduct dialogue with the government, and hold the government accountable. These are novel ideas in a society like Mongolia, with only its first generation coming of age under a market economy. The deep tax reform of 2005-2006 would not have been possible without the intensive public education and consensus-building campaigns that the government conducted with project support. One of the biggest challenges facing Mongolia going forward will be how to disseminate information about mining so that citizens can understand the issues, make informed decisions, and participate in its benefits.
- Civil society and business organizations have limited capacity to develop and propose alternatives to engage government in a productive dialogue.* Work with civil society organizations on mining education and consensus-building during the last two years of the project laid bare the need to strengthen their capacity develop value-adding proposals to engage government in a structured and productive dialogue. With very few exceptions, existing civil society and business organizations are weak and do not provide effective advocacy for their members. But the old patterns of top-down communication and closure are beginning to change. Mongolian businesses have started to develop advocacy institutions such as the CGDC and Economic Policy and Competitiveness Research Center (EPCRC) and committing resources to them. On the government side, models of openness, communication, and service orientation have begun to emerge, as exemplified by the Tax Department's program on customer service. Developing self-sustainable models to improve the capacity of civil society

organizations to achieve a working consensus among members to focus on core competencies to contribute effective, value-adding proposals to a dialogue with government remains an unmet challenge. This will not be possible without long term, patient and competent commitment from international assistance. Without this commitment it is unlikely that civil society organizations will evolve rapidly enough to provide alternative voices and visions in a national dialogue about Mongolian society.

- Unclear institutional authorities and overlapping responsibilities of some government agencies often lead to a gridlock in decision-making.* Two failures illustrate this point: the slow progress in implementation of the Single Electronic Window for trade facilitation (SEW) and of the proposed creation of a company to establish a public-private partnership (PPP) structure to develop logistics facilities in Zamyn Uud — Mongolia’s dry port. In spite of keen interest from Mongolian private-sector stakeholders in both cases, relevant GOM agencies failed to agree and act on these opportunities. The lesson learned was that there is a need to address the *institutional malaise* that affects some government entities that lack a clear focus or purpose, resources, proper authority to get the job done or have overlapping, duplicative responsibilities. A “second generation of reforms” should focus on improving the performance of selected government entities, as their inefficiency generates hidden costs that drag on the whole economy, at best, or provide unscheduled benefits — corruption — to a few, at worst. This second generation of reforms needs to help agencies simplify and develop well-designed processes — their core business — and make them known to the public and users. Institutional redesign of entities that regulate the banking sector — those involved in trade facilitation and infrastructure development, such as railways and aviation — should be given high priority for Mongolia to build on the “first generation of reforms” (an appropriate legal and regulatory framework) it has laid for a democratic market economy.
- Proper project strategy and competent technical implementation can mobilize resources to facilitate change.* The successes of this project provide additional evidence that USAID technical assistance can mobilize resources and facilitate deep change when coupled with a proper strategy and competent technical implementation. The strategic vision of the project was to bring best international practices to Mongolia, facilitate discussions and dialogue among Mongolians about these options, and help develop a local consensus about the way forward. This strategy paid off handsomely during the national tax reform debates that eventually led to the revamping of the taxation system to bring it in line with best international practices. The strategy also paid dividends when engaging Mongolian stakeholders in the creation of new institutions such as the Mongolian Mortgage Corporation, the Corporate Governance Development Center, the Credit Information Bureau, and the Banking and Finance Academy. In these cases, the project took the initial risk of funding the feasibility studies, facilitated discussions and meetings of counterparts, and provided initial technical assistance. Mongolian partners then took the major risks of raising capital and creating the institutions. Through this strategy, the project was able to mobilize \$26.4 million of additional funds from client co-payments, capital contributions of local partners, and multilateral and bilateral initiatives.

## CHALLENGES AND OPPORTUNITIES AHEAD

Based on the lessons learned and in addition to addressing them, Mongolia faces four main challenges:

- 1. Economic governance.* The common thread running through the web of prioritizing institutions to make them work better to deepen the transition to a democratic, open-market economy is governance — the fabric that allows citizens, civil society, and businesses to have a voice, participate in benefits, and hold decision-makers accountable. How Mongolia addresses these issues and the management of its natural resources in the next five to ten years will determine whether it emulates, for example, Chile, or falls prey to the resource-rich curse that has affected other nations. Citizens' education, managing expectations, and developing mechanisms of dialogue and participation will be big challenges, but also provide Mongolia with the opportunity to apply lessons learned from other countries and avoid their mistakes.
- 2. Enabling environment for private investment and fostering fair competition.* Mongolia is at the bottom in international rankings of quality of infrastructure. It needs to mobilize private investment to help reduce this deficit and enable economic growth. In addition to addressing the institutional malaise of some government entities, the country needs to promote fair competition and strengthen an independent regulatory capacity of its railways, civil aviation, banking, and financial sector, among others.
- 3. Role of the state in the economy.* Performance of remaining SOEs has generally been poor, and the government has taken initial steps to restructure them to run along commercial lines. Beyond the challenge of developing and implementing a workable model to restructure SOEs looms a bigger challenge: the role of the state in the economy. Should the state be an economic agent — that is, compete with the private sector — or limit its role to being a regulator, enforcer of laws, and promoter of fair competition? Developing and facilitating effective mechanisms of national dialogue and equipping Mongolian citizens, civil society, business, and government to seek common ground to help define what this role is or should be will be a continuous challenge.
- 4. Expansion of the domestic market and employment generation.* Increasing urbanization, rising disposable incomes, and changing patterns of consumption will continue to expand domestic demand for goods and services. These trends will be further reinforced by large investments in the mining sector that will transform Mongolian society and provide opportunities for expansion of domestic businesses and services and job creation. The challenge will be how to use these trends to best advantage to induce greater private investment, job creation, and upgrading of labor force skills.



## OPPORTUNITIES FOR USAID ASSISTANCE

The design of the Business Plus Initiative — the successor activity to EPRC — anchors it on working with businesses, civil society, and government to strengthen an enabling business environment. The design follows a proven model of a sharp focus, with enough time and resources to position BPI as the leading provider of assistance supportive of private-sector-led economic growth. It continues the USAID/Mongolia strategy of making a virtue out of necessity by concentrating relatively scarce resources to deliver a critical mass of inputs targeted to make a difference.

The detailed discussion of project activities, results, challenges, and opportunities contained in the body of the report and annexes, together with the reflections on broad lessons learned, challenges, and opportunities of Mongolia, provide a rich array of opportunities for assistance, but no fixed blueprint. If there is one unifying concept, it is for USAID to facilitate good economic governance in Mongolia.

Developing imaginative and effective means of equipping citizens, business, and civil society with the information and skills to participate in a national dialogue about mining issues, transparency, and a voice in the distribution of its benefits can be a niche for BPI. The way Mongolians approach and make these decisions in the next five years will determine whether the country rises to the challenge to become one of the best in its class or falls prey to the resource curse that has affected other countries so endowed. Judicious implementation of Mongolia's Third Neighbor Policy to enhance its geopolitical options combined with USAID assistance to support economic governance, broadly writ, can make a difference so that Mongolia *nescit occasum* — shows no decline.



# ANNEXES

ANNEX A: PROJECT RESULTS FRAMEWORK AND JOINT PROJECT INITIATIVES . . . . .	93
ANNEX B: DETAILED INFORMATION SHEETS . . . . .	99
ANNEX C: TRAINING AND EVENTS . . . . .	187
ANNEX D: TECHNICAL REPORTS . . . . .	211
ANNEX E: CITIZEN EDUCATION AND INFORMATION PUBLICATIONS . . . . .	213
ANNEX F: NEWSLETTERS . . . . .	215
ANNEX G: VIDEOS . . . . .	217



# ANNEX A: PROJECT RESULTS FRAMEWORK AND JOINT PROJECT INITIATIVES

The Economic Policy Reform and Competitiveness Project was an initiative funded by USAID/Mongolia and implemented by a consortium led by Chemonics International. Initially scheduled to end on 18 September 2008 after five years of operation, USAID exercised the option to extend the contract until 18 June 2011. For the extension period, the consortium includes AECOM International Development, Crimson Capital, Dexis Consulting, and The Open Society Forum (Mongolia).

The primary goal of EPRC was to accelerate and broaden sustainable, private-sector-led economic growth by improving the enabling environment for business and increasing Mongolian competitiveness on the world stage. This goal was achieved by creating synergies in: (1) economic and trade policy support, (2) energy sector reform support, (3) financial markets, and (4) consensus-building, public education, and national dialogue.

EPRC activities supported the U.S. government strategic objective “To generate rapid, sustained, and broad-based economic growth.”

The project addressed two objectives:

1. Accelerate and deepen the policy liberalization process in Mongolia
2. Promote increased competitiveness in the Mongolian economy.

*Intermediate Result 1.1: Improved enabling environment for private sector growth*  
*Intermediate Result 1.2: More competitive industries and sectors.*

The project was organized around four project intermediate results (PIRs) — one for each project component — and 11 key result areas (KRAs), as follows:

*Component 1: Economic and trade policy*

PIR 1: Economic, sectoral, and trade policy environment strengthened

- KRA 1.1 Enabling economic and sectoral policies strengthened
- KRA 1.2 Trade capacity strengthened

*Component 2: Energy*

PIR 2: Energy sector competitiveness, efficiency, and transparency improved

- KRA 2.1: Improved coordination of national energy sector policies
- KRA 2.2: Energy sector regulatory environment more transparent, market-oriented, and efficient
- KRA 2.3: Commercial orientation and practices at energy SOEs improved

*Component 3: Financial markets*

PIR 3: Financial market deepened, broadened, and better regulated

- KRA 3.1: Enabling legal and regulatory environment for business and finance strengthened
- KRA 3.2: Banking sector restructured, consolidated, and strengthened

- KRA 3.3: Strengthened corporate governance
- KRA 3.4: Facilitation of transactions to strengthen the competitive environment of selected markets

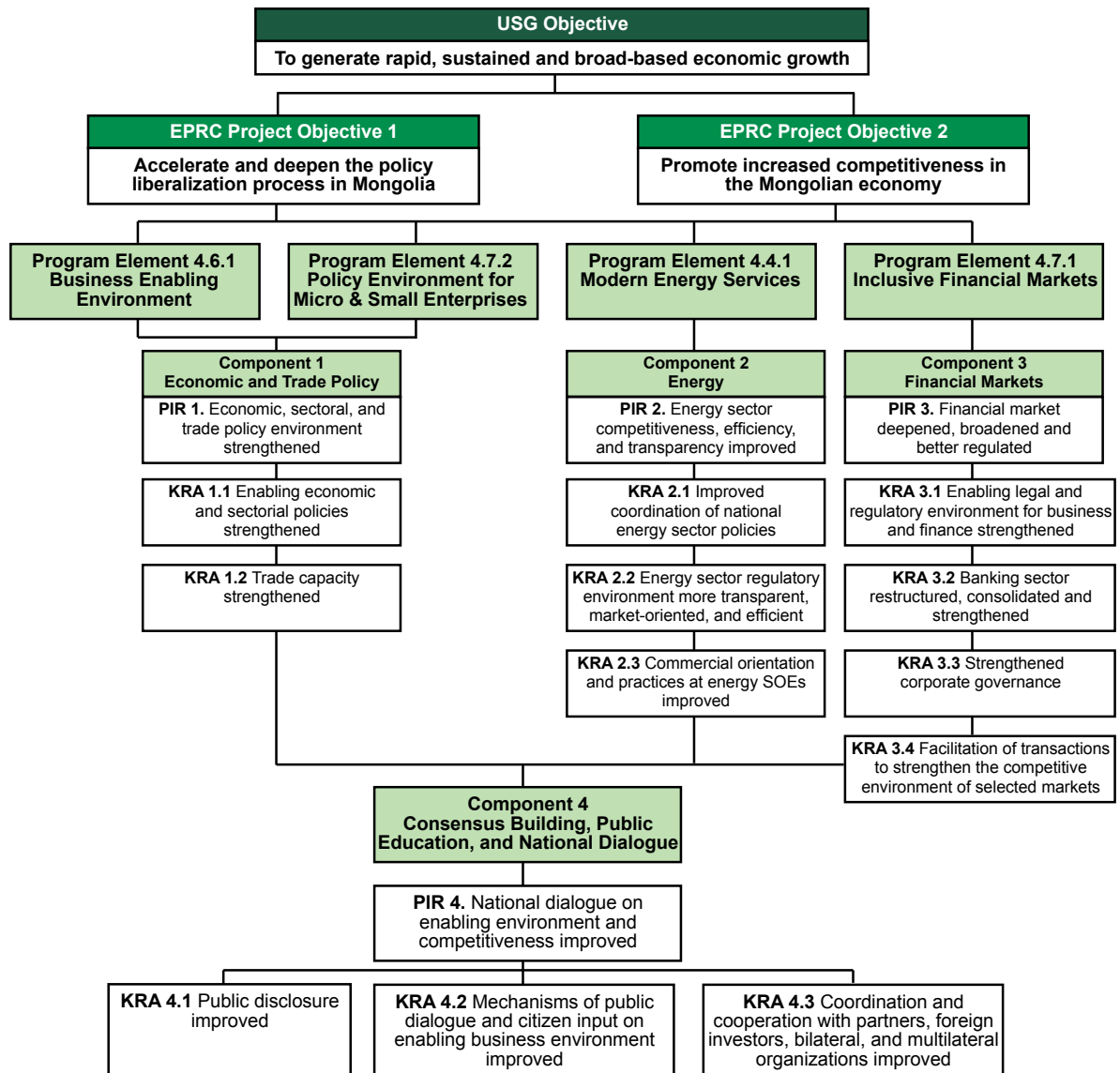
**Component 4:** *Consensus Building, Public Education, and National Dialogue*

PIR 4: National dialogue on enabling environment and competitiveness improved

- KRA 4.1: Public disclosure improved
- KRA 4.2: Mechanisms of public dialogue and citizen input on enabling business environment improved
- KRA 4.3: Coordination and cooperation with partners, foreign investors, bilateral, and multilateral organizations improved.

Exhibit A-I displays the results framework in schematic form. It shows the hierarchical relationships between USAID’s strategic objective, project objectives; project intermediate results (PIRs) by project component; and KRAs.

**EPRC RESULTS FRAMEWORK AWP-FY I I**



**LEGEND:** PIR=Project  
KRA=Key Results Area

Updated: 23-Sep-10

## EPRC JOINT PROJECT INITIATIVES

#	Date	Project initiative description	Partners	Current status	Funds leveraged (US\$)
1	Oct-04	Conduct pre-feasibility analysis for the establishment of a private equity fund: In 2004-2005, led project efforts to partner with The Open Society Forum (OSF) and a private sector company. (See October 2004 Newsletter)	OSF and Mongolia Links Co. Ltd.	Completed	15,371
2	Oct-05	Design, conduct and analyze a national survey of the informal economy: In 2004-2005, partnered with The Open Society Forum (OSF) and the National Statistics Office to conduct a national survey of the informal economy, leading to better estimation of economic aggregates in the National Accounts and re-estimation of GDP. (See October 2005 Newsletter)	OSF, NSO	Completed	188,383
3	Oct-05	Conduct second-stage feasibility analysis and potential deal flow analysis for the establishment of a private equity fund. (See April 2005 Newsletter)	OSF, ADB	Completed	
4	Jul-06	Establishment and operations of a Trade Analysis and Negotiations Unit. From 2005, project led efforts to conceptualize the unit, vision, functions and structure, enlisting UNDP and GTZ to co-finance the initiative; provided technical assistance with annual work plans, production of technical analyses, and implementation	GTZ, UNDP	Completed	1,650,000
5	4/Sep/06	Signing of Founding Agreement for the establishment of a private sector-led secondary mortgage institution, the Mongolia Mortgage Company (MIK): prepared with project assistance. (See September 2006 Newsletter)	Ten commercial banks and Mongol Bank	Completed	
6	10/Apr/07	Memorandum of Understanding (MoU) signed to establish a private sector-controlled company to provide credit information services. (See June 2007 Newsletter)	Thirteen banks and three non-bank financial institutions	Completed	
7	20/Jun/07	Memorandum of Understanding (MoU) signed between the Ministry of Finance (MoF), Kreditanstalt für Wiederaufbau (KfW), and the Mongolian Mortgage Company (MIK) to finance the purchase of primary mortgages and fund specialized technical assistance; 4.8m Euro liquidity facility plus .5m Euro technical assistance. (See June 2007 Newsletter)	KfW, MoF, MIK	Completed	8,200,000
8	29/Jun/07	Summer Trade Seminar: A two-week seminar with 41 participants receiving hands-on instruction in four modules; Module I covered empirical models useful for analyzing the effects of changes in trade policies. Module II presented information on the WTO and the agreements it oversees. Module III focused intensively on certain aspects of WTO proceedings such as dispute settlements, agriculture, services and trade remedies. Module IV covered negotiation skills (See June 2007 Newsletter). GTZ contributed two foreign faculty, UNDP and EPRC contributed one each.	GTZ, UNDP, MoIT, and Mongolian National University	Completed	34,000
9	4/Sep/07	Capitalization of the Mongolia Mortgage Company (MIK). (See September 2007 Newsletter)	Ten commercial banks and Mongol Bank	Completed	1,754,385
10	29/Oct/07	Advisory agreement signed between the International Finance Corporation (IFC) and the Mongolian Bankers Association (MBA) on Credit Information Bureau. Project contacted IFC, got their involvement and helped MBA and IFC negotiate advisory agreement. (See October 2007 Newsletter)	IFC	Completed	130,000
11	27/Nov/07	Five-member technical team from the Société Générale de Surveillance (SGS) and Crimson Logic pro-bono feasibility analysis to support Working Group in the establishment of a Single Electronic Window (SEW) for foreign trade facilitation. (See December 2007 Newsletter)	Société Générale de Surveillance, Crimson Logic	Completed	65,000

## EPRC JOINT PROJECT INITIATIVES

#	Date	Project initiative description	Partners	Current status	Funds leveraged (US\$)
12	28/Feb/08	Trade Policy Analyses Grants: Awards were designed to support former Summer Trade Seminar participants' analyses of Mongolian trade policy, with co-funding from GTZ and EPRC/USAID. (See January-February 2008 Newsletter)	GTZ	Completed	5,000
13	9/Jun/08	Signing of Founding Agreement for the establishment of a private sector-led Credit Information Bureau; prepared with project assistance. (See June 2008 Newsletter)	Thirteen banks and two non-bank financial institutions	Completed	55,568
14	9/Apr/09	Mongolia Corporate Governance Development Center (MCGDC) formally established as a membership-based organization on 9 April 2009 in partnership with the Institute of Finance and Economics (IFE) and the Financial Regulatory Commission (FRC) as a result of EPRC organization of the first Mongolian Corporate Governance Forum on 8 October 2008 and MoU signed on 16 December 2008 with IFE. (See Newsletters of October-November 2008, December 2008-January 2009, and April 2009)	Institute of Finance and Economics, Financial Regulatory Commission, and private sector companies	Completed	
15	May-09	Initial demand analysis for proposed Zamyn Uud PPP Logistics Park completed; potential investment of US\$20m being structured. (See May 2009 Newsletter)	Freight-forwarding companies, GoM	On-going	
16	15/Jun/09	Agreement signed between the Ministry of Finance, Kreditanstalt für Wiederaufbau (KfW), and the Mongolian Mortgage Company (MIK) to finance the purchase of primary mortgages and fund specialized technical assistance; 4.8m Euro liquidity facility plus 0.89m Euro technical assistance; agreement from Parliament pending. (Source: MIK)	KfW, MoF, MIK	On-going	
17	20/Jun/09	Roundtable discussion on Mortgage market development issues with IFC and MIK. (See June-July 2009 Newsletter)	IFC, MIK	Completed	1,300
18	30/Jun/09	Corporate memberships of the Mongolian Corporate Governance Development Center: Khan Bank, Mobicom Corporation, Energy Resource LLC, Golomt Bank, Xac Bank, Monos Group, Hogjil finance Non-bank financial institution, Tuul Songino Water Resource Shareholding company, APU Shareholding company, and Institute of Finance and Economics	Ten corporate members, MCGDC	Completed	3,483
19	Jun-09	Coordination with international finance institutions (IFIs) to provide assistance to the Bank of Mongolia (BoM) based on EPRC's initial confidential technical report on "Mongolian banking sector consolidation strategy: Immediate actions and structural reforms" completed for BoM in May 2009 (See Apr-Jun-09 QPR). Project completed two additional confidential reports that the World Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the International Monetary Fund, and the International Finance Corporation used to coordinate intensive technical assistance missions to the Bank of Mongolia over eighteen months. Value of funds leveraged from IFIs through the project efforts represents a conservative estimate.	ADB, World Bank, IFC, IMF, and EBRD	Completed	1,450,000
20	Jun-09	Corporate donations to the Mongolian Corporate Governance Development Center to date included Khan Bank, Mobicom Corporation, and Energy Resource LLC	Companies	Completed	15,000



## EPRC JOINT PROJECT INITIATIVES

#	Date	Project initiative description	Partners	Current status	Funds leveraged (US\$)
21	2-3 Jul-09	International Seminar on "Public-Private Partnerships for infrastructure investment in Mongolia" organized jointly with The Asian Development Bank Institute and The World Bank Institute. Co-sharing of seminar costs, including international speakers. (See June-July 2009 Newsletter)	ADB Institute, World Bank, Institute, Ad-Hoc Parliamentary Committee on PPPs	Completed	75,000
22	21/Aug/09	International Finance Corporation signs agreement with GoM to provide technical assistance to MCDGC to develop corporate governance consulting services for the Center, provide access to copyright materials and translation of corporate governance resources.	International Finance Corporation, GoM, MCGDC	Completed	500,000
23	Aug-09	With project assistance, MIK completed its first acquisition of primary mortgages on 3 November 2007 for a value of US\$ 1.033m. It has since completed nine additional transaction, purchasing mortgages for a cumulative total value of 13.784 billion tugrug as of 21 August 2009. (Source: MIK)	Mongolian private banks	On-going	10,197,429
24	27/May/10	Corporate donations to the Mongolian Corporate Governance Development Center: Golomt Bank, Xas Bank, Monos Group, Hugjil Finance, Non-bank financial institution, Mongolian Development Resources (Tuul Songino Water Resource Shareholding company), APU shareholding company, Unicom, Eurasia Capital)	Companies	Completed	15,000
25	1/Jun/10	The Center for Banking and Finance in partnership with the Mongolian Banking Association (MBA) and Non-bank financial institution association. MBA has decided to capitalize the effort and to provide space in its facilities.	MBA	Completed	72,268
26	Jun-11	Capitalization of the Credit Information Bureau (CIB) through several shareholders subscriptions.	Shareholders	Completed	1,032,205
27	17/Jun/11	The <i>Business Development Fund</i> (BDF) obligated a total of \$194,878.32 to help fund 24 engagements of assistance to individual client firms. These firms, in turn, committed \$208,776.50 as co-payment contributions. Total value of projects leveraged through BDF funds was \$403,654.82.	Companies	Completed	208,777
28	17/Jun/11	The <i>Mongolian Competitiveness Fund</i> (MCF) obligated \$459,514.42 in commitments to support 39 agreements, including a \$20,000.00 to match corporate donations given to the <i>Corporate Governance Development Center</i> (GDC), and another disbursement of \$5,066.42 made on behalf of the Credit Information Bureau in May 2010 to match expenses related to performing a due diligence of finalists in the tender to select potential strategic investors/operators. Client counterparts committed an additional \$776,964.76 as co-payments. Total value of projects leveraged through MCF funding was \$1,236,479.18.	Diverse partner organizations	Completed	776,965

<b>Total:</b>	<b>26,429,764</b>
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File: EPRC joint project initiatives 8-Aug-11.xlsx

Updated: 8-Aug-11



# ANNEX B: DETAILED INFORMATION SHEETS

- MONGOLIAN MORTGAGE CORPORATION
- CORPORATE GOVERNANCE DEVELOPMENT CENTER
- CREDIT INFORMATION BUREAU
- BANKING AND FINANCE ACADEMY
- NATIONAL TRIPARTITE COUNCIL FOR MINING EDUCATION AND CONFLICT MITIGATION
- REFORMING THE TAX SYSTEM
- REGULATING THE BANKING SECTOR
- REGULATING FINANCIAL MARKETS
- REGULATING THE ENERGY SECTOR
- SUPPORTING FAIR MARKET COMPETITION
- PROMOTING A SINGLE ELECTRONIC WINDOW FOR FOREIGN TRADE
- CLEARING IMPORTS FASTER THROUGH RISK MANAGEMENT
- COORDINATING INSPECTIONS OF IMPORTS
- IMPROVING LOGISTICS FACILITIES TO CLEAR IMPORTS AND EXPORTS
- MONGOLIA AS A TRANSIT CORRIDOR BETWEEN CHINA AND EUROPE
- DEVELOPING KNOWLEDGE AND SKILLS FOR A MARKET ECONOMY
- HELPING CITIZENS DIALOGUE WITH GOVERNMENT
- IMPROVING MASS MEDIA COVERAGE OF ECONOMIC ISSUES THROUGH THE ECONOMIC JOURNALISM CLUB
- HELPING CITIZENS UNDERSTAND MINING AND PARTICIPATE IN ITS BENEFITS
- HELPING GOVERNMENT AGENCIES COMMUNICATE WITH THE PUBLIC
- ROUTES TO MARKETS FOR MONGOLIAN CASHMERE
- DEVELOPING TOURISM PRODUCTS AND PROMOTING MONGOLIA AS A DESTINATION
- ATTRACTING PRIVATE INVESTMENT THROUGH PUBLIC-PRIVATE PARTNERSHIPS AND CONCESSIONS
- DEVELOPING DOMESTIC MARKETS AND EMPLOYMENT: EMERGING OPPORTUNITIES
- SUPPORTING COMPETITIVE AIR SERVICE



## MONGOLIAN MORTGAGE CORPORATION

**Address:** United Nations street-38, Chingeltei district, Ulaanbaatar.  
Tel: 976-11-328267      Web: www.mik.mn

- Background:**
- The 2004-2008 Action Plan of the coalition government included the promise to deliver 40,000 housing units; Office of the Prime Minister requested project assistance to develop and propose alternatives to fulfill this political promise.
  - In November 2005, based on international experience — especially from Latin America as countries such as Chile, Colombia, and Mexico moved to second-generation models to finance housing for low-income residents as state-controlled mortgage banks went bankrupt — project proposed a scheme of mortgage down-payment subsidies run through commercial banks.
  - The scheme is yet to be implemented as the U.S. mortgage melt down cooled Mongolian Parliament support for such an initiative.
  - However, in the conduct of the assessment of alternatives to finance housing, the project identified a nascent niche to establish a private-sector-controlled initiative in the form of a second-tier mortgage finance institution.
  - Consultations with local banks and the Bank of Mongolia found support for the idea and bankers and the BOM established a working group to develop the concept with project assistance.
  - The working group identified the need to create space through legislation for private-sector participation in the development of the secondary mortgage market in response to draft legislation proposed at that time that would have given the state a monopoly in that market.
  - At that time, the total value of the primary mortgage market was about \$5 million and there was no standardization of mortgage loan documents and/or origination.
  - In March 2006, participating banks signed an MOU to establish a secondary mortgage institution and by September 2006, shareholders signed MIK's Founding Agreement.
  - Project provided assistance with the development of the business model and business plan and the secondment of a senior technical staff member to get MIK off the ground.

**Legally registered as:** Монголын Ипотекийн Корпораци ХХК  
Mongolian Mortgage Corporation LLC

**Data registered:** November 14, 2006

**Company governance:** Board of Directors

**Capital at registration:** 11,000,000 MNT

**Initial shareholders:** Ten commercial banks and The Bank of Mongolia

**Objectives:** Per Founding Agreement signed on 4 September 2006, MIK will seek to:

- Promote development of the secondary mortgage market
- Raise medium- to long-term funds through the sale of its securities and as a direct borrower
- Collaborate with the Government on legal, regulatory, and institutional issues necessary to promote the development of the primary and secondary mortgage markets
- Help standardize underwriting policies and documentation for issuance of loans on the primary mortgage market
- Conduct open market activities to support its core activities
- Provide services on securities
- Effect foreclosure of mortgaged assets

**Current shareholders (nine banks and BOM):** Capital Bank, Capitron Bank, Golomt Bank, Khan Bank, Mongol Post Bank, State Bank, Trade and Development Bank, XacBank, Ulaanbaatar City Bank, and The Bank of Mongolia

**Cumulative value of mortgages purchased:** 10.8 billion MNT as of 31 December 2010.  
Current capital: 2.6 billion MNT

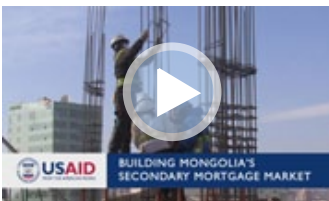
**Total assets:** 7.5 billion MNT

- Results:**
- Creation of the first secondary mortgage market institution in Mongolia, which is commercially operated and private sector-controlled
  - Leverage of project funds: shareholders' investment of \$2.2 million and 4.8 million Euro liquidity facility provided by Kreditanstalt für Wiederaufbau (KfW)
  - Enabled legal and regulatory environment leading to passage of the Mortgage Collateral Law and the Asset Backed Securities Law
  - Initial development of the secondary mortgage market and standardization of primary mortgage documents
  - Deepening and broadening of the financial market
  - Provision of liquidity to banks for eventual improved term matching of their assets and liabilities
  - Concluded nine purchases of mortgage portfolios for a total of 10.8 billion MNT
  - Registered the first mortgage-backed bonds in Mongolia worth a total of 25 billion MNT
  - MIK bond recognized as a repo instrument of the BOM
  - Directly sold mortgage-backed securities worth 6.3 billion MNT to four investors through swapped mortgage pools and cash settlements
  - Insured mortgage pools on life insurance and collateral insurance.

- Highlights:**
- **November 2005:** USAID/EPRC conducted a study in the housing finance sector at the request of the Office of the Prime Minister which recommended, inter alia, the establishment of a second-tier housing finance institution to support the development of the secondary mortgage market in Mongolia [See: [EPRC News, Nov-05](#)]
  - **30 March 2006:** Nine commercial banks signed an MOU to establish a second-tier mortgage finance institution [See: [EPRC News, Mar-06](#)]
  - **13 May 2006:** Round table discussion organized on "Housing finance: Modalities of cooperation between the private and public sectors" by the Ministry of Construction and Urban Development and the project [See: [EPRC News, Mar-06](#)]

- **4 September 2006:** Ten commercial banks and the BOM signed the Founding Agreement of MIK; shareholders raised 11 million MNT capital in equal shares [See: EPRC News, Sep-06]
- **September 2006:** Project seconded a senior Mongolian professional staff member as interim CEO of MIK to guide the development of underwriting policies and procedures, standard mortgage documentation, procedures for portfolio management and for issuance of mortgage-backed securities [See: <http://www.mik.mn> –Highlights 2006]
- **October 2006:** Project brought two international experts to provide technical assistance to the BOM and MIK; an internationally recognized expert on securitization transactions acted as the securitization advisor to the BOM and an investment banker and former senior officer of Fannie Mae acted as an advisor for MIK and worked with interim management and the board of directors to finalize the corporate structure, composition, duties and responsibilities of the committees
- **14 November 2006:** MIK opened offices in the Tavan Bogd Business Plaza, next to USAID/EPRC offices [See: EPRC News, Nov-06]
- **5 and 12 May 2007:** Parliament Sub-Working Group and project organized two weekend retreats on housing finance, focusing on direct housing subsidies and the draft Mortgage Law prepared with project assistance [See: EPRC News, May-07]
- **30 May 2007:** “Proposed strategy and summary recommendations to support development of Mongolian mortgage markets” report produced and presented at the request of BOM [See: EPRC News, May-07]
- **20 June 2007:** MIK shareholders unanimously approved further capitalization of the corporation in the amount of 2.2 billion MNT (\$1.9 million) and issued a call for capital [See: EPRC News, Jun-07]
- **22 June 2007:** MOU to provide 4.8 million euros for MIK to finance the purchase of primary mortgages and issue bonds signed between the Ministry of Finance (MOF), Kreditanstalt für Wiederaufbau and MIK [See: EPRC News, Jun-07]
- **6-12 August 2007:** One-week retreat held to draft proposed new laws on collateralized mortgage bonds and asset-backed securities, with sponsorship from the Financial Regulatory Commission (FRC), MIK, and the project [See: EPRC News, Jul-Aug -07]
- **5 November 2007:** MIK and XacBank signed the first agreement in the secondary mortgage market in Mongolia; MIK agreed to purchase a portfolio of qualifying mortgages totaling \$1,033,898 [See: EPRC News, Nov-07]
- **20 November 2007:** Parliament Working Group and project discussed options for mortgage down-payment supplements to assist with housing finance [See: EPRC News, Nov-07]
- **November 2007:** MIK and BOM established Mortgage Standardization Working Group and arranged its first meeting [See: <http://www.mik.mn> – Highlights 2007]
- **30 November 2007:** Per agreement, secondment of project senior technical staff to MIK ends; MIK recruited and hired CEO on its own payroll
- **25 January 2008:** MIK and XacBank signed a servicing agreement, MIK’s first [See: <http://www.mik.mn> –Highlights 2008]
- **13 February 2008:** MIK and Golomt Bank signed an MOU on MIK’s purchase of its second mortgage pool from Golomt Bank [See: <http://www.mik.mn> –Highlights 2008]

- **15 March 2008:** Project and Financial Regulatory Commission (FRC) organized weekend roundtable discussion on the “Legal and regulatory environment for secondary mortgage markets” [See: *EPRC News, Mar-08*]
- **4 April 2008:** MIK and the Trade Development Bank signed an MOU on MIK’s purchase of its third mortgage pool from Trade Development Bank [See: <http://www.mik.mn –Highlights 2008>]
- **April 2008:** MIK became a member of International Union of Housing Finance [See: <http://www.mik.mn –Highlights 2008>]
- **28 April 2008:** MIK established a Special Purpose Vehicle as its daughter company [See: <http://www.mik.mn –Highlights 2008>]
- **6 May 2008:** MIK became a member of Mongolian National Chamber of Commerce [See: <http://www.mik.mn –Highlights 2008>]
- **22 May 2008:** MIK signed an agreement to purchase a mortgage pool from Golomt Bank [See: [www.mik.mn – Highlights 2008](http://www.mik.mn –Highlights 2008)]
- **6 June 2008:** “Mortgage Glossary” published in collaboration with project and FRC [See: *EPRC News, Jul-08*]
- **10 June 2008:** MIK signed MOU with FMO and Xac Bank to issue securitization using “Urgah Naran” micro-district loans [See: <http://www.mik.mn –Highlights 2008>]
- **June–July 2008:** MIK signed MOU with Zoos bank and purchased mortgage pool from Zoos Bank (now State Bank) [See: <http://www.mik.mn –Highlights 2008>]
- **15 October 2008:** MIK and the Mongolian Bankers Association (MBA) signed an MOU of collaboration to improve and develop sectoral legal and regulatory framework and infrastructure [See: <http://www.mik.mn –MIK Annual Report 2008>]
- **17 October 2008:** BOM approved “Mortgage Standardization Procedure,” drafted by the Mortgage Standardization Working Group , representatives from commercial banks and MIK [See: <http://www.mik.mn –MIK Annual Report 2008>]
- **17 June 2009:** Ministry of Finance, MIK, and German Renovation and Development Bank signed a project loan and on-lending agreement [See: <http://www.mik.mn –MIK Annual Report 2009>]
- **20 June 2009:** Roundtable on “Mortgage market issues” held with sponsorship from IFC, MIK, and project [See: *EPRC News, Jun-Jul -09*]
- **9 July 2009:** Parliament passed the Mortgage Collateral Law, incorporating most of the project’s recommendations [See: *State Bulletin, Jul-09, #27*]
- **18 September 2009:** MIK registered Mongolia’s first mortgage-backed bonds worth 25 billion MNT; 6.3 billion MNT was sold to four investors [See: *EPRC News, Aug-Sep-09*]
- **23 April 2010:** Parliament passed the Asset Backed Securities Law, with effect as of 1 January 2011; project had assisted the Parliamentary WG and standing committees with drafting and reviewing the law [See: *State Bulletin, Apr-10, #16*]
- Building Mongolia’s secondary mortgage market



*Building Mongolia's secondary mortgage market*

**Address:** Institute of Finance and Economics; B Unit, Room B-403 Peace Avenue 5,  
113381, Ulaanbaatar. Tel: 976-70158812

**Web:** [www.cgdc.org.mn](http://www.cgdc.org.mn)

- Background**
- Although Mongolia has a modern corporate governance code, compliance and practices fall far short of international best practices. A project assessment in September 2008 identified three priority problem areas: inadequate transparency and disclosure, weak and ineffective boards of directors, and inequitable treatment of minority shareholders. The project identified the need to:
    - o Develop current institutional capacity to promote and enforce corporate governance practices
    - o Increase the capacity of directors to understand and exercise their duties and obligations
    - o Increase awareness of shareholders' rights and educate the public at large on investing in a transparent and fair capital market environment.
  - Project presented results of the corporate governance assessment and recommendations at the first Corporate Governance Forum in October 2008, following which stakeholders adopted a resolution to establish a Mongolian center for corporate governance
  - At the second CG Forum held in April 2009, project presented the concept paper and the business plan for the Mongolian Corporate Governance Development Center (CGDC)
  - CGDC was established in April 2009 as a membership-based NGO with individual and institutional members.

**Legally registered as:** Компанийн Засаглалын Хөгжлийн Төв ТББ  
Corporate Governance Development Center NGO

**Date registered:** 28 April 2009

**Company governance:** Board of Directors

**Capital at registration:** \$15,000

**Capital at registration:** Financial Regulatory Commission, Institute of Finance and Economics

- Objectives:**
- Promote and advocate good corporate governance practices in all Mongolian companies, large or small, private or state-owned
  - Develop and deliver training programs for company directors and company secretaries to improve professionalism, transparency, accountability, responsibility, and fair and equitable treatment of all shareholders to protect their rights and help create value
  - Provide consultancy services on good governance to companies
  - Conduct research and develop publications on corporate governance
  - Increase public awareness on the importance of good corporate governance



**Current major institutional contributors:** Khan Bank, Institute of Finance and Economics (IFE), Golomt Bank, Development Finance NBFI, Tuul Songino Water Resources LLC, MobiCom Corporation, Xac Bank, Monos Group, APU JSC, Energy Resources LLC, NewCom Group, Skytel LLC, Bodi Insurance LLC, Art's Council, Master Properties, MonTek Group, Capital Group, Petro Matad PLC, Mongolian Stock Exchange. The center has 19 institutional members and 30 individual members; USAID/EPRC has provided a total of \$20,000 as matching funds to corporate contributions.

Current capital: Corporate grants provided \$20,000 capital at start-up; CGDC's main source of current revenue is training fees, individual and institutional membership fees, and consulting income.

- Results:**
- Creation of the first institution of corporate governance in Mongolia, private-sector led
  - Sustainable institutional business model with local partners' commitments; CGDC is financially solvent
  - Leverage of project funds through corporate donations and involvement of IFC
  - CGDC's annual Corporate Governance Fora have become a respected and well recognized event in the marketplace
  - CGDC has so far trained more than 1,100 participants, using project-developed training materials on corporate governance.

- Highlights:**
- **September 2008:** Project conducted assessment of Mongolian corporate governance environment
  - **8 October 2008:** First Mongolian Corporate Governance Forum held; project presented findings and recommendations of corporate governance assessment; participants resolved to establish an institution to promote effective corporate governance practices, with FRC and IFE as founding members [See: [EPRC News, Oct–Nov 08](#)]
  - **18 December 2008:** Project signed an MOU with IFE to develop training modules for a Directors Training Course, consisting of 15 modules for 45 hours of instruction for a training-of-trainers course (TOT) for the directors training [See: [EPRC News, Dec 08–Jan 09](#)]
  - **21-23 February 2009:** First TOT course held for 17 trainers in a three-and-a-half day program held at the IFE [See: [EPRC News, Feb-Mar-09](#)]
  - **13-15 March 2009:** Three-day seminar on modern corporate governance held for 15 board members and executive directors of various Mongolian joint stock companies and banks [See: [EPRC News, Feb-Mar-09](#)]
  - **9 April 2009:** Second Corporate Governance Forum held; project presented the design concept paper for CGDC, business plan, and business model [See: [EPRC News, Apr -09](#)]
  - **28 April 2009:** CGDC registered as an NGO
  - **April 2009:** CGDC board of directors formed; the nine-member Board consisted of financial sector representatives and significant stakeholders
  - **May 2009:** CGDC, with project support, delivered the first directors training program for 24 directors [See: [EPRC News, Jun-Jul- 09](#)]
  - **2 June 2009:** CGDC held its first general members meeting and its first board meeting [See: [EPRC News, Jun-Jul-09](#)]
  - **3-6 June 2009:** CGDC delivered the second TOT program for 20 participants [See: [EPRC News, Jun-Jul-09](#)]

- **30 June 2009:** CGDC, with project support and in collaboration with the Press Institute, held a workshop on corporate governance for 18 journalists [See: [EPRC News, Jun-Jul-09](#)]
- **2 July 2009:** CGDC organized the first corporate secretaries training program [See: [EPRC News, Jun-Jul-09](#)]
- **August-September 2009:** CGDC obtained corporate sponsorships of \$5,000 each from Khan Bank, Mobicom Corporation, and Energy Resources, LLC; project agreed to match corporate sponsorships up to \$25,000 [See: [EPRC News, Aug-Sep 09](#)]
- **August-September 2009:** IFC agreed to assist CGDC with training for local professionals and the development and publication of corporate governance materials [See: [EPRC News, Aug-Sep 09](#)]
- **23-25 September 2009:** CGDC, with assistance from IFC, conducted a three-day training workshop for local professionals on how to complete a corporate governance assessment and implement board evaluation methodologies based on global best practices [See: [EPRC News, Aug-Sep 09](#)]
- **30 October 2009:** The Mongolian National University School of Economic Studies (SES) and project signed an MOU to assist the SES to assess its curriculum, design and implement graduate-level corporate governance courses, deliver a train-the-trainers session to selected instructors, and provide support for launching the new corporate governance courses [See: [EPRC News, Oct- 09](#)]
- **24 November 2009:** CGDC and the Mongolian National Mining Association signed an MOU to help MNMA member mining companies address corporate governance issues through training programs targeting directors and corporate executives [See: [EPRC News, Nov-Dec 09](#)]
- **4 and 6 November 2009:** The project produced an educational television program on corporate governance which aired twice during prime time on MNTV [See: [EPRC News, Nov-Dec 09](#)]
- **December 2009:** CGDC completed and released an English-Mongolian Corporate Governance Glossary for public use [See: [EPRC News, Nov-Dec 09](#)]
- **15 January 2010:** CGDC organized a panel discussion with leaders from the public, private sector, and academia on the status of corporate governance in Mongolia; the President of Mongolia was a keynote speaker [See: [EPRC News, Jan-Feb 10](#)]
- **15 February 2010:** CGDC and project delivered TOT to 16 faculty members of the Mongolian National University School of Economics
- **27 May 2010:** CGDC and project organized the Third Corporate Governance Forum; over 150 participants attended [See: [EPRC News, May 10](#)]
- **18-20 June 2010:** CGDC, project, and the Press Institute organized a two-day workshop on ‘Corporate Governance for Investigative Journalists’; participants included 20 journalists from newspapers, television, and online news media [See: [EPRC News, Jun-10](#)]
- **November 2010:** CGDC and project delivered two week-long training programs on corporate governance for state-owned enterprises (SOEs) [See: [EPRC News, Nov-10](#)]
- **13 June 2011:** CGDC organized the fourth Corporate Governance Forum; 153 participants attended

#### CASE STUDY: New Stage on Corporate Governance



#### Strengthening Corporate Governance in Mongolia



## CREDIT INFORMATION BUREAU

**Address:** Chinggis Ave-17, Vista Office, 2nd Floor, Ulaanbaatar.

**Background:** The BOM has operated credit information services since the mid-nineties. Initially designed to provide data on loans, the BOM's services evolved into the main source for lenders to get creditworthiness information on borrowers. Increased levels of economic activity and lending in the last decade have put strains on the system in terms of timeliness and comprehensiveness of the database, user accessibility, and compatibility with the diverse systems that banks and financial institutions use. In November 2005, BOM and the project convened a public forum to discuss the issues and develop alternatives, including the privatization of these services. Major credit market issues identified at the forum included:

- High levels of explicit and implicit bad debts
- High lending risks where borrowers rely on excessive leverage and where collateral is often double-pledged
- Lack of audited accounts and a lack of financial sector transparency
- Weak culture for honoring debt and for punishing defaulters
- Weak institutional capacity for credit risk and project analysis
- Gaps in the regulatory framework and an element of moral hazard.

**Legally registered as:** Credit Information Bureau, LLC

**Date registered:** 1 April 2009

**Company governance:** Board of Directors

**Capital:** 1,290,256,000 MNT

**Initial shareholders:** 15 commercial banks, two NBFIs, and an association: Zoos Bank, Xac Bank, Trade and Development Bank, Khan Bank, Mongol Post Bank, Golomt Bank, Capital Bank, Capitron Bank, Savings Bank, Chinggis Khaan Bank, Erel Bank, Transport Development Bank, National Investment Bank, Credit Bank, United Finance NBF, Credit Mongol NBF, Anod Bank, and the Mongolian Bankers Association (MBA).

- Objectives:**
- Promote the development of efficient credit markets, increasing transparency and decreasing risks and costs for both lenders and borrowers
  - Compile an accurate, comprehensive, and current database of borrower information on both firms and individuals, which contains both positive and negative information
  - Collect payment information from lenders and other businesses, such as retailers, telecommunications companies, and utilities
  - Obtain information on all loans made within the market including business and personal loans, credit cards, mortgages, project loans, and foreign loans in Mongolia
  - Collaborate with the BOM on legal, regulatory, and institutional issues necessary to promote the development of credit markets
  - Provide consumer access to their own credit histories and permit correction of errors

- Aid credit granting institutions in effectively pricing credit risk

**Current shareholders:** 13 banks, two NBFIs, and MBA: Capital Bank, Capitron Bank, Golomt Bank, Khan Bank, Savings Bank, State Bank, Trade and Development Bank, XacBank, Chinggis Khan Bank, National Investment Bank, Transport Development Bank, Credit Bank, Erel bank, United Finance NBFI, Credit Mongol NBFI and MBA.

- Results:**
- Creation of the first private-sector-led and controlled credit information services, the Credit Information Bureau LLC (CIB), formally registered in April 2009.
  - Sustainable institutional business model with local partners' investment of 1,290,256,000 MNT provided by 13 banks, the MBA, and two non-bank financial institutions.
  - Leverage of project funds.
  - Enabled legal and regulatory environment – new draft law on credit information services drafted in May 2007 by the MBA and shareholders with project assistance is now on the agenda for Parliament discussion in the spring session of 2011.
  - CIB, with project assistance, signed an MOU in September 2010 with Dun & Bradstreet and is in negotiations to establish a joint venture company to provide consumer and commercial credit information services in Mongolia.

- Highlights:**
- **2 November 2005:** BOM and the project convened a public forum, attended by more than 80 representatives of banks, NBFIs, public utility companies, and the MBA; BOM publically declared its willingness to transfer its credit information services to the private sector; BOM and private sector asked the project to conduct a feasibility analysis and provide options for their consideration [See: [EPRC News, Nov-05](#)]
  - **29 June 2006:** BOM and the project sponsored second workshop to present the results of an initial feasibility study to establish a private-sector-led credit information bureau; key recommendations included a review of laws to enable the operation of such an entity and the formation of a working group of interested parties to identify potential shareholders and develop a business model and business plan [See: [EPRC News, Jun-06](#)]
  - **August 2006:** The project issued report on “Restructuring the Mongolian Credit Information Bureau: Prospects for privatization,” noting collective support among the banks and the BOM for privatization, no explicit regulatory hurdles, growing consumer demand for credit cards and mortgages, but no consensus on how to proceed with privatization of BOM’s credit information services [See: [Report](#)]
  - **28 February 2007:** MBA and the project convened a meeting of senior bank executives who agreed to form a working group to develop an MOU on the organization of a private sector-controlled company to provide credit information services [See: [EPRC News, Feb-07](#)]
  - **10 April 2007:** MBA, 13 commercial banks, and three NBFIs signed an MOU to establish a private company to provide credit information services; upon project recommendation and pending an agreement, the International Finance Corporation Global Credit Bureau would provide specialized technical assistance on operational matters and selecting a technology vendor while the project would focus on developing enabling legislation and regulations [See: [EPRC News, Apr-07](#)]
  - **14 May 2007:** MBA and the project convened a meeting to discuss the proposed new draft law on credit information services and draft

- amendments to related legislation [[See: EPRC News, May-07](#)]
- **29 October 2007:** Two years after the initial BOM and project meeting on privatization of credit information services, MBA and IFC signed a technical assistance agreement to share the costs of a feasibility study and development of a business model and business plan [[See: EPRC News, Oct-07](#)]
- **December 2007:** IFC delivered their feasibility analysis, preliminary business plan, and recommendations for the structure of a privately owned and operated credit information bureau to the MBA-CIB working group
- **9 June 2008:** 15 commercial banks and two NBFIs signed the Founding Agreement, drafted on request by the project, to establish a privately controlled Credit Information Bureau LLC (CIB); upon registration the company would issue a tender to source an internationally recognized credit information bureau operator to establish and operate a private credit information bureau to be owned up to 49 percent by the operator and 51 percent by Mongolian private sector shareholders [[See: EPRC News, Jun-08](#)]
- **19 December 2008:** CIB held its first shareholders' meeting and appointed a five-member Board of Directors [[See: EPRC News, Dec-08](#)]
- **9 January 2009:** The Board of CIB held its first meeting where it voted to recruit a project manager to oversee start-up activities and engage the IFC to assist with a tender to source an internationally recognized credit information bureau operator and technology partner [[See: EPRC News, Dec-08-Jan-09](#)]
- **1 April 2009:** Credit Information Bureau LLC was formally registered as a Mongolian Limited Liability Company and got its certificate of incorporation [[See: EPRC News, Apr-09](#)]
- **6 April 2009:** CIB, IFC, MBA, and the project held a one-day workshop for members of Parliament, with 54 CIB stakeholders and media in attendance; discussions focused on CIB's rollout, the need for world class credit bureau services in Mongolia, regulatory frameworks for credit reporting, case studies from other developing countries, and the challenges of assessing credit in Mongolia [[See: EPRC News, Apr-09](#)]
- **22 May 2009:** CIB LLC held its first inaugural shareholders' meeting as a registered company; per project recommendation, shareholders voted unanimously to increase paid-in capital by \$500,000
- **21-25 June 2009:** The project and IFC facilitated a study tour to Singapore for the CIB legal working group and two members of Parliament; the group met representatives from the Central Bank of Singapore, the Credit Bureaus of Singapore and DBS Bank to learn about Singapore's experiences in establishing its first private credit bureau, the necessary legislation to pass, benefits achieved and challenges to overcome
- **3-25 November 2009:** CIB and IFC signed an agreement for the IFC to conduct an international tender for credit bureau technology providers; expressions of interest were sent to 14 vendors
- **January 2010:** With project and IFC assistance, CIB completed the first phase of selecting an international technical and strategic partner to establish the operations of the CIB
- **February 2010:** Six firms submitted technical and financial proposals to be the CIB technology partner; three bidders were shortlisted
- **7-9 April 2010:** The shortlisted bidders presented their proposals and two finalists were selected
- **6-11 May 2010:** Project co-funds a CIB delegation to conduct due

*Restructuring the Mongolian Credit Information Bureau: Prospects for Privatization*



diligence visits to credit bureaus recently established by the two finalist bidders

- **6 June 2010:** CIB shareholders unanimously approved a resolution authorizing the Board of Directors to negotiate a joint venture agreement with the American firm Dun & Bradstreet as CIB’s technical and strategic partner and to increase the share capital of CIB to \$1.1 million to fund the Mongolian private sector firm’s 51 percent contribution to the venture
- **12 October 2010:** CIB and Dun & Bradstreet held a public ceremony for the MOU signed on 16 September 2010 to establish a joint venture company that would be the first private credit information service provider in Mongolia; the JV would initially provide consumer and commercial credit information services but intends to add other credit risk management services for the Mongolian market [\[See: EPRC News, Sep-Oct-10\]](#)
- **November 2010 – March 2011:** Project provided assistance on options for structuring a joint venture with Dun & Bradstreet, shareholding and licensing agreements
- **April 2011:** Per Parliamentary working group request and with support from an international expert and local legal counsel, project provided assistance to revise the credit information services draft law for Parliament consideration in the spring session of 2011
- **April 2011:** At the request of CIB, on a cost-sharing basis, and with support from an international expert, project assisted with development of structuring scenarios, their relative merits, licensing agreements, and high-level technical requirements for the system platform and data center

**Address:** MBA Office, Chinggis Avenue - 17, P.O Box-101, Ulaanbaatar.

**Background:** The market, services, and products of commercial banking and non-bank financial institutions (NBFIs) have reached a critical mass that allows delivery of training and skills for banking and finance professionals to higher international standards and achieve economies of scale. The Mongolian Bankers Association and non-banking financial institutions worked with the project to conduct an assessment of training needs in the market, which led to the creation of an independent, private-sector-controlled institution to serve their needs, the Banking and Finance Academy.

Training offered through the Bank of Mongolia (BOM) will continue for bank regulators while the BFA will focus on training for commercial banks and NBFIs. BFA was formally registered as an LLC in December 2010 with MNT 80m of shareholders' capital.

The project seconded EPRC's financial markets specialist to act as Acting Executive Director of the BFA, assist with start-up tasks, and develop curriculum, including a training-of-trainers course for loan officers.

**Legally registered as:** Medlegguur, LLC (Мэдлэггүүр ХХК)

**Date registered:** 16 February 2011

**Company governance:** Board of Directors

**Capital:** 80 million MNT

**Initial shareholders:** Golomt Bank, Savings Bank and Trade and Development Bank

- Objectives:**
- Provide quality professional training and skills development based on best practices for banking and finance professionals
  - Be an independent, respected, commercially viable, transparent, and sustainable institution that serves the needs of the banking and finance markets
  - Support research and educational activities in the banking and finance sector
  - Educate the public and decision makers on banking and financial sector issues.

**Current shareholders (eight commercial banks):** Trade and Development Bank, Khan Bank, XacBank, Golomt Bank, National Investment Bank, Savings Bank, Chinggis Khaan Bank, Erel Bank.

- Results:**
- Creation of the first private-sector-led and controlled banking and financial sector training institution, the Banking and Finance Academy, formally registered as Мэдлэггүүр ХХК in February 2011
  - Sustainable institutional business model with local partners' investment of 80,000,000 MNT provided by eight banks
  - Leverage of project funds
  - Eleven training modules developed for the Loan Officer Development Program and training-of-trainers workshop delivered to twenty-two

participants.

- Highlights:**
- **December 2009:** Project completed a bank training needs assessment that concluded that there was a demand from the commercial banking sector for specialized professional training in addition to BOM training of bank regulators
  - **17 March 2010:** Mongolian Bankers Association (MBA), with project support, organized a round table discussion for MBA member financial institutions, representatives from the Bank of Mongolia (BOM) and the Financial Regulatory Commission (FRC) to present the findings and recommendations of the training assessment report
  - **16 February 2011:** Shareholders registered the Banking and Finance Academy as a limited liability company, Medlegguur, LLC, (Мэдлэггүүр ХХК), (Banking and Finance Academy)
  - **17 February 2011:** BFA and project signed an MOU, seconding a project professional as acting executive director to assist with start-up tasks, help develop loan officers training curriculum and course materials, and deliver a training-of-trainers course [[See: EPRC News, Feb-2011](#)]
  - **24-26 May 2011:** BFA delivered the first training-of-trainers workshop for the Loan Officer Development Program to twenty-two participants [[See: EPRC News, May-2011](#)]
  - **10 June 2011:** BFA held a handover ceremony for course materials at the academy, at which the project handed over the initial II training modules of the Loan Officer Development Program, which will be the BFA's flagship program



## NATIONAL TRIPARTITE COUNCIL FOR MINING EDUCATION AND CONFLICT MITIGATION

- Background:**
- Growing international attention on Mongolia's mineral wealth has resulted in a greater push for mine development in the country. However since 2008, there has been a steady increase in the number of reported grievances related to the extractive industry sector; many have led to protests, followed in some cases by violence. As the mining sector continues to grow, and if the public continues to lack opportunities to participate in mining issues, these grievances are likely to increase.
  - In Mongolia, conflicts are generally resolved in the judiciary system, which is the most formalized and regulated response to settling differences. While this system defines clear outcomes for participants, the resolutions are not always satisfactory for the parties involved. The process is also costly and time-consuming, which can exacerbate further conflict.
  - The non-judiciary process is a less formalized process in which affected parties can work through and resolve issues. Although this process is not legally binding, it can rebuild relations based on sharing knowledge, communication, and mutual understanding, as well as negotiation and mediation.
  - Representatives of the mining stakeholders in Mongolia, including civil society, government, and the mining industry, came together to find a solution to the escalating grievances, to reduce the risk of conflicts and resolve grievances equitably as they arise.
  - After seven months of project support, the national to local non-judiciary National Tripartite Council for Mining Education and Conflict Mitigation was formalized in December 2010 and sanctioned by the prime minister in 2011. Led by the Mongolian Employers Federation and the Confederation of Mongolian Trade Unions, the tripartite mechanism will work to resolve grievances at the local level through already established networks in each aimag.
  - The National Tripartite Council has the potential create a much needed space for major stakeholders to set aside differences and collectively work on addressing grievances and conflicts while providing opportunities to share information, build consensus, establish trust and credibility, and work toward peacemaking through transparency and accountability.
  - Dialogue and participation also gives each stakeholder an opportunity to play an active role in decision-making processes, while moving toward consensus and empowerment on often diverse and complex issues such as mining and natural resource use in Mongolia.
  - In addition to resolving grievances, the council will continue the project's work in educating the public on the mine life cycle to ensure that all stakeholders of mining share the same basic information about the industry. This shared knowledge enables greater participation from citizens and civil society organizations in mining.
- Objectives:**
- Strengthen the capacity of civil society organizations, extractive sector industry members, institutions, and government to engage in structured and productive dialogue.
  - Increase awareness of reputational, financial, political, and social risk as related to mining and natural resource grievances and potential civil unrest.
  - Develop and deliver a Mine Life Cycle educational program strategy to

- promote consensus and sustainability for the mining sector of Mongolia.
- Create a national-to-local mechanism to address grievances and mitigate conflicts in mining-related issues.
- Promote a transparent and safe multi-stakeholder forum for public dialogue and participation on mining-related issues in order to build consensus on national and local level issues related to mining and natural resource grievances.

- Results:**
- Helped civil society organizations organize themselves through the Two Hills Council in December 2008, composed of 25 civil society organizations representing both anti-mining and pro-development interests from various regions of Mongolia.
  - Facilitated an informal agreement between the government and the Two Hills Council to participate and provide feedback on specific issues related to the Investment Agreement between the GOM and Ivanhoe Mines for Oyu Tolgoi.
  - Facilitated meeting between Two Hills Council and Ivanhoe Mines to discuss issues and grievances, resulting in ongoing dialogue.
  - Ministry of Mineral Resources and Energy provided an office to the Two Hills Council to facilitate dialogue and access to information.
  - Tripartite agreement signed on 22 March 2011 by the government of Mongolia, civil society, and business to establish the National Tripartite Council for Mining Education and Conflict Mitigation, a national mechanism for dispute resolution, conflict mitigation, and education on mining issues; following an MOU that the three parties signed on 31 December 2010 to explore the possibility of establishing such a mechanism.
  - By-laws and regulations of the National Tripartite Council approved with 15 members elected from industry, government, and civil society.
  - Handover to the National Tripartite Council of the Mine Life Cycle educational and public outreach materials that the project developed, piloted, and used in training over the last two years.

- Highlights:**
- **December 2008:** Project facilitated the creation of the Two Hills Council advocacy group, including 25 civil society organizations as members, for improved opportunities for public participation and dialogue in relation to the mining sector and specifically the investment agreement between the GOM and Ivanhoe Mines
  - **December 2008 - April 2009:** Project conducted over 40 workshops, meetings, and seminars for civil society organizations on the mine life cycle, communications management, participatory mechanisms, and institutional strengthening
  - **26 January 2009:** Two Hills Council and the GOM began dialogue concerning the investment agreement; the Ministry of Mineral resources and Energy provided an office for the Council in the ministry to facilitate communication and participation in events related to the investment agreement
  - **28 January 2009:** Two Hills Council established dialogue with Ivanhoe and Rio Tinto; meetings and discussions took place with upper and middle management of the mining companies
  - **10 November 2010:** After seven months of project assistance, Confederation of Mongolian Trade Unions (CMTU) signed an agreement with 40 civil society organizations in preparation for the signing of a “tripartite agreement” involving government, civil society, and industry

to educate citizens on mining, promote consensus on mining issues, and mitigate potential grievances and conflicts

- **17 November 2010:** Mongolian National Employers' Federation (MONEF) signed a similar agreement with five national industry associations, affirming their commitment to participate in the tripartite agreement
- **31 December 2010:** MOU signed among government, civil society, and business to establish a working group to examine the feasibility of establishing a national tripartite council to educate citizens on mining, promote national consensus, and broad citizen participation on mining issues to mitigate potential grievances and conflicts [*See: EPRC News, Dec-10*]
- **27-28 January 2011:** Project, MONEF, and CMTU provided a two-day workshop for 31 participants representing environmental NGOs, all signatories to the tripartite MOU signed in December; this was the first of a series of training workshops with MOU stakeholders to prepare participants for their role as representatives of their constituencies in the National Tripartite Council [*See: EPRC News, Jan-11*]
- **February-March 2011:** MONEF, with project support, delivered a series of four 'conflict to resolution-costs, risks, and avoidance' seminars for 80 mining industry representatives, civil society organizations, and government representatives, within the scope of the Tripartite Agreement signed in December 2010 [*See: EPRC News, Feb-11 and EPRC News, Mar-11*]
- **23-24 March 2011:** MONEF, with support from the project, delivered a training on the mine life cycle for tripartite civil society organization representatives [*See: EPRC News, Mar-11*]
- **22 March 2011:** National Tripartite Agreement signed by the GOM, civil society, and business to establish the National Tripartite Council for Mining Education and Conflict Mitigation, a national mechanism for dispute resolution, conflict mitigation, and education on mining issues [*See: EPRC News, Mar-11*]
- **19, 20, 26 and 27 March 2011:** Five workshops held on the 'Mine Life Cycle' for youth aged 17-18, community members, and students from local vocational schools in Dalanzadgad; the Canadian government provided funding for MONEF to conduct the training with project support; certified local certified trainers facilitated all sessions, for 100 participants [*See: EPRC News, Mar-11*]
- **29 March 2011:** The project, the Canadian government, and MONEF organized a workshop on 'Corporate social responsibility - the path to reducing social risk and conflict' for 30 members of industry in Ulaanbaatar [*See: EPRC News, Mar-11*]
- **14-30 April 2011:** MONEF, with project support, held six training workshops for a total of 125 representatives from government, civil society organizations, and industry on 'Conflict to Resolution – Costs, risks, and avoidance' [*See: EPRC News, Apr-11*]
- **13 May 2011:** Formalization of by-laws and regulations of the National Tripartite Council for Mining Education and Conflict Mitigation with 15 elected representatives from industry, government and civil society; establishment of a formal working group and chair reporting to the NTC
- **25 May 2011:** At a brief ceremony, with USAID and the Canadian Ambassador in attendance, the project handed over all educational Mine Life Cycle materials to the National Tripartite Council representing GOM, civil society, and business. [*See: EPRC News, May-11*]

Lifting Local Voices in Mining



## REFORMING THE TAX SYSTEM

- Background:** Before the tax reform that culminated with new tax legislation that Parliament passed in June 2006, main deficiencies of the Mongolian tax system were:
- A high tax burden on lower-income wage earners and on labor costs, promoting a large shadow economy
  - High corporate tax rates and administrative/legislative provisions such as unallowable business expenses and investment tax credits constrained business growth
  - Provisions, regulations, concepts, and definitions developed piecemeal over more than a decade and were scattered in different laws and decrees that were often contradictory, unclear, incomplete, or contrary to international best practices
  - Low thresholds between corporate tax brackets kept companies small to avoid being taxed at higher rates, providing disincentives to company growth and more competitive access to credit
  - VAT exemptions and loopholes created over the years reduced the VAT tax base and made the system non-transparent and difficult to administer
  - Discriminatory provisions hindered investment by Mongolian businesses as they could not use investment tax credits
  - Responses to “the most problematic factors for doing business in Mongolia” from the Executive Opinion Survey conducted in Mongolia in 2005 by the World Economic Forum cited “tax rates” in third place and “tax regulations” in fifth place, for the most problematic factors for doing business; inefficient government bureaucracy, inadequate supply of infrastructure, and corruption were also among the top five [See: EPRC News, Oct-05]

- Objectives:** In April 2005, the GOM through the Office of the Prime Minister, summarized the general consensus that a “competitiveness-based” tax reform package would have six interrelated objectives:
1. Increase country competitiveness by lowering the tax burden on businesses, enabling job creation
  2. Expand the Mongolian economy by reducing the tax burden and labor costs on wage earners
  3. Simplify tax administration procedures to reduce compliance costs and arbitrariness, reducing the size of the shadow economy and expanding the tax base
  4. Support domestic investors by removing discriminatory tax provisions and adjusting taxes to favor domestic production
  5. Shift the tax burden from investment/production toward consumption/ownership
  6. Preserve a sound fiscal environment.

[See: EPRC News, Apr-05]

- Results:** Impact analysis of the first three years of implementation of the USAID-supported overhaul of the Mongolian tax system reveals that the reforms have uniformly and measurably met their objectives. These reforms have:
- Rationalized an antiquated tax system, making it compliant with best international practices and IFRS
  - Eliminated economic distortions of old tax laws

- Simplified laws and regulations
- Provided tax payers with improved access to simplified instructions, information, and assistance, making the system more transparent and predictable
- Expanded the tax base
- Increased tax revenues, achieving fiscal neutrality
- Had a measurable impact distinct from underlying economic growth.

Taxation reforms included new laws on personal income tax (PIT) and corporate income tax (CIT), and an amendment to the value-added tax (VAT) law.

*The laws:*

The new PIT law introduced the following changes:

- Unified the tax rate on taxable personal income at 10 percent, replacing the three-tiered rate of 10, 20, and 30 percent.
- Raised the tax credit on taxable personal income from 48,000 MNT a year to 84,000 MNT, statutorily exempting from taxes those below the poverty line, around 30 percent of the population, as well as at least an additional one-third of low income citizens.
- Reduced the number of tax rates from 8 to 4, reducing the administrative burden on taxpayers
- Allowed sole proprietorship operators to deduct more legitimate costs of doing business.
- Limited opportunities for tax evasion by including fringe benefits in taxable income and by empowering GDT to restate related party transactions.
- Brought the law closer to international best practices.

The new CIT law introduced the following changes:

- The tax schedules were adjusted to lower CIT liabilities across the board. Under the prior schedule, taxpayers faced a 15 percent rate on the first 100 million MNT; and a 30 percent rate applied to taxable income in excess to that threshold. The new law taxes the first 3 billion MNT at 10 percent, and imposes a 25 percent rate on taxable income above that level. The tax is now essentially a flat tax with a 10 percent rate for 99 percent of businesses.
- The list of deductible expenses was expanded to include more legitimate costs of doing business; some restrictions on deductions were also added.
- Losses can now be used to offset future taxable income, providing more equitable treatment for new and temporarily troubled businesses,
- The forms of income that are exempt from tax were reduced, leveling the playing field for foreign and domestic businesses.
- New foreign tax credits were introduced, as were credits for investment, providing a stimulus for business investment.

The new VAT law provided the following:

- Reduction of the VAT rate from 15 percent to 10 percent.
- Expansion of the tax base to include a greater range of goods, works, and services.
- Modification of the set of goods, works, and services that are either exempt from VAT or which are taxed under the VAT at a zero rate.

### *The numbers:*

Analysis of PIT shows increased revenues and an expanded tax base (more returns from self employed and increased number of withholdings from those employed). Tax reform induced changes had a distinct and measurable impact on the increase in PIT receipts through withholdings. More specifically:

- The number of employees with PIT tax withheld through payroll jumped 45 percent, to 512,205 in 2007 relative to 2006 and has steadily increased to 625,011 in 2009, indicating increased formalization of business payrolls and an expansion of the tax base.
- The number of tax returns from the self-employed expanded by 48 percent between 2006 and 2009, to 72,928 filers, indicating increased formalization of the economy.
- After a 10 percent dip in revenues collected in 2007 relative to 2006, PIT revenue collected from withholdings through payroll was up 78 percent in 2009, 112,893 million MNT, relative to 2006.
- PIT collected from the self-employed more than tripled during 2007 relative to 2006; at 6,583 million MNT in 2009; PIT collected from the self-employed was more than double the 2006 level.
- Tax reform induced changes accounted for 61 percent of the increase in PIT receipts through withholdings, with underlying economic growth accounting for the remaining 39 percent.

Analysis of CIT impact shows increased revenues linked to an expansion of the tax base (more returns) and greater reported gross income of companies. Distinct tax reform direct and indirect effects accounted for 42 percent of the increase in corporate net taxable income. More specifically:

- The number of CIT returns with tax due increased by 25 percent in 2009, to 20,563 taxpayers, relative to 2006
- Corporate gross income reported increased by 43 percent, to 6,845,268.6 million MNT in 2007 relative to the year before
- CIT revenues were 16 percent higher in 2009, 225,068.5 million MNT, than in 2006.
- Distinct tax reform direct and indirect effects accounted for 42 percent of the increase in corporate net taxable income, with underlying economic growth accounting for the remainder of the change.

Analysis of domestic VAT returns shows increased VAT revenues by 2.5 times and almost a doubling of the domestic tax base. Tax reform direct and indirect effects accounted for 44 percent of the expansion of the domestic VAT base growth, and expansion of the legal tax base accounted for an additional 7 percent of the change.

Analysis of VAT collected at the border shows an expansion of the VAT on imports tax base of 38 percent that rendered the reduction in rates, from 15 to 10 percent, revenue neutral. 43 percent of the change in the 2007-2009 VAT on imports base growth relative to 2006 was due to expansion of the legal base brought about by the tax reform, with an additional 10 percent attributed to the direct and indirect effects of the tax reform.

- The number of domestic VAT returns had almost doubled in 2009, reaching 11,820 returns, relative to 2006, indicating more domestic businesses chose to register and formalize their status.
- Revenues from domestic VAT returns in 2009 had increased 2.5 times, to 50,064 million MNT

- Contrary to expectations of a sharp decline, VAT collected from imports went down less than 1 percent in 2007, to 210,660.7 million MNT relative to 2006 as the legal expansion of VAT base and reduction of exemptions increased the tax base by 38 percent; collections of VAT on imports increased to 300,830.1 million MNT in 2008 but declined to 251,123.9 million MNT in 2009 as taxable imports declined by over 16 percent.
- Distinct tax reform direct and indirect effects accounted for 44 percent of the expansion of the domestic VAT base growth, and expansion of the legal tax base accounted for an additional 7 percent of the change; underlying economic growth accounted for 49 percent of the change.
- 43 percent of the change in the 2007-2009 VAT on imports base growth relative to 2006 was due to expansion of the legal base brought about by the tax reform, with an additional 10 percent attributed to the direct and indirect effects of the tax reform; the remainder 47 percent of the change was due to underlying economic growth.

#### Highlights:

- **March 2004:** Initial technical analysis of the need for tax reform to improve country competitiveness presented in the National Development Strategy paper, prepared by the project at the request of the Prime Minister's Office [See: [EPRC News, Mar-04](#)]
- **July – September 2004:** Project developed a comprehensive Guide to the Mongolian Tax System as a working paper, including a tax reform matrix to help prioritize reforms to promote job creation, formalization of employment and competitiveness [See: [EPRC News, Jul-Aug-04 and Sep-04](#)]
- **October 2004 – March 2005:** To develop political consensus on tax reform measures, project worked closely with the Office of the Prime Minister and had a series of meetings and discussions with the MOF tax working group, Parliamentary tax working groups of different political parties, and businesses
- **March 2005:** General Equilibrium Model prepared to assist the GOM in modeling economic impact of alternative tax measures and shared with the MOF, GDT, the National Statistics Office (NSO), and the Faculty of Economics of National University of Mongolia [See: [EPRC News, Mar-05](#)]
- **March 2005:** Speaker of Parliament and Prime Minister endorsed a project proposal for a national live audience television and radio consultation on the need, objectives, and potential measures of the proposed tax policy reform [See: [EPRC News, Mar-05](#)]
- **April 2005:** “A Communications Strategy to Support Tax Relief in Mongolia” prepared and submitted to the Office of the Prime Minister and relevant GOM ministries and agencies involved in the process of tax reform [See: [EPRC News, Apr-05 and Report](#)]
- **June 2005:** Workshop on taxation offered on 23 June for twenty-five journalists by public affairs officers of the MOF and GDT as part of the tax education and information program for the general public and members of the press [See: [EPRC News, Jun-05](#)]
- **June 2005:** Project developed private-access website on tax information for use by government decision makers involved in the tax reform process—selected Members of Parliament, officers of ministries, and GDT. In addition to presenting basic facts and figures on different taxes and revenues, the website supported commentary and discussions by participants [See: [EPRC News, Jun-05](#)]
- **June – October 2005:** Series of 14 weekly tax briefing articles developed by the MOF and GDT and published in national newspapers and

- seven Mongolian websites [[See: EPRC News, Jul-Aug-05 and Briefs](#)]
- **September 2005:** At the request of members of the Parliamentary Tax Working Group, the project produced and bound copies of the 14-July MOF tax proposals in Mongolian, their English translations, and their electronic versions in a mini CD and distributed working copies to all members [[See: EPRC News, Sep-05](#)]
- **4 October 2005:** First national radio and TV live chat on taxes; Finance Minister N. Altankhuyag and GDT Director L. Zorig were the guests of the first Open Talks on Taxes that the Open Government (OG) website began as part of the national dialogue on tax reform [[See: EPRC News, Oct -05](#)]
- **8 October 2005:** Parliamentary Tax Working Group held its first weekend retreat to review and discuss objectives of the tax reform, elements of a successful tax reform, MOF proposals, amendments to the MOF proposals, and models to assess macroeconomic and fiscal impact of diverse tax policy measures [[See: EPRC News, Oct -05](#)]
- **5 November 2005:** Parliamentary Tax Working Group held its second weekend retreat to review and discuss new draft laws on personal income tax (PIT) and corporate income tax (CIT), fiscal and microeconomic impact of different PIT and CIT scenarios, VAT figures and issues [[See: EPRC News, Nov -05](#)]
- **10-11 and 17-18 November:** Four-day, hands-on technical workshop conducted on initial Computable General Equilibrium (CGE) project-developed model of the Mongolian economy for use in forecasting potential economic and fiscal impacts of different tax reform scenarios; participants included government officials, Members of Parliament, and academicians [[See: EPRC News, Nov -05](#)]
- **15 November 2005:** National radio and television live chat on the budget held under sponsorship of the Open Government website's Open Talks series, with the Chairs of the Parliamentary Budget Standing Committee, and of the Economic Policy Committee, both members of the Parliamentary Tax Working Group [[See: EPRC News, Nov-05](#)]
- **19 November 2005:** Parliamentary Tax Working Group held its third weekend retreat to review and discuss general tax laws, immovable property tax laws, economic policy issues surrounding customs tariffs and export taxes [[See: EPRC News, Nov-05](#)]
- **3 December 2005:** Parliamentary Tax Working Group held its fourth weekend retreat to review and discuss requirements of modern VAT regimes, value chain of the Mongolian cashmere sector, housing issues and options in the primary mortgage market in relationship to taxation policies [[See: EPRC News, Dec-05-Jan-06](#)]
- **13 December 2005:** Open Government held third live national chat of the Open Talks on Taxes series; MPs members of the Parliamentary Tax Working answered questions from citizens on tax reform [[See: EPRC News, Dec-05-Jan-06](#)]
- **19 December 2005:** Parliamentary Tax Working Group held its fifth weekend retreat to review and discuss recommendations for VAT law revisions, including potential revenue balancing with import taxes, taxes on labor, and country competitiveness [[See: EPRC News, Dec-05-Jan-06](#)]
- **March – May 2006:** Project provided intensive technical support to Parliamentary Tax Working Group, collecting and analyzing data to examine economic and fiscal impacts of different tax scenarios, and assisting with technical drafting of tax legislation
- **April 2006:** Project, the National Statistics Office, and the Open Society



Forum released “Tax evasion in Mongolia: Estimates from the informal sector household survey of October 2004” showing that tax evasion is quite pervasive [See: [EPRC News, Apr-06](#)]

- **June 2006:** Parliament passed new PIT, CIT, amendments to the VAT and Excise Tax. [See: [EPRC News, Jun-06](#)]
- **September 2006:** User-friendly brochure “Mongolian Taxes at a Glance” released by GDT in Mongolian and English to provide overview of Mongolian tax system for decision makers and the general public [See: [EPRC News, Sep-06](#)]
- **7 September 2006:** GDT and project organized a national workshop on IFRS for three hundred tax inspectors; participants received printed and electronic copies of Mongolian reference manual containing relevant provisions [See: [EPRC News, Sep-06](#)]
- **11-15 September 2006:** GDT and project organized a national five-day workshop for 50 tax supervisors on accounting principles based on IAFRS and concepts contained in the new tax laws to equip them to provide three-day training sessions of tax inspectors they supervise in their offices [See: [EPRC News, Sep-06](#)]
- **October 2006:** State Information Gazette officially published the PIT and CIT laws on 13 October; and the VAT law, on 29 October [See: [EPRC News, Oct-06](#)]
- **21 November 2006:** First multimedia national chat of Open Talks on New Tax Laws sponsored through the Open Government (OG) website held with MP members of the Parliamentary Tax Working Group, Chair of the Parliamentary Standing Budget Committee, and GDT Director answering questions from the public [See: [EPRC News, Nov-06](#)]
- **22 November 2006:** GDT and project organized a workshop for 35 inspectors to review the latest amendments to IFRS and their implications for implementing the new tax laws [See: [EPRC News, Nov-06](#)]
- **28 November 2006:** Second multimedia national chat of Open Talks on New Tax Laws sponsored through the Open Government (OG) website held with five business answering questions from the public on impact of the new tax laws on their businesses and prices to consumers [See: [EPRC News, Nov-06](#)]
- **January 2007:** GDT issued “taxpayer-oriented” brochures on PIT, CIT, and VAT, printing 23,000 copies, as part of their public education campaign on the new tax laws; tax inspectors received CDs containing the brochures and the text of the new tax laws [See: [EPRC News, Dec-06-Jan-07](#)]
- **February 2007:** GDT released English language brochures on PIT, CIT, and VAT for foreign taxpayers [See: [EPRC News, Feb-07](#)]
- **18-20 April 2007:** GDT and project organized a three-day workshop for 78 tax inspectors and collectors from across Mongolia to prepare them for the administration of revised regulations and tax return forms to support the new tax laws [See: [EPRC News, Apr-07](#)]
- **September 2007:** GDT officially launched a redesigned, “user-friendly” website to provide taxpayers with information about tax laws, tax forms, regulations, contact information for GDT offices nationwide, a questions and answers section, tax events, and tools for tax computation such as a personal income tax calculator [See: [EPRC News, Sep-07](#)]
- **26–27 February 2008:** GDT and project organized a two-day workshop on information security, electronic tax filing, and new regulations held for 40 tax inspectors and economists of branch tax officers [See: [EPRC News, Jan-Feb-08](#)]

### Transforming the Tax System



### Raising the Bar: Tax Office Customer Service



- September 2008:** Project and GDT measured impacts of new tax laws during the first year, concluding that PIT revenues from tax returns of the self-employed more than tripled in 2007, the year when the tax reforms became effective, relative to 2006; reported corporate revenues rose by 41 percent; domestic net VAT revenues doubled relative to the two prior years and VAT filings increased at twice the rate of prior years; VAT collections at the border declined as anticipated from the reduction of the VAT rate from 15 to 10 percent while VAT at the border filings increased 20 percent in 2007 relative to the year before, almost a fourfold increase relative to the average rate of increase of the prior two years; statistical analysis showed that the tax reform had impacts distinct from normal economic growth for the period [\[See: EPRC News, Aug-Sep-08\]](#)
- 8 April 2009:** GDT, the Press Institute, and project co-sponsored an all-day workshop for journalists on “Tax Reform Issues and the Impact of the Recession on Tax Collections” for 27 journalists from 11 newspapers, nine TV stations, two radio stations, three magazines and the Montsame News Agency [\[See: EPRC News, Apr-09\]](#)
- 27 October 2009:** First GDT workshop on “Customer Experience Management” program held for 24 senior management staff; GDT restates its institutional mission to incorporate trust of taxpayers and open, smooth, transparent and fair operations [\[See: EPRC News, Oct-09\]](#)
- November-December 2009:** Four workshops of two days each held on November 5-6, 9-10, 24-25 and December 2-3 for over 70 GDT staff from Ulaanbaatar, Darkhan, and several aimags as part of the “Customer Experience Management” program [\[See: EPRC News, Nov-Dec-09\]](#)
- 26-27 November 2009:** Project and the Press Institute held a two-day workshop on public communication skills for 20 local tax inspectors [\[See: EPRC News, Nov-Dec-09\]](#)
- February 2010:** GDT finalized “Value-Added Tax for Small and Medium Enterprises” guide to help newly registered VAT payers with the filing process, dates, and easy-to-follow sample spreadsheets for calculating payments and refunds [\[See: EPRC News, Jan-Feb-10\]](#)
- June 2010:** Three regional workshops of two days each held on June 8-9 in Khentii, 14-15 in Ulaanbaatar, and 30 June-1 July in Uvs for 102 tax officers on the “Customer Experience Management” program [\[See: EPRC News, Jun-10\]](#)
- November 2010:** Project concluded “Customer Experience Management” program with two one-day workshops held on 18 and 19 November for 101 tax officers [\[See: EPRC News, Jun-10\]](#)

## REGULATING THE BANKING SECTOR

**Background:** The placing of Anod Bank in receivership in December 2008, eight months after its initial public offering (IPO) was symptomatic of deep underlying problems in the Mongolian banking sector. Potential erosion of public confidence in the banking system and the unknown potential fiscal costs of rescuing banks in difficulties were threats to the system.

In March 2009, the Bank of Mongolia (BOM) raised the required capital adequacy ratio from 10 percent to 12 percent for commercial banks in an effort to strengthen the sector and help mitigate the impact of the downturn of economic activity that had followed a period of rapid growth in lending, especially in the real estate sector. With Zoos Bank in receivership, the country had 15 licensed commercial banks and BOM requested project assistance to perform an assessment and provide recommendations to strengthen and consolidate the banking sector.

From the first quarter of 2009 through the end of the project in June 2011, the project provided assistance to the BOM to help regulate and strengthen bank supervision.

**Legally registered as:** Mongol Bank “МОНГОЛ БАНК”

**Date registered:** 1991

- Objectives:**
- Assist the BOM to strengthen the banking sector by addressing systemic risks and helping banks consolidate and restructure to achieve their objective of “fewer, stronger, and cleaner banks.”
  - Assist the BOM with the resolution of problem banks and cases presenting systemic risks.
  - Assist with drafting legal amendments to strengthen legal provisions on bank regulation of the Banking Law and independence of the BOM in the Central Bank Law

**Current reserves:** 466 billion MNT

**Domestic Credit:** 2.8 trillion MNT

- Results:**
- Introduced a CAMELS-based (Capital, Asset quality, Management quality, Earnings, Liquidity, Sensitivity to market risk) rapid banking sector assessment methodology used to produce four confidential banking sector assessments reports in May 2009, July 2009, October 2009, and December 2009 to help BOM develop policies and implement actions to reduce systemic risk, enforce legal and regulatory compliance with prudential ratios, and pursue the objective of “fewer, stronger, and cleaner banks”
  - Based on the first banking sector assessment report of May 2009, project led the formation of a working group of international financial institutions that included the World Bank, ADB, IMF, IFC, and EBRD to develop a framework of coordinated technical assistance to BOM to help restructure the banking sector
  - Assisted BOM to create a unit to address problem banks and systemic risks, providing analyses, structuring scenarios, and terms of proposed

transactions

- Helped draft proposed amendments to the Banking and Central Bank laws based on international best practices; Parliament amended both the Law on the Central Bank and the Law on Banking on 28 January 2010
- Developed options for the BOM to address issues of non-compliance with banking law, with particular attention paid to banks violating related-party transactions regulations and prudential ratio compliance, and created road maps for consolidation and supervisory action plans for certain banks in December 2010

- Highlights:**
- **May 2007:** Project assisted BOM with a review and development of proposed policies to support secondary mortgage market development; the proposed policies and regulations covered five areas: strengthening primary market pre-conditions and market infrastructure; flexible monetary policy instruments and prudential ratios; accessing long-term funding and setting a long term interest rate benchmark by working with the Government in a sovereign bond issue; developing credit enhancement options; and defining its relationship with MIK [*See: EPRC News, May-07 and Report*]
  - **May 2009:** The project assisted BOM with an assessment of the banking sector; the confidential report, “Mongolian banking sector consolidation strategy: Immediate actions and structural reforms” used a CAMELS-based rapid assessment methodology; key findings were that only five out of 15 banks were in full compliance with prudential ratios, three banks were not in compliance with capital adequacy ratios, single borrower and related-party lending posed a systemic risk and were under-reported; the assessment included priority and urgent action recommendations to prevent further deterioration and control systemic risk; based on the assessment, the magnitude of required assistance, and the need to elicit political support for enforcement of compliance with regulations, the project proposed the formation of a working group of international financial institutions (IFIs) that included the World Bank, ADB, IMF, IFC, and EBRD to develop a framework of coordinated technical assistance to BOM to restructure the banking sector; by the end of June, the working group had held two meetings and there was an emerging agreement on the framework of coordinated technical assistance and potential roles of the different IFIs
  - **May 2009:** BOM began implementation of the recommendations of the first banking sector assessment and requested additional project assistance to address specific problem banks
  - **June-September 2009:** The project continued to take a leading role among the IFIs assisting the BOM in responding to the global financial crisis, particularly on the conservatorship of Anod Bank, including receiving expressions of interest to assume some of the bank’s assets and liabilities, assisting in preparing detailed loan information for the data room, and drafting agreements for transactions.
  - **July 2009:** Project completed the second confidential desk review of the banking sector; the review showed that the condition of the Mongolian banking system continued to deteriorate and made recommendations to accelerate the pace of consolidation and restructuring in the Mongolian banking sector
  - **August 2009:** Assessment of banking legal framework completed
  - **September 2009:** At the request of BOM, the project completed a

review of the current Banking and Central Bank Law; the review, “Follow-up to the Mongolian banking sector consolidation strategy: Immediate actions and structural reforms” proposed draft amendments based on international best practices; recommendations to improve the law included: more stringent provisions on related-party transactions, enforcement of regulatory compliance, raising minimum capital requirements, regulation of mergers and acquisitions activity, greater disclosure requirements, strengthened consolidated supervision, clarification of the judicial insolvency regime and provisions requiring independent directors on boards of banks; additional recommendations included: restricting granting credit to banks, restrictions on granting credit to the government to strengthen BOM’s autonomy, institutionalization of a “work-out” unit, explicit provisions on coordination of monetary and fiscal policy, and provisions to improve transparency

- **October 2009:** Project advised BOM on procedural matters for processing the requested approval of the merger of Post Bank with Savings Bank and formulated alternatives for the restructuring of another bank, presented the alternatives to BOM, and assisted BOM in negotiations with stakeholders
- **November 2009:** Project analyzed and presented alternatives to BOM for the resolution of Zoos Bank, and assisted in negotiations with stakeholders; on 19 November BOM placed Zoos Bank under receivership and transferred the deposits and good assets to a newly formed “State Bank” that opened its doors for business on 27 November 2009
- **December 2009:** Project completed the third confidential desk review of the banking system as of 31 October 2009 including significant events up to and including 18 December; the assessment documented the continued deterioration of compliance with banking regulations and provided recommendations for action; project also advised BOM on continuing negotiations for the merger and recapitalization of two banks
- **January 2010:** Project completed the fourth confidential desk review of the banking system as of 31 December 2009, including recommending options for action; the project also formulated a strategy to implement a coordinated assistance plan to maximize asset recovery from the largest debtor to the receivers of Anod Bank and Zoos Bank and presented it at the 25 January meeting of the IFI Working Group coordinating assistance to BOM
- **April – June 2010:** Project reviewed and commented on drafts of a Bank Recapitalization Program prepared by BOM and the Ministry of Finance; BOM presented the draft program to various stakeholders prior to its anticipated presentation to Parliament for approval of any necessary enabling legislative measures and subsequently requested project assistance to draft policies, procedures, rules, and regulations to implement the proposed program which was renamed the Bank Strengthening Program
- **April – June 2010:** Project coordinated a team of experts from USAID, World Bank, and ADB to assist the receivers of Zoos Bank and Anod Bank to recover a large debt from a group of related borrowers and to minimize the potential cost to the GOM under the Blanket Guarantee Law that may result from a potential default of this debt in other commercial banks
- **July – September 2010:** Project continued to advise the BOM presenting it with strategic options for recovering a large distressed debt from related parties that posed a systemic risk to the banking system with the intent of maximizing recovery for the receivers of Anod and Zoos while minimizing

- losses to the government under the Blanket Guarantee Law
- **December 2010:** Project completed a comprehensive confidential review of all 14 commercial banks and documented that the same problems persisted; the assessment proposed remedial actions for BOM to take; project also developed a supervisory action plan for one bank and a consolidation action plan for three others for BOM to consider pending their own onsite inspections
  - **January - June 2011:** In January, the BOM completed audits of several commercial banks and found serious deficiencies in the system including violation of prudential ratios; drawing upon the recommendations from the project, BOM enacted supervisory action plans for three banks designed to address structural issues in the banking system and to strengthen their balance sheets; the supervisory actions were ongoing at project end

## REGULATING FINANCIAL MARKETS

- Background:**
- The Mongolian Stock Exchange was established in 1991, serving primarily to implement the government's plan for the privatization of large state-owned enterprises—citizens could use state-issued vouchers to purchase shares of large enterprises on the stock exchange that were being privatized.
  - When secondary trading finally began in 1995, open to both domestic and international investors, the weaknesses of many newly privatized companies were exposed. Over the next decade, investors were reluctant to trade on the MSE due to the lack of transparency of listed companies. In addition, parallel trading—the trading of shares outside of the MSE—was common, which did not allow accurate price discovery of shares on the exchange. All of this presented higher risks to investors which constrained growth of the MSE.
  - In January 2006, the Financial Regulatory Commission (FRC) was established to protect the rights of investors through regulation and oversight of all listed companies on the MSE and all non-bank financial institutions (NBFIs) in Mongolia, including insurance organizations, savings and credit cooperatives, securities market firms, and others. The FRC sought to mandate and encourage good corporate governance practices, including transparency and disclosure, for all companies under its oversight.
  - While the establishment of the FRC was a big step toward improving the practices of listed companies and NBFIs, it lacked capacity for regulation, supervision, and enforcement. The commission did not have enough trained staff nor the appropriate IT systems to oversee companies under its authority. It used a paper-based process for supervision with no systematic method of capturing and analyzing information from companies. In addition, the commission lacked regulations to mandate good corporate governance practices.
  - In 2007, the project began working with the FRC to build its capacity in each of these areas and improve transparency in Mongolia's financial markets.
- Objectives:**
- Improve the legal environment for financial markets
  - Strengthen the capacity of the FRC in regulation, supervision, and enforcement
  - Strengthen FRC's ability to supervise companies through implementation of FinA, an information management system developed by USAID to collect data from financial institutions, analyze the data, and publish it via a website portal to investors and the general public to ensure financial transparency and systematic disclosure
  - Improve regulatory framework for FRC by establishing corporate governance rating index for listed companies and NBFIs.
- Results:**
- Assisted with drafting and discussions Asset-backed Securities Law passed by Parliament
  - New procedures developed and adopted for IPOs
  - Completed installation of FinA on FRC servers and training of staff; began pilot stage of data collection from listed companies, NBFIs, and savings and credit cooperatives; data collection from insurance companies is in the development stage; FRC staff can create reports of data from all areas

- Created website portal to enable public view of data on listed companies and NBFIs (microfinance cooperatives, and savings and deposit institutions), including financial reports, annual reports, directors, management, and other information; portal will be available to the public after FRC finalizes internal policies and processes; project also assisted in the development of a Corporate Governance web site where investors will gain access to corporate governance information about listed securities
- Increased regulatory, supervisory oversight and enforcement capacity of FRC and regulators
- Reviewed and provided recommendations on Investment Fund Law and Securities Law; the laws are currently under review at FRC.

- Highlights:**
- **May 2007:** With support from an international expert, the project assisted with review and drafting of laws to create more efficient and transparent financial markets for security instruments to support housing finance, including a collateralized mortgage bonds draft law, an asset-backed securities draft law, and existing legislation for securities in consultation with commercial banks, the Bank of Mongolia, and the Mongolian Mortgage Corporation (MIK) [[See: EPRC News, May-07](#) ]
  - **June 2007:** Following preparation of draft laws in May, FRC began drafting regulations for implementation of laws with assistance from the project; the laws and regulations intended to provide framework for implementation of securitization and asset-backed securities market by authorizing Special Purpose Companies to be created for the exclusive purpose of holding revenue-producing assets and issuing asset-backed securities [[See: EPRC News, June-07](#) ]
  - **August 2007:** FRC and MIK, with project support, sponsored a legal working group retreat on draft securities laws; participants agreed to present next drafts of laws to formal working group headed by Ministry of Justice before submitting laws for Cabinet hearing, and to focus on a strong campaign of public education, including publishing a primer of mortgage terms and processes, Open Government talk shows, and newspaper articles explaining mortgages, and basic securitization concepts [[See: EPRC News, July-August-07](#) ]
  - **July 2008:** FRC, with project support, completed a Mongolian glossary of concepts and terms for mortgage markets to foster general understanding of the primary and secondary mortgage market, among both policy-makers and the general public [[See: EPRC News, July-08](#) ]
  - **July 2008:** FRC considered revision of IPOs following assistance from project specialist in reviewing the laws, regulations, policies, and procedures governing approval of IPOs of securities; project provided recommendations for improvements in legal and regulatory environment, procedural changes, and capacity building at FRC; procedures were officially adopted in February 2009
  - **September 2010:** Project reviewed both the draft Investment fund Law and the draft Securities Law, drafted by FRC, and provided recommendations
  - **September 2010 – May 2011:** EPRC provided technical assistance to improve FRC's capacity in IT to increase disclosure and transparency enforcement by introducing USAID-sponsored open source FinA program as well as a corporate governance web site
  - **April 2011:** Two FRC regulators participated in the annual U.S. SEC International Regulation Seminar in Washington DC to upgrade



enforcement skills and build capacity for supervision and surveillance functions

- **May 2011:** Completed installation and pilot testing of FinA and training of staff

## REGULATING THE ENERGY SECTOR

- Background:**
- Mongolia's energy sector regulator, the Energy Regulatory Authority (ERA), was established in 2001 with support from USAID and as part of a package of reforms in the sector.
  - At project inception, in October 2003, the sector had been unbundled and there were 18 energy companies, most of them operating as state-owned enterprises (SOEs); companies were operating with three-year interim operating licenses, a general tariff methodology, and a single-buyer market were in use.
  - Also at project inception, old energy-sector assets were at or close to the end of their useful lives, and tariffs and the prices of coal and coal transport were below cost recovery levels.
  - EPRC projections made at project inception showed that unless new generating capacity was installed and distribution networks upgraded, Mongolia would face serious energy shortfalls as early as 2012, at which point the maximum capacity of 255 megawatts of imported power from Russia would not meet country demand for electricity. This did not even consider the growing need for heating in Ulaanbaatar or demands that the burgeoning mining sector would pose.
  - As the initial project prognosis of the sector has become a reality, the need will be more pressing to attract private investment to build new power facilities and to upgrade and improve existing capacity.

- Objectives:**
- Assistance to the Energy Regulatory Commission (ERA) to:
  - Make the energy sector regulatory environment more transparent, market-oriented, and efficient
  - Improve the commercial orientation and practices at energy SOEs
  - Enhance tariff design and cost recovery levels of tariffs
  - Improve efficiency of the wholesale power market by introducing competitive elements
  - Improve coordination of national energy sector policies.

- Results:**
- Ministry of Finance (MOF) issued Decree No. 07 dated 12 January 2005 mandating the use of International Financial Reporting Standards (IFRS)-based Uniform System of Accounts (USOAs) for all energy sector companies.
  - USOAs compliant with IFRS developed, installed, and in use by 21 licensee energy companies, which produced annual financial statements for calendar years 2007, 2008, 2009, and 2010; ERA required USOA for comparative cost accounting and tariff regulation; well-supported financial statements documented the dire financial condition of energy sector companies for the first time.
  - Audit Unit of ERA proposed, created, trained, and functioning; unit reviews tariff proposals of licensee companies.
  - ERA held public hearings in developing regulations to obtain public opinion and evaluate public perception on issues such as proposed tariff increases, complaints from consumers, licensed activities, etc.
  - Developed and executed public education and information campaigns to educate the public on energy issues and build support for needed tariff

increases.

- Performance Benchmarking of licensee companies developed, adopted, and in use: ERA publishes quarterly results for public use, making performance of energy companies transparent to citizens.
- ERA negotiated and signed 11 Performance Agreements with licensee companies to improve performance based on measurable indicators developed since 2007 and in use.
- ‘Tariffs and Subsidies Multi-year Simulator’ developed, presented, and delivered to ERA and the Ministry of Mineral Resources and Energy; simulator allows decision makers to calculate the mix of tariff increases and subsidies required to meet revenue requirements of licensee companies in the Central Energy System.
- Organized and supported USAID Chairmanship of 14 policy dialogue and coordination meetings on energy issues among the GOM and donors, including World Bank, ADB, Deutsche Gesellschaft für Technische Zusammenarbeit GmbH, KfW, and Japan International Cooperation Agency.
- Upgraded Two-Part Tariff Methodology adopted to enable merit order dispatching in the Central Energy System, which will lower variable and fuel costs and reduce greenhouse gas emissions.
- Bilateral contract market design developed, along with market rules to shift from the current single buyer market.
- Developed innumerable draft amendments to the Energy Law and participated in a similar number of working groups over the last seven years; Cabinet approved the current draft and submitted it to Parliament, which aims to support an improved environment for private investment, proper tariff setting, cost recovery level tariffs, power market design, obligations to recover investment of licensees by tariff revenues, and other provisions.

- Highlights:**
- **January 2004:** Project assisted with revision of draft Energy Efficiency Law [[See: EPRC News, Jan-04](#)]
  - **19 February 2004:** USAID and ERA signed an MOU to continue USAID’s technical assistance support to the agency [[See: EPRC News, Feb-04](#)]
  - **April–May 2004:** ERA, with project assistance, conducted a series of workshops on ‘Energy Regulatory Cost Accounting’; delivering the equivalent of 164 person/days of training for licensee companies of the Eastern Energy System, Western Energy System and generating licensees of the Central Energy System [[See: EPRC News, Apr-04 and May-04](#)]
  - **September 2004:** Manual on ‘Energy Sector Regulatory Cost Accounting’ and training materials released [[See: EPRC News, Sep-04 and Manual](#)]
  - **November 2004:** ERA conducted its first public hearing; workshop conducted on Consumer and Utility Rights and Obligations under Regulations [[See: EPRC News, Sep-04](#)]
  - **December 2004:** Television public forum held on tariff increases [[See: EPRC News, Dec-04](#)]
  - **January 2005:** Ministry of Finance mandated use of IFRS-compliant USOAs for energy companies [[See: EPRC News, Jan-05](#)]
  - **April 2005:** Four-day training on IFRS held for Central Energy System distribution, transmission, and dispatch companies [[See: EPRC News, Apr-05](#)]
  - **August 2005:** ERA adopted: a) Public Hearing Procedures; b) Dispute Resolution Procedures; and, c) Tariff Review Procedures; project assisted ERA with drafting of the three procedures to improve the transparency of the regulatory process [[See: EPRC News, Aug-05 and Procedures](#)]

- **January 2006:** Workshop conducted to review the first energy company financial statements and adjustments produced in compliance with IFRS-based USOA [See: [EPRC News, Jan-06](#)]
- **April 2006:** ERA's Audit Unit, proposed and developed with project assistance, completed its first audit [See: [EPRC News, Apr-06](#)]
- **November 2006:** ERA, with project assistance, developed performance benchmarks to negotiate performance agreements with licensee companies [See: [EPRC News, Nov -06](#)]
- **May 2007:** First Performance Agreement signed in the energy sector between the ERA and the Baganuur & South Eastern Region Electricity Distribution Network [See: [EPRC News, May -07](#)]
- **22 June 2007:** Public education campaign on energy sector issues initiated with participation of ERA, the Ministry of Fuels and Energy, the Ministry of Finance, and 11 journalists, with assistance from the Press Institute and the project [See: [EPRC News, Jun -07](#)]
- **March 2008:** ERA signed two additional performance agreements with licensee companies; one with the Darkhan Combined Heat Plant (CHP) and another with the Baganuur & South Eastern Region Electricity Distribution Network (BSEREDN) [See: [EPRC News, Mar-08](#)]
- **1 May 2008:** ERA adopted two-part tariff system for electricity purchases from generating companies; the two-part tariff: a) enabled economic dispatch leading to reduced pollution and lower electricity bills for consumers; b) induced improvement in generator efficiency, leading to further reductions in pollution and electricity bills for consumers; and, c) promoted improved reliability leading to fewer power interruptions to consumers [See: [EPRC News, May-08](#)]
- **15 June 2008:** ERA Resolution raised electricity and heat retail prices by 28 percent and 39 percent, respectively, effective 15 July, introduced progressive block tariffs for electricity, and updated the night time tariff; in line with the tariff rationalization plan prepared with project assistance [See: [EPRC News, Jul-08](#)]
- **October-November 2008:** ERA organized a series of meetings with energy sector companies to elicit comments on the "Proposed competitive electricity market design for Mongolia's Central Electricity System;" the design will promote competition and economic dispatching to reduce coal use and pollution, and can be implemented at reasonable cost and risk; licensee companies were generally supportive of the proposed high-level market design [See: [EPRC News, Oct-Nov-08](#)]
- **2 April 2009:** ERA, with project assistance, held a workshop for officials from the Ministry of Mineral Resources and Energy and the SPC on the general design of the new electricity market and bilateral contracts; the workshop was part of the series of workshops and presentations to stakeholders of the Central Electricity System that the ERA and project conducted [See: [EPRC News, Apr-09](#)]
- **April-May 2009:** ERA signed performance agreements with five licensee companies: Darkhan Selenge Electricity Distribution Network, Ulaanbaatar Electricity Distribution Network, Baganuur & Southeastern Region Electricity Distribution Network, Erdenet Bulgan Electricity Distribution Network, and Power Plant # 4
- **February-April 2010:** 'Tariffs and Subsidies Multi-year Simulator' developed, presented, and delivered to ERA and the Ministry of Mineral Resources and Energy; simulator allows decision makers to calculate the mix of tariff increases and subsidies required to meet revenue requirements

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- of licensee companies in the Central Energy System
- **June 2010:** ERA signed performance agreements with four licensee companies: Erdenet Bulgan Electricity Distribution Network, Erdenet Power Plant, Power Plant #3, and Power Plant # 4
- **29 March 2011:** The Regulatory Board of the ERA passed Resolution No. 11 of 29 March 2011 mandating the use of the two-part tariff methodology by generating company licensees effective 1 May 2011; under the two-part tariff methodology, generating companies will get the revenues necessary to recover fixed costs allowable by the regulator; this will allow economic dispatching of energy by the most efficient producer; reducing coal use, costs, and pollution
- **12 April 2011:** The ERA raised electricity and heat retail tariffs effective 1 May 2011; the end user price for mining companies was increased 25 percent and those of other entities by 10 percent; electricity and heat tariffs for residential consumers went up by 5 percent and 12 percent, respectively; nighttime electricity tariffs remained the same
- **June 2011:** Project submitted a comprehensive Electricity Sector Tariff Manual that included tariff methodologies for power plants, renewable energy generators, independent power producers, transmission and distribution network and supply companies and retail tariff design to the ERA; the manual considers the features of the Central Energy System, Eastern Energy System, Western Energy System and stand-alone systems

## SUPPORTING FAIR MARKET COMPETITION

- Background:**
- Regulating markets to prevent unfair competition and protect consumers are relatively novel concepts in Mongolia. Since its transition to a market economy, the country has been examining the experiences of other countries and developing the laws and regulations to support fair market competition.
  - The first competition legislation, the Law Prohibiting Unfair Competition, was enacted in 1993 with the objective of establishing conditions for fair competition and to prevent, limit, and prohibit anti-competitive behavior. The law was amended in 2000 to establish a government institution charged with monitoring and preventing anti-competitive behavior. The Unfair Competition Regulatory Authority was established in 2005, under the administration of the first deputy prime minister of Mongolia, to enforce the law. In 2009, the authority's mandate was expanded to include consumer protection and renamed the Agency for Fair Competition and Consumer Protection.
  - The Parliament of Mongolia passed a new competition law in July 2010 with improvements in several areas in accordance with international standards. The new law provided AFCCP with increased authority and a wider scope for enforcement and advocacy actions for dealing with anticompetitive behavior. The new law also placed the agency in charge of enforcing additional laws, including the laws on procurement and advertisement.
  - Despite the improved law and extended mandate, AFCCP lacks the resources and professional staff required to perform the functions that the law mandates .
  - Public, business, and policy-makers' understanding of the functions of a fair competition authority is limited, as is acceptance of the agency.
- Objectives:**
- Improve the legal and regulatory environment for fair competition and consumer protection
  - Build professional capacity of AFCCP to conduct market studies
  - Assist AFCCP to clarify its vision, mission, objectives, and the focus of its interventions in accordance with the new law
  - Help educate the public, journalists, businesses, and policy-makers on fair competition and the role of competition authorities such as AFCCP.
- Results:**
- Parliament approved a new Fair Competition Law in July 2010
  - AFCCP's vision, mission, and objectives are realigned to comply with the law through workshops provided with project assistance
  - Assisted the AFCCP to conduct the first market study in Mongolia on the meat sector; findings presented to the Economic Journalism Club members on 25 May 2010; market study on the petroleum sector under way
  - Two nationwide televised talk shows held in partnership with Cabinet Secretariat's Open Government website to answer questions from citizens about market competition
  - First International Competition Forum held 27 May 2011, to discuss international experiences on fair competition with international experts, current issues on fair competition in Mongolia, as well as interfaces between sector regulations and role of competition authorities.

- Highlights:
- **January-April 2010:** Project provided assistance to AFCCP, the Parliament Economic Standing Committee, and the Parliament working group on fair competition with the drafting of a new Competition Law [See: *EPRC News, Apr-10*]
  - **May 2010:** The Open Government website, with project assistance, sponsored a national television talk on “Fair competition, who benefits?” with panelists from Parliament, AFCCP, private sector, and civil society [See: *EPRC News, May-10*]
  - **June 2010:** The Open Government website, with project support, sponsored another nationwide televised talk on the role of AFCCP with panelists including AFCCP Chair, First Deputy Prime Minister, Executive Director of the Meat Association, and private sector representatives [See: *EPRC News, Jun-10*]
  - **October 2010:** AFCCP held a management workshop to refine the agency’s mission, vision, and objectives, and communications to comply with the newly enacted law and technical capacities to conduct market studies [See: *EPRC News, Sep-Oct-10*]
  - **May 2011:** The findings of the first market study on meat sector were shared with journalists at Economic Journalism Club [See: *EPRC News, May-11*]
  - **27 May 2011:** AFCCP, with project assistance, held the first “International Competition Forum” and brought together international and local experts, practitioners, and policy-makers to discuss international experiences on fair competition, regulating markets, and relevance to Mongolia [See: *EPRC News, May-11*]

## PROMOTING A SINGLE ELECTRONIC WINDOW FOR FOREIGN TRADE

**Background:** Results of the first ranking of Mongolia among countries surveyed for the World Economic Forum's Global Competitiveness Report 2005-2006, conducted under project sponsorship, showed the low ranks of Mongolia on trade facilitation. Out of 117 countries included, Mongolia ranked 107th on "irregular payments in exports and imports," indicating that undocumented extra payments or bribes were fairly common at the border, and 110th on overall infrastructure quality.

After launching the project-supported Global Competitiveness Report findings in Mongolia in October 2005, the Open Society Forum and the project held a series of round table discussions with Mongolian businesses to identify competitiveness bottlenecks and prioritize actions. While Mongolian businesses at that point in time were not ready to address sector-specific competitiveness constraints, trade facilitation emerged as a key bottleneck to tackle, with the highest potential benefits to the overall economy.

In early 2006, the project surveyed traders, brokers, and GOM agencies involved in foreign trade to map the processes for imports and exports. Findings supported the need for streamlining existing processes through a single electronic window (SEW) to replace the existing cumbersome, red-tape ridden system of clearances and permits for imports and exports. Project worked with the Mongolian Chamber of Commerce and Industry (MNCCI) to elicit support for the government to form a working group to seek the establishment of SEW.

After a government resolution in October 2006 to establish a SEW, the project assisted the GOM with their National Program to establish a SEW, which seeks to have all import, export, and transit-related documents and information lodged at a single entry point. This would create the possibility for single electronic submission and processing of documentation and issuing e-permits, e-licenses, and e-certificates for trade-related government, private authorities, and the business community involved in trade, transport, storing and financial services. The adopted objectives of the program are to:

- Facilitate cross-border trade by moving to a paperless trade environment and increasing Mongolia's competitive participation in regional and world markets
- Improve economic efficiency by reducing transaction costs and harmonizing agencies' systems and procedures internally and in conformance with international standards
- Enable Mongolia to link in the future with other countries and regional economic cooperation organizations in an electronic trade environment
- Develop a modern logistics management system for transit goods to compensate for Mongolia's landlocked status and take advantage of its geographic position
- Improve transparency, fiscal revenues, and controls and reduce red-tape
- Based on international best practices, develop and implement the first commercially-run and financially self-sustained PPP in Mongolia operated as a build-operate-and-transfer concession to serve as a model that can be replicated for finance infrastructure with private-sector participation to reduce the fiscal burden on the state budget and improve efficiencies.



Benefits to government from a successful implementation of a SEW for foreign trade facilitation include:

- Increased transparency and accountability encouraging trade compliance
- Substantial increase in government revenues
- Enhanced port security through better tracking of containers and removal of paper documents
- Substantial capacity building of government departments involved
- Real-time accurate trade data and statistics
- Better use of government resources
- Foundations toward an efficient e-government system.

Benefits for the trade community include:

- Accelerated cargo clearance
- Reduced duplication and errors
- Reduced cost of document handling
- One-stop 24-hour window for information exchange with government agencies
- Access to accurate statistics
- Development of knowledge and skills in information systems.

**Objectives:** Project objectives were to:

- Introduce the concept of a single electronic window (SEW) for foreign trade facilitation and educate decision makers, the trading community, and the general public on best international practices and successful cases of implementation
- Introduce the concept of Public-Private Partnerships (PPPs) as a potential vehicle to implement the SEW in Mongolia as a separate, commercially run and operated legal entity with government participation, a strategic partner/ investor, and privat-sector investors to insure sustainability, transparency, and use of state-of-the-art technologies and management
- Support GOM efforts to develop and implement its National Program for the SEW.

- Results:**
- Decision makers, traders, and stakeholders better informed about SEW, its benefits, international best practices, and successful country experiences.
  - Introduced the concept of PPPs as a potential vehicle to attract private investment and structure a separate PPP company to implement SEW.
  - Helped develop and adopt the National Program for SEW by the GOM.
  - Focused efforts on building elements of SEW, such as risk-based inspections at Customs, when changes in Cabinet composition and disbandment of SEW working group (WG) put implementation of the SEW on hold.

- Highlights:**
- **18 October 2006:** Government passed Resolution No 251 to establish a SEW; Decree 370 of 2006 of the Minister of Finance appointed the following members of the SEW WG: the Director of the Information and Communications Technology Agency (ICTA) as Chair, the Director of Customs General Administration of Mongolia (CGAM), the Vice Minister of the Ministry of Environment (MoE), the Chairman of the Mongolian National Chamber of Commerce and Industry (MNCCL), the Vice Minister of the Ministry of Industry and Trade (MoIT), the Director of GDT, the Vice Director of the State Specialized Inspection Agency (SSIA), the Director of the Mongolian Agency for Standards and Metrology (MASM), and the

- Director of the IT Department of CGAM, as Secretary of the WG.
- **18 December 2006:** SEW working group, with project support, held its first formal meeting chaired by the Minister of Finance; agenda included: a) presentation of international best practices and lessons learned in other countries on the implementation of SEWs; b) brief discussion of present status of the Mongolian trade environment and problems faced by government agencies involved; and, c) presentation and discussion of a draft Action Plan [See: [EPRC News, Dec 06-Jan 07](#)]
  - **February-March 2007:** Project arranged pro bono visit of three experts from the Société Générale de Surveillance (SGS)—an international company with a successful track record of implementation of SEWs in emerging countries—during 20 February through 1 March; SGS experts met with members of the SEW WG, technical staff of agencies involved in trade, and private-sector stakeholders [See: [EPRC News, Feb-07](#)]
  - **29 March 2007:** SEW WG chaired by Minister of Finance approved the National Program to establish a SEW for trade facilitation; prepared with project assistance, the SEW National Program recommended: a) an early decision on “business model” of entity to lead implementation; b) a separate, joint-stock, commercially run company; c) that the new company be a PPP; d) negotiation of government equity in the PPP company; e) identification and negotiations with potential strategic partner and investor; f) identification and attraction of Mongolian private-sector investors with complementary skills; g) conduct a public education campaign and dialogue on the concept and experiences in implementation of single windows; and h) identify changes in legal and regulatory environment to facilitate implementation of single electronic window concept; chairman of the WG, the minister of finance, recommended that the SEW WG draft a proposed government decree for Cabinet consideration to approve the National Program to establish the SEW [See: [EPRC News, Mar-07](#)]
  - **23 May 2007:** Cabinet approved the National Program to establish a SEW for foreign trade; expected results, per the decree prepared with project assistance, include: a) sharing information among the participating government agencies through a single window will promote growth and improve efficiency, reduce costs to the government and traders, and result in time savings; b) service will be more open, transparent and quick for traders; c) bureaucracy and corruption will be reduced by introducing e-trade documentation and using IT strengths and advantages; d) revenue of the government budget will be increased; e) by making information more transparent and open there will be more efficient use of financial resources and efficiency and competitiveness of trade participants will be improved; f) introduction of e-payment system in a single window will make tax and fee collections faster and more precise for all relevant government agencies; g) there will be an opportunity for government agencies to transfer human resources to more useful and productive positions; h) Customs clearance and issuance of relevant permits will be faster [See: [EPRC News, May-07](#)]
  - **November-December 2007:** A pro bono five-member technical team from the Société Générale de Surveillance and Crimson Logic began a feasibility analysis for the establishment of a SEW; the team met with SEW WG members on 4 December and traveled with WG members, private-sector stakeholders, and project to Zamyn Uud and Erlian, from 30 November to 3 December to examine border point customs clearance, tax and state inspection procedures, and railway operations [See: [EPRC News, Dec-07](#)]

- **15-20 April 2008:** The Specialized State Inspection Agency (SSIA) began automation of Zamyn Uud border control, per agency action plan to implement SEW; SSIA IT specialists and IT project staff worked with staff of the Zamyn Uud SSIA border control offices during 15-20 April to assist with the initial deployment of their IT stations and network [[See: EPRC News, Apr-08](#)].
- **23 October 2008:** The prime minister issued a recommendation and assigned the minister of finance and the director of the SPC to establish a state-owned legal entity with state ownership participation, approving its initial paid-in capital and directing it to establish a PPP to implement A SEW pursuant to the Resolution of the Government no. 183 of 2008; the recommendation followed discussions held at a meeting of the Consultative Council on Investment Climate and Private Sector Development in Mongolia
- **6 July 2010:** The National Development and Innovation Committee (NDIC) and project organized a meeting to review implementation of the National Program for SEW; 20 government officials participated [[See: EPRC News, Jul-Aug 10](#)]

## CLEARING IMPORTS FASTER THROUGH RISK MANAGEMENT

**Background:** Having acceded to the World Trade Organization (WTO) in 1997, Mongolia is a signatory to:

- The World Customs Organization (WCO), in 1991
- Kyoto Convention, in 2006
- Law on Customs, 20 May 2008
- Law on Customs Tariffs and Customs Taxes, 20 May 2008
- Law on Free Zones, 28 June 2002

Mongolia currently ranks 158th out of 181 countries in the 2011 “Trading across borders” Doing Business indicator of the World Bank and 123rd out of 139 countries in the “Customs procedures” indicator of the 2010-2011 World Economic Forum. Factors contributing to these low rankings are:

- Inadequate physical facilities for customs inspections at Zamyn Uud—Mongolia’s dry port
- Incipient Mongolian Customs General Administration (MCGA) risk management (RM)
- Absence of risk-based inspections, poorly defined and burdensome processes and procedures for GASI border inspections
- Resource inadequacy at GASI in terms of facilities, equipment, and IT—no network, server, or software applications
- Lack of Customs-GASI coordinated inspections in the absence of higher common GOM authority to drive the necessary changes.

As unclear and overlapping responsibilities of agencies involved in foreign trade precluded the formation of separate companies to implement a single electronic window for foreign trade facilitation (SEW), the project focused on an element of the SEW – assisting Customs with the development and implementation of a risk management program (RM) to expedite inspections and reduce their number.

Customs’ procedures had been to inspect 100 percent of all shipments crossing the border. This was excessively time consuming for Customs officers and resulted in long waits at the border, as well as less than optimal security as officers did not have time to thoroughly inspect goods that were potentially more dangerous. In a risk management system, Customs officers classify goods according to their risk profile and expedite the passage of most goods, enabling them to spend more time inspecting more risky goods.

Customs has made significant progress in developing, adopting, and implementing a risk-based inspections system. Going forward the agency needs to:

- Develop the human resources necessary to implement the RM program using the RM training modules prepared with project assistance
- Develop, test, and adjust operational procedures for the departments and units created to implement RM
- Continue operational tests of the selectivity criteria and risk profiles in the RM software module of the Customs Administration Information System (CAIS)
- Upgrade its IT network infrastructure to improve security, performance and

- availability
  - Live and staged rollout of the system
  - Continued monitoring of performance and implementation, including cost-benefit analyses.
- Objectives:**
- Facilitate trade by reducing the time required to clear shipments and in preparation for implementation of a SEW for foreign trade
  - Conduct inspections based on risk, according to established risk profiles
  - Reduce the number of physical inspections
  - Preserve and enhance customs control functions and revenue collections
  - Increase transparency of customs operations and customer service focus
  - Work with other border control agencies to establish a coordinated border inspections system based on risk management.
- Results:**
- New Customs laws enacted in 2008 mandating the implementation risk management (RM) for customs inspections
  - Customs Risk Management Unit established in 2008 to organize activities to implement RM and oversee the design and development of the RM component of the new Customs Information Administration System (CAIS)
  - Revised risk profiles and selectivity criteria of risk management software module of CAIS, pilot testings, and evaluation of results
  - Five Risk Management Training Modules developed for use by the Customs Training Unit to implement the RM program
  - Draft Customs operational strategy developed and discussed by management in November 2010, adopting RM as a key tool for customs inspections
  - Customs operation strategy incorporating RM in Customs Work Plan for 2011 formally approved in January 2011
  - Based on project recommendations, Customs reorganized to implement RM by creating a Department for Risk Management, Valuation and Post Clearance Audit, a Strategic Committee to manage and oversee RM, and a Selectivity Unit to manage daily RM activities, oversee implementation, and monitor RM profiles.
- Highlights:**
- **21 November 2007:** The Mongolian Customs General Administration (CGA), with project support, organized a ‘Business-Government Roundtable on Proposed Customs Laws’; 57 participants from the private sector and over 20 officials from Customs participated; laws passed in 2008 which mandated the establishment of risk management for customs inspections [*See: EPRC News, Nov-07*]
  - **September 2009:** Customs Risk Management program started at the request of Customs; workshops held in early September with assistance from an international expert focused on: investigation, profiling, criteria identification, analysis and feedback, and selectivity to implement a risk-based system of inspections and move away from inspecting all shipments [*See: EPRC News, Aug-Sep 09*]
  - **October 2009:** The Risk Management Unit, IT department, and management of Customs, with project assistance, performed a technical review of the risk management module of the CAIS under development and made recommendations to modify the selectivity component of the module [*See: EPRC News, Oct-09*]
  - **23 October 2009:** Customs and project organized a consultation meeting with brokers to discuss their expanded roles in the customs clearance

- process as mandated by the new laws; 21 brokers representing 17 customs brokerage companies attended the meeting [See: [EPRC News, Oct-09](#)]
- **26-27 November 2009:** Customs, the Press Institute, and the project organized a two-day workshop on public communications for 21 customs inspectors, communications officers, and professionals from various departments; workshop also discussed findings of assessment public communications functions that the Press Institute conducted for Customs [See: [EPRC News, Nov-Dec 09](#)]
  - **27-28 February 2010:** Customs, GASI, the Press Institute, and project organized journalists' visit to Zamyn Uud—Mongolia's main dry port—to get first-hand information on current implementation of risk management-based inspections and initial stages of integrated border management; 30 journalists from eight television stations, 12 daily newspapers, the MONTSAME news agency, and Mongol Radio participated [See: [EPRC News, Jan-Feb-10](#)]
  - **March 2010:** Upon Customs request, project began assisting the agency with the development of training modules on Risk Management and Risk Investigation Methodology, as well as a training plan for agency staff
  - **7 April 2010:** Customs and GASI signed Joint Decree 199/106 to create a joint working group to coordinate work of agencies involved in border inspections; project assisted with the draft concept document to introduce integrated border management; Customs led bilateral talks with relevant agencies
  - **May 2010:** Customs, with project assistance from an international expert, reviewed findings of the test period of the RM software component and held meetings with the software development team of the Customs Modernization project funded through ADB to review and refine the functional specifications and requirements for the selectivity component
  - **June 2010:** Customs and project hold meetings to review implementation of recommendations concerning changes in the selectivity component of the risk management software module and finalize terms of reference to engage assistance to help develop training modules on risk management
  - **October-November 2010:** Customs, with project assistance from an international expert, began development of training modules on risk management for agency use and performed review of inspections data from 1 January through 15 October 2010; project recommended shifting the risk level of some inspections from “red” to a less-risky “orange” categorization and development of an overall strategy to integrate the risk assessment program and redefine roles and authorities of diverse customs departments
  - **3 December 2010:** Customs, with project assistance, organized a management workshop to review progress of its RM program and develop a new operational strategy that incorporates RM as a core component of its operations; 50 customs managers, including the heads of customs houses in Ulaanbaatar, participated in the workshop [See: [EPRC News, Dec 10](#)]
  - **20-24 January 2011:** Customs organized a management workshop for 79 upper-level managers from all customs houses; managers discussed and approved incorporating risk management as a core principle of the agency strategic and operational plan for 2011, roles and responsibilities of departments, and terms of reference for customs managers and inspectors to implement the RM program [See: [EPRC News, Jan-11](#)]
  - **11 March 2011:** Customs, the Press Institute, and the project organized a workshop for journalists to learn about the concept of risk management from project specialist and how Customs is implementing its RM program [See: [EPRC News, March-11](#)]

## COORDINATING INSPECTIONS OF IMPORTS

- Background:**
- Countries with common borders are moving toward integrated border management to facilitate trade and transport. Integrated border management refers to the organization and supervision of border agency activities to meet the common challenge of facilitating the movement of legitimate goods and people while maintaining secure borders. International conventions and agreements lay out the standards and recommended practices for the administration of international border crossings, trade (including transit), and transportation.
  - Integrated border management requires inter-agency coordination and an overriding legal authority to mandate and implement it. Such authority would also facilitate international negotiations on border administration, trade and transportation.
  - In Mongolia two agencies inspect imports and exports: Customs and GASI. Although Customs is computerized, GASI is not; it does not have a server or network to automate their inspection processes, leading to cumbersome manual inspection processes at the border.
  - Project scaled down initial efforts to foster integrated border management that would have involved coordinating the work of all agencies involved in border control and focused, instead, on assisting GASI to define its inspection processes at the border, apply risk management processes to such inspections, and works toward a system of coordinated inspections with Customs to avoid duplication and facilitate trade. Integrated border management was too ambitious a goal given the institutional weaknesses in coordinating border inspections.
- Objectives:**
- Assist GASI with the mapping and re-engineering of its inspection processes at the border
  - Assist GASI with the introduction of the Harmonized Tariff System product codes (HTS) and Mongolian extensions as used in Customs
  - Introduce risk management principles in GASI inspections using a similar methodology as used in Customs
  - Assist Customs and GASI to develop mechanism of coordination at the management and operational level
  - Assist Customs and GASI to move toward coordinated inspections.
- Results:**
- GASI completed mapping of its border inspection processes
  - GASI adopted the HTS product codes and Mongolian extensions as used in Customs
  - GASI completed initial classification, by HTS codes, of goods it needs to inspect and goods delegated for Customs only to inspect
  - GASI adopted risk-based management inspections, following the same methodology as used in Customs
  - A joint working group of Customs and GASI has been established to coordinate agencies' efforts and progress toward coordinated inspections at the border.
- Highlights:**
- **20 February 2009:** MOU signed between GASI and the project to provide assistance in information communications technology, inspection processes, and public communications [[See: EPRC News, Feb-Mar-09](#)]

- **March 2009:** Per terms of MOU, information technology (IT) specialists from both organizations visited Zamyn Uud from 16 to 20 March to provide assistance with the installation of a local area network [*See: EPRC News, Feb-Mar-09*]
- **February 2010:** 30 journalists from eight television stations, 12 daily newspapers, the MONTSAME news agency, and Mongol Radio participated in a site visit to Zamyn-Uud from 27-28 February to get first-hand information on current implementation of risk management-based inspections and the initial stages of coordinated border inspections [*See: EPRC News, Jan-Feb-10*]
- **March 2010:** On 5 March, GASI and the project signed a second MOU to set a framework of collaboration to improve the effectiveness, efficiency, transparency, and customer service orientation of the agency's inspection process [*See: EPRC News, Mar-10*]
- **March 2010:** Per terms of the MOU the project began assistance with risk management-based inspections with support from an international expert; program began with an institutional readiness assessment and preparation of an initial action plan [*See: EPRC News, Mar-10*]
- **April 2010:** Project assisted Customs with drafting of the concept document to introduce integrated border management; Customs was leading bilateral talks with agencies responsible to conduct various inspections at the border; bilateral discussions between GASI and Customs led to a decision to set up a joint group to explore joint inspections, integrated border management, and risk management-based inspections
- **7 April 2010:** Customs and GASI signed Joint Decree 199/106 to create a joint working group to coordinate work of agencies involved in border inspections; project assisted with the draft concept document to introduce integrated border management; Customs led bilateral talks with relevant agencies
- **9 April 2010:** Project conducted a workshop to introduce risk management concepts at GASI; 22 GASI inspectors participated
- **13 and 19 May 2010:** The project facilitated a meeting between the heads of the Risk Management units of Customs and GASI and the associated technical staff of the two agencies to discuss the use of HTS product codes at GASI and sharing Customs IT resources (hardware and software) for the initial period of implementation of coordinated inspections; on 19 May, the project met with the GASI Working Group on the inspection process re-engineering for foreign trade and discussed progress and future activities
- **May 2010:** GASI agreed to use HTS codes and started the classification of HTS product codes into two categories: (1) shipments/goods GASI must inspect and (2) shipments/goods GASI does not need to inspect; the shipments/goods that require GASI inspection will further be divided into two subcategories: (1) GASI must inspect first and (2) GASI and Customs can inspect jointly
- **June 2010:** Project held a three-day workshop with the GASI working group which proposed that GASI inspect 4,361 products out of total 7,710; the proposal was submitted for internal review at GASI
- **4-8 October 2010:** Project held discussions with GASI working group to review revised versions of HTS codes and made a presentation on "International best practices on coordination of border controls: Trade Facilitation & Protection" with support from an international expert
- **12 November 2010:** GASI held a one-day workshop for 15 senior inspectors of the agency to discuss risk-based inspections to make final



adjustments for use of HTS codes in their inspection activities; GASI's Head of Risk Management Division chaired the workshop [See: [EPRC News, Nov-10](#)]

- **January-March 2011:** GASI requested the project to provide assistance with the conduct of risk studies and profiling methodology and their application in specialized inspections at the border
- **May 2011:** Project worked with GASI to develop official procedures for the implementation of risk management at the agency and responsibilities of diverse departments and officers; draft procedures are undergoing internal discussion before submission to the Cabinet, as required by the Law on State Inspections

## IMPROVING LOGISTICS FACILITIES TO CLEAR IMPORTS AND EXPORTS

**Background:** Located on the border with the China, Zamyn Uud is Mongolia's "dry port." Cargo that travels by rail through China must be transshipped to Mongolian railways as the railway gauges (track widths) of the two countries are different.

Increased Mongolian imports and growing Chinese transit trade overland to Russia and Europe have overwhelmed the facilities in Zamyn Uud. This became evident in mid-2007 when China closed the border for over one week to allow Mongolia to clear the backlog.

In contrast to Zamyn Uud, across the border in China, Erlian has developed into a thriving hub for trade and trans-shipment to and from Mongolia and beyond. There, the public sector, state-owned-enterprises and the private sector are all actively involved in the transformation of the city and its facilities.

Constraints for the efficient handling of imports, exports, and increased revenues from transit are, in decreasing order of importance:

- Insufficient number of locomotives, rolling stock, and investment of the Mongolian-Russian joint venture railway company—Ulaanbaatar Tumor Zam (UBTZ)
- Inadequate road-to-rail trans-shipment facilities and management; and
- Congested physical facilities for border clearance.

Mongolia's failure to address these constraints has significant consequences such as:

- Higher costs and longer waiting times to clear imported goods, raising prices to consumers who must bear the cost of these inefficiencies
- Pressure to outsource trans-shipment functions to Erlian, resulting in loss of jobs and revenue for Mongolia
- Loss of potential foreign exchange revenues for Mongolia as railway freight traffic between China and Europe has sought alternative routings to bypass Zamyn Uud and Mongolia.

As work with UBTZ was beyond the scope of the project, assistance focused on improving logistics facilities and services for handling imports in Zamyn Uud.

**Objectives:**

- Provide technical support to the National Committee on Transport and Trade Facilitation (NCTTF)
- Promote private sector involvement in the NCTTF, especially freight-forwarding and transport companies
- Conduct an assessment of facilities and logistics for clearance of imports, freight transit, and transshipment in Zamyn Uud
- Provide analyses and recommendations and work with stakeholders to improve logistics for clearance of imports in Zamyn Uud.

**Results:**

- Technical support provided to the NCTTF; private sector involved in its meetings and deliberations; freight-forwarders association and members participating
- Assessment of facilities and logistics for clearance of imports, and road-to-rail transshipment in Zamyn Uud completed, findings discussed with relevant

- GOM agencies and private-sector stakeholders
- Introduced the concept of a PPP to mobilize private sector investment and structure a Logistics Park for Zamyn Uud
- Completed a market-demand study with initial estimates of revenue of the “core” business of the proposed logistics park—trans-shipment charges—and prepared 30-year projections of revenue streams, under different scenarios, for the proposed PPP facility
- Worked with the Association of Freight Forwarders to propose the creation of a PPP company for the Zamyn Uud Logistics Park at the Consultative Council on Investment Climate and Private Sector Development; the prime minister issued a recommendation and assigned the Minister of Finance and the Chief of the SPC to implement the recommendation pursuant to the Resolution of the Government no. 183 of 2008
- Worked with and assisted freight forwarders in signing an MOU on 22 January 2009 to participate jointly in the PPP company to be formed to develop the Logistics Park in Zamyn Uud
- Worked with and assisted freight forwarders in drafting a proposed MoU in May 2009 to be signed the GOM to establish the PPP company to be formed to develop the Logistics Park in Zamyn Uud

**Highlights:** **22 April 2008:** Project presented the findings of a pre-feasibility analysis of logistics facilities it conducted in Zamyn Uud at an extended meeting of the NCTTF that included representatives of the private sector and international community [[See: EPRC News Apr 08](#)]

**June 2008:** Following the pre-feasibility analysis of border clearance and inspection of trans-shipment facilities conducted in Zamyn Uud in April, the project began work on an initial assessment of the Gateway Logistics Park [[See: EPRC News June 08](#)]

**October 2008:** Project initiated work on the two projects; while civil engineering designs for the improvement of the customs inspection yard were underway, the project began work on an initial market assessment and revenue analysis of the Zamyn Uud Logistics Center [[See: EPRC News June 08](#)]

**23 October 2008:** The establishment of a Zamyn Uud Logistics Center was presented and discussed at the Consultative Council on Investment Climate and Private Sector Development in Mongolia; the prime minister issued a recommendation and assigned the Minister of Finance and the chief of the SPC to establish a state-owned legal entity with state ownership participation, approving its initial paid-in capital and directing its activities to implement functions of establishing a PPP Zamyn-Uud Logistics Facility pursuant to the Resolution of the Government no. 183 of 2008

**7 November 2008:** EPRC hosted a meeting of representatives of private sector freight forwarders who agreed to establish a working group to develop a memorandum of understanding with the government to initiate a Zamyn Uud Logistics Center Development Company in the form of a PPP; project assisted with the drafting of the MOU and the working group initiated negotiations with representatives of the government

**January 2009:** Project facilitated meetings of the freight forwarders working group and negotiations with the government on a draft MOU to initiate a Zamyn Uud Logistics Park Development Company in the form of a PPP; discussions with the SPC led to agreement on the government responsibility and roles in the initial stages of the PPP; the working group also held meetings with the minister for roads, transportation, construction and urban

development and exchanged views on the formation of a PPP company to implement the Logistics Park in Zamyn Uud [See: EPRC News Dec 08-Jan 09] 22 January 2009: With project assistance, ten freight forwarding companies signed an MoU on 22 January 2009 agreeing to establish the Logistics Park Corporation (LPC) as a PPP with the GOM; signatories of the MOU included Tuushin LLC, SB Logistics LLC, Mongol-Express LLC, TransGate LLC, BLC LLC, Aziin Zam LLC, Global Logistics LLC, LandEx LLC, Erin International LLC, and Material ImpEx LLC; the MOU was to implement the prime minister's Resolution of 23 October 2008 when the Association of Freight Forwarders and freight forwarders (FFs) made presentations to the Prime Minister's Consultative Council on Investment Climate and Private Sector Development on the pressing need to improve the road-to-rail transfer facilities at Zamyn Uud

**February 2009:** Project brought an international expert to familiarize stakeholders of the proposed Zamyn Uud Logistics Park with the requirements, lessons learned, and best international practices for the successful financing and implementation of PPPs in infrastructure projects

**May 2009:** With assistance from an international expert the project concluded an initial analysis of charges for road-to-rail and rail-to-rail cargo trans-shipment in Zamyn Uud; using data collected from customs and railways, the project processed and analyzed monthly data of the last five years of operations to arrive at initial estimates of revenue of the core business of the proposed logistics park—trans-shipment charges—and prepared 30-year projections of revenue streams, under different scenarios, for the proposed PPP facility [See: [EPRC News May 09](#)]

**25 May 2009:** Project organized a workshop on “Could Mongolia Have a PPP for the Zamyn Uud Logistics Park”; representatives from the Railway Authority, the Mongolian Railway, the SPC, the Freight Forwarders Association and over 20 private freight-forwarding companies attended the workshop; the presentations focused on the basic business opportunities, scope for the Zamyn Uud Logistics Park and the potential for a PPP structure

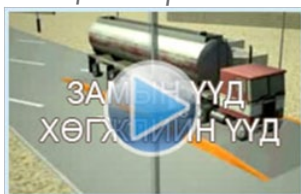
**August 2009:** Project developed and broadcast on national television the ‘Zamyn Uud: Gateway of Development’ program during the week of August 19-22 to increase public awareness about the logistics issues in Zamyn Uud and the impact of these issues on Mongolia's economy and development [See: [EPRC News Aug-Sep 09](#)]

**November 2009:** Mongolian transportation infrastructure issues highlighted at the eighth EASTS Conference and Expo 2009 held in Surabaya, Indonesia, during 16-20 November international conference; Mr. Buyantsogt Asralt, Board member of Eastern Asia Society for Transportation Studies (EASTS) and Technical Secretary of Mongolian Transportation Study Center, Mr. Jambaa Khashbat, Associate Professor of the Mongolian University of Science and Technology and Mr. Sandagdorj Otgonbayar, EPRC Policy Analyst, represented Mongolia [See: [EPRC News Nov-Dec 09](#)]

**March 2010:** Customs and GASI, with support from the project and the Press Institute, organized journalists' visit to Zamyn Uud to provide information on coordinated/integrated border management, the implementation of risk management systems, the proposed project to expand the customs inspections yard and the concept of using a Public-Private Partnership (PPP) to improve road-to-rail logistics infrastructure

April 2010: The GOM, with a loan from the ADB, agreed to finance the establishment of the Zamyn Uud Logistics Center; the project management unit is within the Railway Regulatory Authority

Hot Topic: Zamyn Uud:  
Gate of Development



**June 2011:** After postponement for three years due to the recession, funding for the upgrading of the Zamy Uud Customs clearance yard is in the current budget and the tendering process is underway

## MONGOLIA AS A TRANSIT CORRIDOR BETWEEN CHINA AND EUROPE

**Background:** Landlocked between China and Russia, Mongolia has the potential to become an international trade transit corridor that links China and Europe. “Transit transport” refers to the through-transport of goods that are loaded and unloaded in countries other than Mongolia, i.e. freight that simply passes through the country.

Mongolia is the shortest corridor for railway transit between China and Europe. This feature of geography could be developed into a competitive advantage and provide foreign exchange revenues. With facilities and logistics improvements, Mongolia would present the most efficient corridor for trade, accelerating domestic economic growth and potentially alleviating economic and social problems. In fact, most of Mongolia’s railway income derives from transit transportation, allowing the railway to maintain lower tariffs for passenger transport and the movement of domestic goods, such as food and coal.

To explore this opportunity, the National Committee of Trade and Transport Facilitation (NCTTF) requested technical assistance from the project in developing the Transit Mongolia national program. Development of transit transport and logistics requires a sustained policy commitment to coordinate efforts of different government agencies and entities, the private sector, and neighboring countries. Thus far, Mongolia has been unable to develop and sustain such commitment.

**Objectives:**

- Provide technical support to the NCTTF on the Transit Mongolia project
- Promote participation of the private sector in the NCTTF, especially freight-forwarding and transport companies
- Educate the public and policy-makers on the potential of developing Mongolia as a transit corridor between China and Europe to increase foreign exchange revenues, spearhead development of infrastructure, logistics facilities, improve management and efficiency of border, customs, and state inspection activities and generate employment
- Assess the potential of Mongolia as a transit corridor relative to competing railway routes
- Provide technical assistance with drafting technical requirements on transit transport agreements with China and Russia

**Results:**

- Government approved the Transit Mongolia national program in May 2008
- Private sector (freight forwarding and transport companies) participate in NCTTF meetings
- Transit Mongolia documentary, produced in collaboration with the Mongolian Railway Authority, Mongolian Tumur Zam and TransCON LLC, documentary aired six times during the first week of November 2009 on national television
- Open Talks program on ‘Is Mongolia’s ‘Silk Road’ fraying?’ held on national television following a 10-day Chinese moratorium on shipping containers to or through Mongolia until a backlog of containers at the Zamyn Uud border was cleared
- Drafted and discussed technical annexes to the draft Trilateral Transit Traffic Agreement among the governments of China, Mongolia, and the Russian

**Highlights: A. Legal and organizational framework**

- **25 September 2007:** The NCTTF requested project technical assistance to assist in drafting the Transit Mongolia national program and to steer the activities of the Committee; on 25 September 2007 the NCTTF held a technical private-sector stakeholders forum at the Ministry of Roads, Transportation, and Tourism (MRTT) that included freight-forwarding companies and the Mongolian National Chamber for Commerce and Industry (MNCCI) [*See: EPRC News, Sep 07*]
- **5 October 2007:** Pursuant to agreements reached during the technical meeting on 25 September, freight-forwarders, Ulaanbaatar Railways (UBTZ), and EPRC met to discuss the relocation of logistics facilities for proposed plans of railway bypasses of Ulaanbaatar [*See: EPRC News, Oct 07*]
- **3-4 December 2007:** Project worked with ADB in Zamyn Uud to examine the current status and capacity of transport and logistics infrastructure in preparation for the development of ADB's Five-Year Assistance Strategy in Mongolia's transport sector; following the trip, the team met with stakeholders from the railway authority, UBTZ, MNCCI, and private sector representatives
- **19 December 2007:** Project organized a meeting of 14 freight-forwarding companies, Ulaanbaatar Railways, representatives of the NCTTF, ADB consultants on the regulatory framework for trade facilitation to: (a) develop common negotiating positions for forthcoming meetings of Mongolian freight-forwarders with their Erlian, China, counterparts; (b) prepare recommendations for the GOM to negotiate; (c) facilitate customs negotiations with Chinese counterparts; and (d) identify priority actions [*See: EPRC News, Dec 07*]
- **21-24 March 2008:** Continuing technical assistance to the NCTTF, a joint team from the project and the Customs General Administration (CGA) visited Zamyn Uud and Erlian to examine the process and facilities for clearance, inspections, and trans-shipment [*See: EPRC News Mar 08*]
- **March 2008:** At the request of NCTTF, the project and ADB carried out an analysis to estimate transport and logistics costs in international trade for Mongolia; the report was used to help formulate ADB's Five-Year Assistance Strategy to support the transport and logistics sector of Mongolia (2008-2013)
- **April 2008:** Project met with the President of the Freight Forwarders Association, and freight-forwarders to discuss means of enhancing their participation in sector development, policy-making, and implementation, including close cooperation with the Railway Regulatory Authority, government ministries, and the Ulaanbaatar municipality
- **14 May 2008:** The government adopted the Transit Mongolia national program on 14 May 2008
- **25-29 May 2009:** Project assisted the Ministry of Foreign Relations and the WTO in organizing a five-day workshop on country self-assessment of needs and priorities, with attendees from all relevant government agencies, ministries, and private-sector entities; following the assessment, the WTO committed to identifying and considering possible technical assistance to improve trade facilitation

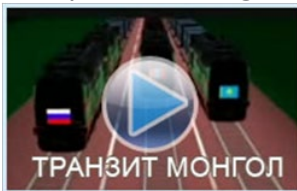
**B. Trilateral Agreement on Transit Traffic**

- **February 2008:** At the request of the NCTTF, the project provided

assistance to support Mongolia in forthcoming negotiations with China and Russia on the Trilateral Agreement on Transit Transport; the project shared reports of their analysis of the “Transit Transport: Regulatory Framework” with representatives of the Ministry of Foreign Affairs—the lead ministry in the trilateral negotiations—and NCTTF; following the prime minister appointed a working group to review the drafts of Trilateral Agreement on Transit Traffic and requested technical assistance from EPRC to analyze the agreement and finalize the agreement’s technical annexes

- **11 March 2008:** NCTTF and the project organized a national seminar, “Regulatory Framework for Transit Transport of Mongolia” to present EPRC’s analysis of the Mongolian regulatory framework for transit transport, with special emphasis on the Trilateral Transit Traffic Agreement [*See: EPRC News Mar 08*]
- **May 2008:** Working group members discussed EPRC’s changes to the draft agreement and proposed drafts of technical annexes to the trilateral agreement
- **April 2008:** The trilateral agreement was on the agenda of the prime minister’s visit to Russia from 10-14 April; the Joint Mongolian-Russian Communiqué stated that, “regarding the countries without access to sea, Mongolia proposed to restore as soon as possible the negotiations on finalizing the agreement on transit transportation with its neighboring countries; the Russian party expressed its understanding of the importance of making such agreement to landlocked Mongolia.”
- **13 June 2008:** NCTTF, the Ministry of Foreign Affairs, and the project organized a one-day workshop to finalize agreements on revisions to the trilateral agreement and drafts of the technical annexes prepared with project assistance [*See: EPRC News June 08*]
- **June 2008:** The GOM sent the draft agreement and its annexes to the Governments of Russia and China as well as to the United Nations Convention on the Trade and Development (UNCTAD), the official facilitators of this intergovernmental agreement
- **17-19 January 2011:** Negotiations between the Governments of Mongolia, China, and Russia held in Beijing

*Hot Topic: Transit Mongolia*





## DEVELOPING KNOWLEDGE AND SKILLS FOR A MARKET ECONOMY

**Background:** Emerging from a centrally planned economy two decades ago, Mongolia has a vast need to educate its citizens on the principles, operations, and institutions of an open market economy and provide government and businesses with the technical and professional skills that are required to excel in such an economy. The project provided direct specialized training, organized events, and facilitated training and attendance at events overseas for counterparts. Given the vast need, the project sought ways of leveraging training and access to information by partnering with Mongolian stakeholders. This leverage took many forms: from working with journalists, helping government agencies communicate, national television Open Talks of leaders with citizens, to creating sustainable local institutions to provide needed education, advocacy, and professional skills.

**Objectives:** Provide citizens with readable, non-technical information about a market economy and its institutions  
Provide partners and project staff with specialized professional and technical skills  
Help create local, financially sustainable institutions to provide education and specialized professional skills.

**Results:** Helped Mongolian partners create, invest in, and run financially sustainable institutions that provide specialized services (MIK, secondary mortgage market), provide education and advocacy (CGDC, the Corporate Governance Development Center), specialized banking skills (the Banking and Finance Academy), and mining education (the Tripartite National Council)  
Produced and distributed 71 project newsletters for public use  
Developed and maintained a project website, [www.eprc-chemonics.biz](http://www.eprc-chemonics.biz), providing continuous public access to newsletters, technical reports—except those of a confidential nature—quarterly reports, pedagogical presentations, “success story” video clips, and quarterly performance reports  
Delivered 329 presentations and training events for 7,756 participants, for a total of 2,263,007 person days  
Facilitated specialized overseas training and attendance at 67 international events for 48 counterparts and 34 project staff

**Highlights:** See [[Annex D: Training Delivered](#)] for a full list of training, workshops, and presentations delivered by the project.

*Building Mongolia's secondary mortgage market*



*Strengthening Corporate Governance in Mongolia*



*Jumpstarting Economic Journalism in Mongolia*



## HELPING CITIZENS DIALOGUE WITH GOVERNMENT

- Background:**
- Mongolia has achieved an exemplary democratic transition from a centrally planned to a market economy; the country has consistently followed a policy of becoming a member and/or signatory to global and regional bodies and conventions and developed a supportive legal framework but the framework, institutions, and mechanisms necessary to support citizens' participation, good governance, advocacy, and transparency are incipient.
  - Given Mongolia's youth as a democracy the requirements of a functioning pluralistic and democratic society of having engaged and educated citizens, free exchange of information and knowledge, and government officials and institutions that communicate with citizens and are open to their inputs are relatively novel.
  - Aided by Mongolians' openness and receptivity to new ideas, the project visualized and realized the opportunity to assist both government officials and institutions communicate better and develop citizens' and stakeholders' capacity to engage in an informed dialogue through the various means described herein.
- Objectives:**
- Improve public transparency and information on economic issues affecting the country
  - Improve public accountability and communications with citizens by developing mechanisms for citizen dialogue with government and business decision makers
  - Provide and divulgate best international practices and cases to inform the dialogue between policy-makers and stakeholders on potential initiatives to improve country competitiveness.
- Results:**
- Introduced the Open Talks program concept in Mongolia where top-level decision makers, beginning in December 2004 with the participation of the prime minister and Speaker of Parliament, answer live questions coming through phone lines and SMS from citizens on a program carried nationwide through TV and radio; the format of the program is now a common feature in Mongolian television
  - Mongolian citizens provided with opportunities to dialogue with and ask questions of decision makers, improving accountability
  - Citizens and decision makers better informed about economic policy issues through targeted programs on taxation, trade facilitation, PPPs, lack of investment in the energy sector and capacity to satisfy projected needs, and economic impacts of potential air liberalization
  - Held 16 Open Talks (later known as Stakeholders Talks) programs on national television and radio in collaboration with the Parliament Secretariat's Open Government website; viewers and listeners submitted a total of 3,889 questions for high level decision makers from government and business
  - Broadcast six educational television programs nationwide, including four Hot Topix programs on energy, transportation, and logistics.
- Highlights:**
- **21 December 2004:** Project assisted the Parliament Secretariat to organize the first Open Talks multimedia (national TV, radio, and Internet) program held on the Government Action Plan for 2004-2008; Prime

Minister Elbegdorj and Parliament Speaker Enkhbayar responded to 338 questions coming through telephone lines and the Open Government website about the new coalition government's action plan, job creation, small business support, ger area growth, and energy prices; project rented 23 internet cafes around the country to ensure viewers could access the site and ask questions; the Open Government website received 21,000 hits during the programs [See: [EPRC News, December-04](#)]

- **4 October 2005:** The Parliament Secretariat's Open Government website, with project assistance, launched a series of national chats on taxes through the Open Talks programs; the first program engaged panelists from the Ministry of Finance and GDT, generating 21,144 hits on the website and a total of 334 questions from citizens; a week prior to the event, the project assisted the Ministry of Finance to publicize their tax proposals in national newspapers and on the OG website so citizens could read them ahead of the discussion [See: [EPRC News, October-05](#)]
- **18 October 2005:** The Open Government website held the second Open Talks program on taxes in October with participation from the Mongolian National Chamber of Commerce and Industry and business leaders; citizens asked a total of 721 questions; the chat generated over 19 thousand hits to the OG website [See: [EPRC News, October-05](#)]
- **15 November 2005:** The Open Government website hosted an Open Talks program on the national budget with panelists from the Parliamentary Budget Committee and the Economic Policy Committee; the program generated 226 questions from an estimated 600 thousand viewers and listeners nationwide [See: [EPRC News, November-05](#)]
- **13 December 2005:** The third program in the Open Talks series on taxes included three members of parliament, sharing their analysis of the tax reform in Mongolia; viewers asked a total of 272 questions and generated 8,790 hits on the OG website [See: [EPRC News, January-06](#)]
- **6 June 2006:** Open Talks program held on housing finance issues; one week prior to the event project assisted the Ministry of Construction and Urban Development publish two articles about the joint public and private banking sector imitative to establish a Housing Finance Corporation; an estimated 660 thousand viewers and listeners nationwide asked a total of 178 questions about the government's 40,000 housing units program and access to affordable mortgages for lower income citizens [See: [EPRC News, June-06](#)]
- **21 November 2006:** Following the passage of new tax laws in June 2006, the project assisted GDT to organize a second series of Open Talks programs; the first chat on 21 November involved government officials; viewers and listeners asked 237 questions, primarily focusing on the reduction of taxes for individuals and small and medium sized businesses, and the need for educational materials on the new laws and procedures [See: [EPRC News, November-06](#)]
- **28 November 2006:** The second Open Talks program on the new tax laws involved business leaders expressing their views on the laws, answering questions primarily on the impacts of the reform on business and the economy; viewers asked a total of 130 questions; questions asked during the two programs after the new tax laws passed revealed the need for basic education and information about taxes and the new [See: [EPRC News, November-06](#)]
- **29 August 2007:** Open Talks program held on 'Is Mongolia's 'Silk Road' fraying?' following a ten-day Chinese moratorium on shipping containers

to or through Mongolia until a backlog of containers at the Zamyn Uud border was cleared; viewers and listeners asked 254 questions, primarily on the inability of the Mongolia-Russia joint venture railway company to handle increased traffic; the talk also focused on the opportunity to develop Mongolia as a transit corridor as proposed by the Transit Mongolia National Program, led by the National Committee for Trade and Transport Facilitation [\[See: EPRC News, August-07\]](#)

- **January 2009:** With assistance from an international expert, project held a workshop on 16 January for stakeholders of the proposed Zamyn Uud Logistics Park on the requirements and lessons learned for successful financing and implementation of PPPs in infrastructure projects and a presentation to the Parliamentary Ad Hoc Committee on PPPs on 19 January on the legal and regulatory environment required to support PPPs [\[See: EPRC News, January-09\]](#)
- **May 2009:** Project broadcasted seven times on national television the first Hot Topix program focused on household energy conservation, with sponsorship from the Ulaanbaatar Heating Network; given the lack of required investment for system infrastructure upgrades, the program encouraged “end-user efficiency” for reducing consumption such as using vacuum sealed windows, installing valves on radiators, and insulating walls [\[See: EPRC News, May-09\]](#)
- **2-3 July 2009:** International Seminar on “Public-Private Partnerships for Infrastructure Investment in Mongolia” held in collaboration with World Bank and ADB; the seminar brought together Mongolian and international experts and decision makers to discuss and learn from international best practices in PPPs for mobilizing private investment for infrastructure projects [\[See: EPRC News, July-09\]](#)
- **August 2009:** Project broadcast the second Hot Topix program, ‘Zamyn Uud: Gateway of Development’ to increase public awareness about poor logistics facilities in Zamyn Uud and their impact on Mongolia’s economy [\[See: EPRC News, August-09\]](#)
- **November 2009:** The project broadcast the Hot Topix program, ‘Can Mongolia become a competitive transit corridor?’ in collaboration with the Transit Mongolia National Program, the Mongolian Railway Authority, Mongolian Tumor Zam, and Transcon LLC; aired six times during the week of 2 November, the program focused on the constraints to Mongolia’s competitiveness as a transit corridor and potential economic benefits if these constraints are addressed [\[See: EPRC News, November-09\]](#)
- **November 2009:** In collaboration with Open Society Forum and Mongolian National TV, the project produced an educational program on corporate governance, aired twice on 4 and 6 November, to explain fundamental corporate governance principles [\[See: EPRC News, November-09\]](#)
- **18 and 24 March 2010:** The Cabinet Secretariat’s Open Government website restarted the nationwide televised and radio chat programs, renamed Stakeholders Talks and broadcast two programs on how Mongolia can benefit from mining revenues; the first program held on 18 March involved four representatives of the Government of Mongolia and the second, representatives of civil society and the private sector; viewers and listeners asked questions about the Human Development Fund and how revenues would be distributed, with some argument on distributing cash revenues vs. investing in education or other public services; many questions also focused on jobs and employment opportunities from mining; the first

program generated 96 questions; the second, 124 questions [See: [EPRC News, March-10](#)]

- **5 May 2010:** Following the submission of a draft law on competition to Parliament in April, the Open Government website, with project support, sponsored a Stakeholders Talk on ‘Fair Competition, who benefits?’ with panelists from Parliament, private sector, and civil society; citizens asked a total of 204 questions ranging from recent increases in prices of meat, fruit, and other goods, unfair competition in gasoline and medicine, and the ineffectiveness of the Authority for Fair Competition and Consumer Protection [See: [EPRC News, May-10](#)]
- **16 June 2010:** Due to the interest in the topic, the Open Government website and project supported a second Stakeholders Talks program on competition issues, focused on the role of the AFCCP; panelists of the live chat included the head of the AFCCP, First Deputy Prime Minister, Executive Director of the Meat association, and private-sector representatives; viewers asked 168 questions, many regarding the new competition law and the challenges the AFCCP faces in conducting their work, as well as prices of meat, gasoline, and cell phone services [See: [EPRC News, June-10](#)]
- **10 November 2010:** Stakeholders Talk held on reliable energy supply with the Minister of Mineral Resources and Energy, the Chairman of the Energy Regulatory Authority, and three members of Parliament who drafted a Parliament resolution to increase tariffs; citizens asked a total of 448 questions such as why prices of energy in rural areas are higher, the possibility of making electricity free or cheaper at night, and demanding reasons for the lack of reliable energy in some residential areas; in response to a question, panelists noted that the price of energy cannot stay at the same level in the future [See: [EPRC News, November-10](#)]
- **18 February 2011:** The Economic Policy and Competitiveness Research Center (EPCRC), The Press Institute, the Economics Journalism Club, and the project held a workshop for journalists on ‘Economic Impacts of potential air liberalization in Mongolia’, including increased international traffic to/from Mongolia, lower fares, increased frequency of air services, and more jobs resulting in higher GDP; EPCRC and the project engaged InterVISTAS to conduct the assessment [See: [EPRC News, February-11](#)]
- **18 and 25 May 2011:** The Cabinet Secretariat’s Open Government sponsored the final two Stakeholders Talk television programs with support from the project on how Mongolia can benefit from customs risk management and air service liberalization [See: [EPRC News, May-11](#)]
- **May 2011:** Broadcast educational television program nationwide on how to conserve energy, produced in collaboration with ERA [See: [EPRC News, May-11](#)]

*Open Governance and national public dialogue: Mongolia takes advantage of IT*



## IMPROVING MASS MEDIA COVERAGE OF ECONOMIC ISSUES THROUGH THE ECONOMIC JOURNALISM CLUB

**Date officially launched:** 16 April 2010

**Sponsors:** Press Institute, Ministry of Finance, Institute of Finance and Economics, Open Society Forum, USAID, World Bank, International Finance Corporation (IFC), and the Young Economists Club.

- Background:**
- The media in Mongolia has grown and improved significantly in the last 20 years since Mongolia's democratization. In the past ten years, there has been over a 50 percent increase in the number of media outlets.
  - With the vast and growing numbers of media stations, there is fierce competition for readers and funding; independent media outlets have difficulty operating as profit making businesses. Therefore most media outlets are privately owned, often by politicians who use them as a loudspeaker for their interests.
  - This competition and difficulty in finding funding for news has contributed to a high percentage of 'paid for' articles and programs that are published and broadcast – journalists write the content that is paid for rather than independent and well-researched articles. In addition, this competition has led to a substantial amount of 'yellow press' or sensational news to draw readers, rather than a focus on quality reporting. Therefore, despite the number of newspapers and television programs, unbiased reporting on economic issues has been lacking.
  - The project partnered with the Press Institute, the leading NGO promoting independent and fact-based journalism in Mongolia, and other supporting organizations including the World Bank and Open Society Forum to launch the Economic Journalism Club (EJC) to focus specifically on improving the skills of journalists focusing on economic issues, and their access to sources of information to write well-researched and unbiased articles.
  - On the eve of Mongolia's rapid economic development, the need for accurate reporting on economic issues is essential for the public to understand the issues and have an educated voice in the democratic process.

**Objectives:** Through club organized roundtable discussions, training, and site visits, journalists get access to accurate information first hand, directly from technical experts and decision makers. With discussion sessions throughout training and roundtable events, journalists work to understand the issues and determine how to present them in an accessible way for the public.

- Results:**
- Economic journalists got exposed to technical information on issues and had the opportunity to exchange ideas with experts
  - EJC organized 27 roundtable discussions, training, site visits, and other events on topics from the role of investigative journalism in improving corporate governance to the state of Mongolia's energy sector
  - Its member journalists produced 183 news stories through print and online newspapers, radio, and television
  - The quantity and quality of economic news coverage increased
  - Project leveraged resources by enlisting other donors and institutions to

collaborate

- Highlights:**
- **September 2009–April 2010:** Project and the Press Institute developed concept, contacted potential sponsors, drafted and negotiated MOU to establish the EJC
  - **16 April 2010:** EJC launched with the signing of the (MOU) among the Press Institute, USAID, World Bank, Ministry of Finance, IFC, Open Society Forum, the Institute of Finance and Economics, and the Young Economists Club [*See: EPRC News, Apr-10*]
  - **28 May 2010:** Club hosted first roundtable discussion on the “Role of Stock Markets in Corporate Governance,” with panelists from EPRC, the Mongolian Stock Exchange (MSE), the Financial Regulatory Commission (FRC), and the former chairman of the Kazakhstan Stock Exchange: 12 journalists attended, producing eight articles and one television program [*See: EPRC News, May-10*]
  - **18-20 June 2010:** The Press Institute, the Corporate Government Development Center (CGDC), and the EJC organized a two-day training workshop on “Corporate Governance for Investigative Journalists” with support from the project; 20 journalists attended and produced five articles as a result of the training [*See: EPRC News, Jun-10*]
  - **25 June 2010:** Club hosted a business lunch for 13 club members to learn more about the energy sector; project specialists discussed national energy sector policies, regulation of the market and the need to improve the commercial orientation and practices of state-owned enterprises in the sector [*See: EPRC News, Jun-10*]
  - **16 September 2010:** Club hosted a roundtable discussion on the importance of property rights for economic development, with speakers from the project, specialists from the Millennium Challenge Account’s property privatization project, and D. Jargalsaikhan, well-known columnist, CEO of Xac Leasing, and club advisor; 11 journalists attended and published four articles and two television programs as a result [*See: EPRC News, Sep-10*]
  - **27 October 2010:** EJC, the Press Institute, the Energy Regulatory Authority (ERA) and the project organized a site visit for 22 journalists to Baganuur Coal mine to learn firsthand about the state of the mine, a state-owned company, and the urgent issues in the energy sector; the event was part of the project-supported ERA public education campaign on energy sector issues and the need to allow prices to cover the cost of production; participants published ten articles and broadcast 13 news programs following the site visit [*See: EPRC News, Oct-10*]
  - **12 November 2010:** Club hosted a roundtable discussion on reliable energy supply, continuing ERA’s public education campaign, with panelists from the ERA, sector specialists from the “Energy and Engineering” magazine, and the Energy Association; ten club members attended and published five articles and broadcast one televised interview [*See: EPRC News, Nov-10*]
  - **10 December 2010:** Club organized a panel on the impact of railway coal transportation tariffs on the energy sector as state-set tariffs for coal transportation do not cover railway transporting costs; 15 journalists attend the discussion and published nine articles and one televised news article [*See: EPRC News, Dec-10*]
  - **17 December 2010:** Club, the Press Institute, ERA, and the project organized journalists’ site visit to Power Plant #3 in Ulaanbaatar; the

plant manager discussed the financial situation of the plant, their inability to invest in improved technologies due to continued losses as tariffs are set below the cost of production; 26 journalists published 12 articles, six televised stories, and two radio programs on the power plant and the effect of controlled prices on the energy sector [See: *EPRC News, Dec-10*]

- **26 January 2011:** EJC, the Pres Institute, ERA, and the project organized a panel discussion on proposed energy tariff increases and their justification; panelists included representatives of the ERA's non-staff advisory council, represented by the Executive Director of the Mongolian Employers' Federation (MONEF) and project specialists; 11 journalists attended and produced five news articles and two television programs [See: *EPRC News, Jan-11*]
- **January 2011:** Club hosted the first annual awards ceremony for the best economic news story of the year for club members; 22 journalists submitted entries for best article and television piece; the winning pieces were an article on the booming mining sector and a television program series on the Mongolian stock exchange [See: *EPRC News, Jan-11*]
- **25 May 2011:** Authority for Fair Competition and Consumer Protection and the project in cooperation with the Press Institute organized roundtable discussion for 15 EJC members-journalists on results of Meat Market Study and produced eight articles and news stories as a result [See: *EPRC News, May-11*]

*Jumpstarting Economic Journalism in Mongolia*





## HELPING CITIZENS UNDERSTAND MINING AND PARTICIPATE IN ITS BENEFITS

- Background:**
- Mining will become a key driver of the Mongolian economy as the country taps its vast mineral resources. Already, mining contributes approximately 40 percent of the country's Gross Domestic Product and the signing of a \$4.6 billion Investment Agreement in March 2010 to develop a mine from the world's largest copper and gold deposit is likely to place Mongolia as the fourth largest copper producer in the world, deeply transforming the country.
  - There is generally little and uneven understanding of mining, its cycles, trade-offs, benefits, and risks among Mongolian citizens. The lack of shared basic information on mining is an obstacle for effective informed participation by citizens in decisions affecting them.
  - Often the diverse stakeholders of mining, including civil society, government, and the mining industry, are at odds as mining frequently involves companies moving individuals off of their lands or out of their livelihoods to extract minerals, the benefit of which may or may not be felt by the local community.
  - A fundamental role of the newly established National Tripartite Council for Mining Education and Conflict Mitigation will be to continue to educate citizens on mining, both the effects in their communities and country, and how to participate in and benefit from the growing mining industry. In working to mitigate conflicts, the council will also continue to work with all parties involved in mining to learn how to avoid and resolve conflicts.
- Objectives:**
- Develop public educational materials on mining
  - Improve disclosure and public education on mining issues
  - Develop mechanisms to facilitate citizens' participation and dialogue on mining-related issues
  - Create mechanisms for civil society, mining industry, and government to dialogue and develop working consensus on mining issues.
- Results:**
- Developed public education materials on mining issues: a) the "Minerals, Metals, and Mine Life Cycle" modules; b) a Trainers' Manual; c) a Train-the-trainers program; d) selected, trained and certified nine trainers to conduct training for communities in mining-affected areas; e) developed educational video, "From Rocks to Riches;" and, f) developed Community Handbook for trainers' use
  - Delivered the six-module workshop series on "Minerals, Metals, and Mine Life Cycle," in 12 workshops, training 396 participants from civil society, government, and industry to educate them on mining issues, help them communicate with one another, and develop a working consensus
  - Certified 26 Mine Life Cycle trainers
  - Developed a workshop series on "Conflict resolution: Costs, risks, and avoidance" and delivered it to 600 representatives from the mining industry, government, and civil society.
- Highlights:**
- **January–October 2009:** Project developed mine life cycle educational materials, including presentations and corresponding trainer's notes for training-of-trainers
  - **6 October 2009:** The project piloted its community-based Mine Life Cycle

training in Dalanzadgad, South Gobi aimag; 131 participants attended the one-day workshop, organized in collaboration with Members of Parliament from South Gobi and the Governor's office [\[See: EPRC News, Oct-09\]](#)

- **12 December 2009:** In collaboration with the Mongolian National Employers Federation (MONEF) and Confederation of Mongolian Trade Unions (CMTU), the project held a workshop on Mining Grievances and Conflict Resolution for 21 representatives from industry, civil, society, and government; the workshop aimed to assist participants in identifying grievances, risks, costs, and mechanisms for conflict resolution; served as initial step in creating dialogue with key stakeholders on potential mechanisms and strategies for the creation of a national to local level grievance and conflict resolution mechanism [\[See: EPRC News, Nov-Dec-09\]](#)
- **25 January 2010:** EPRC, in cooperation with the Canadian Embassy and Agriteam Canada Consulting Ltd., organized a half-day seminar to identify the evolving role of corporate social responsibility in mining activities and raise awareness on modern approaches and best practices; 66 participants from mining companies, NGOs involved in mining, spiritual leaders, and government attended the seminar [\[See: EPRC News, Jan-Feb-10\]](#)
- **6 April 2010** In collaboration with MONEF and CMTU, the project launched a seminar series on “Conflict resolution: Costs, risks, and avoidance” to assist companies, civil society, and government gain an understanding of complaints, grievances, and conflicts and the value in addressing them before they escalate [\[See: EPRC News, Apr-10\]](#)
- **April 2010:** Project facilitated six half-day seminars held on 19, 21, 23, 26, and 28 April on “Conflict to Resolution-costs, risks and avoidance” for 68 participants representing 30 mining companies [\[See, EPRC News, Apr-10\]](#)
- **22 April 2010:** Project held seminar for 28 journalists at the Press Institute on mining conflicts and resolution [\[See: EPRC News, Apr-10\]](#)
- **4-5 May 2010:** “Conflict to Resolution-costs, risks and avoidance” seminar series continued in cooperation with the Open Society Forum; 18 members of the Publish What You Pay (PWYP) Coalition; PWYP is a coalition of 26 NGOs that comprise the civil society arm of the Extractive Industries Transparency Initiative (EITI)—a global initiative working to bring greater fiscal transparency to the extractive industries [\[See: EPRC News, May-10\]](#)
- **11-12 May 2010:** Project held the “Conflict to Resolution-costs, risks and avoidance” seminar for 18 industry representatives of seven companies operating in the South Gobi region and the regional office of the Mongolian National Mining Association in Dalanzadgad [\[See: EPRC News, May-10\]](#)
- **17-18 June 2010:** The seminar series, “Conflict to resolution – costs, risks, and avoidance,” continued in June with two seminars for 21 government officials working in the mineral sector departments of the Ministry of Mineral Resources and Energy, the Petroleum Agency, and the Mineral Resources Agency [\[See: EPRC News, Jun-10\]](#)
- **15-18 June 2010:** Training-of-trainers held on the “Mineral, Metals, and Mine Life Cycle” module series for eight candidates to become certified as local trainers; trainees assisted with facilitation of two seminars on “Conflict to resolution – costs, risks, and avoidance” for government participants [\[See: EPRC News, Jun-10\]](#)
- **15-17 November 2010:** Project held a three-day workshop for 20 environmental NGOs in cooperation with the Environmental Council to assist the participants to gain a broader understanding of the activities, impacts, and opportunities related to the mine life cycle and equip them to manage local stakeholder expectations and maximize benefits and

- opportunities from mining [See: [EPRC News, Nov-10](#)]
- **7-8 December 2010:** “Mining and Community Relations Forum” held for 80 participants from mining companies, primarily community relations officers, in collaboration The World Bank, the Responsible Mining Initiative, and the Canadian Embassy; the objective of the forum was to assist current and potential community relations practitioners gain a broader understanding of the mine life cycle, responsible mining, sustainable development, social responsibility, and the cost of conflict within the mine life cycle [See: [EPRC News, Dec-10](#)]
- **17-21 January 2011:** Training-of-trainers held on the “Minerals, Metals, and Mine Life Cycle” for nine trainer candidates who participated in an intensive five-day workshop in Dalanzadgad; all nine candidates became certified trainers of the program [See: [EPRC News, Jan-11](#)]
- **27-28 January 2011:** Project, MONEF, and CMTU provided a two-day workshop for 31 participants representing environmental NGOs, all signatories to the tripartite MOU signed in December; this was the first of a series of training sessions and workshops with MOU stakeholders aimed at building capacity and preparing participants for their role as representatives of their constituents in the tripartite grievance structure [See: [EPRC News, Jan-11](#)]
- **February-March 2011:** MONEF, with project support, delivered a series of four “Conflict to resolution – Costs, risks, and avoidance” seminars for 80 mining industry representatives, civil society organizations, and government representatives, within the scope of the Tripartite Agreement signed in December 2010 [See: [EPRC News, Feb 11](#) and [EPRC News, Mar-11](#)]
- **23-24 March 2011:** MONEF, with support from the project, delivered a training on the mine life cycle for tripartite civil society organization representatives [See: [EPRC News, Mar-11](#)]
- **25 March 2011:** The project and The Asia Foundation organized a gathering for all environment and mining related projects implemented by major donor organizations represented in Mongolia to exchange basic information about different project activities and seek opportunities for collaboration [See: [EPRC News, March 2011](#)]
- **19, 20, 26 and 27 March 2011:** Five workshops held on the mine life cycle for youth, community members, and students from local vocational schools in Dalanzadgad; the Canadian government provided funding for MONEF to conduct the training with project support; certified local certified trainers facilitated all sessions, for 100 participants [See: [EPRC News, Mar-11](#)]
- **29 March 2011:** The project, the Canadian government, and MONEF organized a workshop on “Corporate social responsibility - the path to reducing social risk and conflict” for 30 members of industry in Ulaanbaatar [See: [EPRC News, Mar-11](#)]
- **14–30 April 2011:** MONEF, with project support, held six training workshops for a total of 125 representatives from government, civil society organizations, and industry on “Conflict to Resolution – Costs, risks, and avoidance” [See: [EPRC News, Apr-11](#)]
- **16-19 May 2011:** The project certified 17 new trainers in Ulaanbaatar on the “Minerals, Metals, and Mine Life Cycle” training series [See: [EPRC News, May-11](#)]
- **25 May 2011:** At a brief ceremony, with USAID and the Canadian Ambassador in attendance, the project handed over all educational Mine Life Cycle materials to the National Tripartite Council representing GOM, civil society, and business [See: [EPRC News, May-11](#)]

Lifting Local Voices in Mining



From Rocks to Riches



## HELPING GOVERNMENT AGENCIES COMMUNICATE WITH THE PUBLIC

- Background:**
- Most government agencies lacked a culture of open communication with citizens and were unable to communicate effectively with the public. The public had little information about their roles, services, and programs.
  - Key government agencies, including the General Department of Taxation (GDT), GASI, and Customs lacked or had only one public affairs officer, a key constraint for effective communication with the public. Public affairs officers of the agencies often lacked professional training and had little knowledge or experience in developing and implementing public communications strategies and working with the media.
  - Government agencies also did not use communications tools effectively. Agencies often did not have public information websites and those that did failed to update them regularly, did not include information that was helpful to citizens, and did not allow for two-way communication between citizens and government officials.
  - Upper management and staff of the agencies often lacked a basic understanding of the importance of communications to the media and the public to improve disclosure and transparency. The lack of information provided to citizens about services and procedures of government agencies reinforced public perceptions of their lack of transparency and responsiveness.
- Objectives:**
- Improve disclosure, public education on issues, facilitation of procedures and services to the public, and resolution of complaints
  - Improve the availability of and access to important and useful information for Mongolian citizens through government websites
  - Increase amount of easy-to-understand communications and promotional materials for the general public to understand the role and functions of the agency and promote compliance with policies, regulations, and procedures
  - Improve agencies' understanding of the role of civil servants to serve the general public
  - Improve government agencies' understanding of the importance of effective public relations and public communications
  - Strengthen the methods, tools, and capacity of government agencies to provide information to citizens
  - Improve public perception of agencies and the relationships between citizens and government.
- Results:**
- 14 “meet the press” workshops for journalists held linking government agencies with journalists through The Press Institute; 102 newspaper articles and 76 television and radio news programs generated
  - 14 training workshops held for 389 participants from government agencies (116 males; 223 females) on public communications and customer service
  - Joomla! open-source content management system fully converted to Mongolian language, allowing government agencies to design and manage websites with easy-to-use, license-free, and full Mongolian language capability to communicate with citizens and improve transparency; 45 GOM websites and over 20,000 non-government Mongolian websites use the system.

- Highlights:**
- **December 2007:** Information and Communications Technology Authority (ICTA) released Joomla! International Mongolia Edition Content Management System, version 1.0; project assisted ICTA with the development of this open-source software to ease the development and management of websites for government agencies by fully converting the system into Mongolian [See: [EPRC News, Dec-07](#)]
  - **20 May 2008:** Project held one-day workshop on the Joomla! International Mongolia Edition Content Management System for 29 webmasters from government agencies; initially developed for the tax authority's website, over one thousand government and non-government websites Mongolian websites were using the Joomla! International Mongolia Edition [See: [EPRC News, May-08](#)]
  - **24 December 2008:** Project held workshop for 28 webmasters from government agencies on the Joomla! International Mongolia Edition Content Management System [See: [EPRC News, Dec-08-Jan-09](#)]
  - **2 April 2009:** Project held a third workshop on the Joomla! International Mongolia Edition Content Management System for 24 webmasters from government agencies and ministries [See: [EPRC News, Apr-09](#)]
  - **8 April 2009:** GDT, the Press Institute and the project co-sponsored an all-day workshop for journalists on "Tax Reform Issues and the Impact of the Recession on Tax Collections" for 27 journalists to provide them with the economic context of the global recession and its impact on Mongolia tax revenues as well as the effect of the 2006 tax reforms on collections [See: [EPRC News, Apr-09](#)]
  - **17-19, April 2009:** GDT, The Press Institute and the project co-sponsored a site visit for journalists to the city of Erdenet to get first-hand information on how the recession and plummeting commodity prices affected Erdenet's tax revenue; 22 journalists from eight newspapers visited the Erdenet Ore Dressing Plant, which historically has contributed over 40 percent of Mongolia's corporate income tax [See: [EPRC News, Apr-09](#)]
  - **8 May 2009:** Energy Regulatory Authority (ERA), the Press Institute, and the project co-sponsored a half-day workshop for 19 journalists on the "Energy sector financial situation and tariff issues;" ERA officials gave presentations on the agency role as an independent regulator. [See: [EPRC News, May-09](#)]
  - **19 and 26 May 2009:** Project held another workshop on the Joomla! International Mongolia Edition Content Management System for 25 webmasters from government agencies and ministries, as part of "e-Government Training Week" [See: [EPRC News, May-09](#)]
  - **11-12 June 2009:** GASI, the Press Institute, and the project co-sponsored a two-day workshop for GASI inspectors on public Relations and communications; 15 inspectors from the Ulaanbaatar District and Dornogobi aimag departments attended the workshop to gain a basic understanding of how to communicate constructively with the general public to build an understanding about GASI's role and functions and to create a positive relationship with citizens [See: [EPRC News, June-09](#)]
  - **19 June 2009:** In conjunction with the training for GASI inspectors, the agency, the Press Institute, and the project co-sponsored a one-day journalists' workshop to strengthen the agency capacity to communicate effectively with the public and to raise awareness about the roles and responsibilities of the agency and to help explain its purpose, function and efforts to improve its services [See: [EPRC News, June-09](#)]
  - **29-30 September 2009:** The Cabinet Secretariat, the Information,

Communication Technology and Post Authority (ICTPA), and the project sponsored the first Joomla! Day in the country, with 245 participants in attendance; at that point more than 200 GOM websites and over 13,200 other Mongolian websites were using the system; Joomla! 1.5 International Mongolia Edition was officially released [See: [EPRC News, Aug-Sep-09](#)]

- **8 October 2009:** Customs, the Press Institute, and the project co-sponsored a workshop for journalists to help build public awareness of Customs programs and current efforts to increase transparency, improve customer service, and inform the public about changes [See: [EPRC News, Oct-09](#)]
- **27 October 2009:** GDT and the project co-sponsored a senior management workshop to launch the “Customer Experience Management” program with project support, following an assessment of the communication and organizational issues within the agency; GDT revised its mission statement to include improvement of the trust of taxpayers and have open, smooth, transparent and fair operations [See: [EPRC News, Oct-09](#)]
- **22 October 2009:** Project held another workshop on the Joomla! International Mongolia Edition Content Management System for 21 webmasters [See: [EPRC News, Oct-09](#)]
- **November-December 2009:** The project sponsored three two-day workshops on customer service on November 5-6, 24-25 and December 2-3 for over 70 tax officers from Ulaanbaatar, Darkhan, and several aimags as part of the “Customer Experience Management” program [See: [EPRC News, Nov-Dec-09](#)]
- **9-10 November 2009:** GDT, the Press Institute, and the project co-sponsored a two-day public relations workshop for GDT staff in Ulaanbaatar.
- **24-25 November 2009:** Customs, the Press Institute and the project co-sponsored a similar two-day public relations workshop for inspectors, communication officers and professionals from various departments [See: [EPRC News, Nov-Dec-09](#)]
- **26-27 November 2009:** GDT, the Press Institute, and the project continued the public relations work with a two-day public communications workshop for tax inspectors from 12 aimags
- **27-28 February:** Customs, GASI, the Press Institute, and project co-sponsored a site visit for 30 journalists to Zamyn-Uud border point to get first-hand information on implementation of risk management-based inspections and the efforts of CGA and GASI to cooperate closely and coordinate their inspections to decrease border inspection time [See: [EPRC News, Nov-Dec-09](#)]
- **February 2010:** GDT finalized “Value-Added Tax (VAT) for Small and Medium Enterprises” guide to help newly registered VAT payers with the filing process, dates, and easy-to-follow sample spreadsheets for calculating payments and refunds [See: [EPRC News, Jan-Feb-10](#)]
- **18 and 24 March 2010:** The Cabinet Secretariat’s Open Government website sponsored two Stakeholders Talk television programs with support from the project on how Mongolia can benefit from mining revenues; Stakeholders Talk shows are nationally televised, live talk-show programs, which enable citizens to call or SMS questions to policy-makers and national leaders on key issues [See: [EPRC News, March-10](#)]
- **5 May 2010:** The Cabinet Secretariat’s Open Government website sponsored a Stakeholders Talk between policy-makers and citizens on “Fair Competition, Who Benefits?” [See: [EPRC News, May-10](#)]

### Raising the Bar: Tax Office Customer Service



### Case Study: Increased Access to Online Information



### Success Story: Better access to tax information



- **26 May 2010:** AFCCP and project signed an MOU to assist the Authority with the development of its public communications program and capacity to conduct market analyses [See: [EPRC News, May-10](#)]
- **June 2010:** Human Fortis and the project held three regional customer service workshops on June 8-9 in Khentii, 14-15 in Ulaanbaatar, and 30 June-1 July in Uvs for 102 tax officers, continuing the tax agency's "Customer Experience Management" program [See: [EPRC News, Jun-10](#)]
- **September 2010- January 2011:** ERA and project conducted a public education campaign on urgent issues in the energy sector and the importance of transitioning to market prices for electricity and heating; campaign included site visits to the Baganuur coal mine and Power Plant #3, discussions with railway representatives on coal transportation tariffs and other events with experts in the energy sector, in cooperation with the Press Institute [See: [EPRC News, Sept-Oct-10](#)]
- **November 2010:** "Customer Experience Management" program concludes with two one-day workshops held on 18 and 19 November for 101 tax officers; the GDT program trained a total of 252 officers in six two-day workshops and two one-day workshops from December 2009 through June 2010 [See: [EPRC News, Nov-10](#)]
- **3 December 2010:** GASI, the Press Institute, and the project held a day-long workshop for journalists on reforms at the agency and its media relations [See: [EPRC News, Dec-10](#)]
- **28 January 2011:** SPC, the Press Institute, and project hosted a one-day workshop for journalists on "Erdenes Tavan Tolgoi Shares Issues" [See: [EPRC News, Jan-11](#)]
- **14-15 April 2011:** The Press Institute and the project hosted two-day workshop for 16 officers responsible for public relations from GDT, GASI, Customs, and SPC on "How to work with the media for efficient public communications." [See: [EPRC News, Apr-11](#)]
- **18 and 25 May 2011:** The Cabinet Secretariat's Open Government sponsored two Stakeholders Talk television programs with support from the project on how Mongolia can benefit from customs risk management and air service liberalization; Stakeholders Talk shows are nationally televised, live talk-show programs, which enable citizens to call or SMS questions to policy-makers and national leaders on key issues [See: [EPRC News, May-11](#)]
- **25 May 2011:** The AFCCP and the project in cooperation with the Press Institute organized roundtable discussion for 15 EJC members-journalists on results of Meat Market Study; journalist produced eight articles and news stories as a result [See: [EPRC News, May-11](#)]

## ROUTES TO MARKETS FOR MONGOLIAN CASHMERE

- Background:**
- Mongolia is the second largest raw cashmere supplier in the world, after China, supplying over 20 percent of the world's raw cashmere. Exports of raw, semi-processed, and value added cashmere amount to approximately 10 percent of the country's total exports in 2007, according to the National Statistics Office. The international demand for finished cashmere products and Mongolia's abundant raw materials results in a high potential for growth in the country's cashmere value chain.
  - However Mongolia's cashmere industry was failing to take advantage of this potential. The project conducted an analysis of the cashmere value chain in 2005 and found that the industry suffered from poorly managed companies with no access to affordable sources of finance; inconsistent quality of cashmere products; no links to international markets; and fierce competition from China which boasted a far larger industry with low costs and low prices.
  - At the time the largest firm, Gobi Cashmere, was still state-owned, losing \$2 million per year, and operating with old and poorly maintained equipment. Despite USAID support in attempting to privatize the firm since 2001, this was not achieved until 2007. The second largest firm at the time was privately owned but unable to raise funds to buy raw cashmere. Other firms faced difficulties in low productivity, lack of design capabilities, and no links to international buyers. All of these companies also lacked access to affordable financing; with domestic interest rates at 37 percent, it was very difficult for companies to be profitable.
  - The top cashmere producer globally, China, outlined its strategy in 2005 to control and regulate the entire value-added cashmere sector, using excess processing capacity to finish products using Mongolian and other raw cashmere and export them under their own brands. Mongolia's exports of raw cashmere had already been increasing up to this point, and if the trend continued China could use its buying power to drive prices of raw cashmere down, which would hurt Mongolian herders and the economy.
  - Further threatening the growth of Mongolia's cashmere industry was the end of the Multi Fiber Agreement on 1 January 2005. The agreement had allowed the U.S. and EU to impose import quotas on textile and apparel products from low-cost producers. As Mongolia was not subject to these quotas, the end of the agreement brought far more competition from low-cost producers in countries who had previously been restricted from exporting goods to the U.S. and EU.
  - However, opportunities for growth existed. The global cashmere market was growing with better marketing and more low and middle market brands offering affordable products. In addition, high labor costs in Europe caused many factories to close, leaving room for Mongolia to fill in the gaps.
  - With encouragement from the Government of Mongolia, EPRC developed the "Routes to Markets" program to help cashmere companies produce higher-quality cashmere products, establish links to international markets, open the door for international investors, and build the brand of Mongolian cashmere globally.
  - The project worked with five companies producing final cashmere products that were willing to share the costs of the assistance. From 2005 to 2007, the project conducted individual meetings and provided specialized



consulting for each of the companies upgrade their product quality, identify investors, and introduce them to international agents and buyers in the United States and Europe.

- The project also collaborated with the Mongolian Fibermark Society (MFS), established with support from USAID in 2003, to develop and market the brand of Mongolian cashmere to sell products in international markets. MFS assisted the project and five companies on a second tour to the United States to market their goods and promote the brand of Mongolian cashmere.
- However, the project found that MFS needed to improve the requirements for its certification to meet international standards for both finished products and semi-finished products and the ability to effectively test cashmere with an accredited laboratory. The project collaborated with Intertek Testing, a multinational company, to assess the feasibility of establishing an independent laboratory in Mongolia and estimated that a foreign testing company could recover its initial investments in three years.

**Objectives:** The objectives of the Routes to Markets program were to help Mongolian cashmere companies:

- Understand and become familiar with requirements of the U.S. and European markets such as design, seasonal trends, quality standards, and delivery
- Establish relationships with U.S. and European up-market stores and distributors
- Facilitate potential new investments
- Upgrade their product lines and quality standards to meet requirements of international markets.

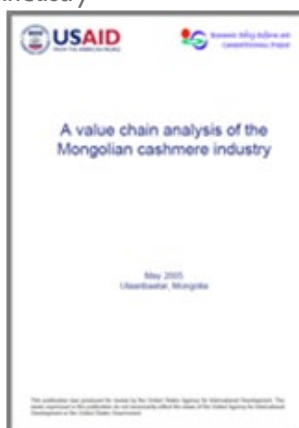
- Results:**
- Designed and implemented mechanisms to leverage project funds to assist individual Mongolian businesses through the Business Development Fund and collaborative projects to improve competitiveness through the Mongolian Competitiveness Fund (MCF); total fund commitments of BDF and MCF at the end of the project amounted to \$654,393 and the value of client contributions was \$985,741 for a match of \$1.51 in clients' contributions for each dollar spent through these funds.
  - From 2005 to 2007, project supported Gobi Corporation, Ezio Foradori, Goyo, Altai cashmere, and Eermel Cashmere Company upgrade their product lines and quality standards; EPRC's BDF provided \$241,323, funding for diverse projects, with companies contributing 53 percent of these funds.
  - Project advised Eermel Cashmere Company with a complete restructuring of the business; the company rose from bottom rankings in the domestic cashmere market to exporting \$500,000 worth of finished cashmere products in 2006 and approximately \$1,000,000 in 2007.
  - Project assisted four Mongolian cashmere companies that shared costs to attend a large sourcing trade show in Las Vegas in February 2006, for three of the four companies this was their first meeting with U.S. buyers.
  - During 2006 with assistance from the Routes to Markets program, participating cashmere companies exported in excess of \$500,000 of cashmere products to new customers in Europe and US.
  - Project worked with the Mongolian Fibermark Society through its MCF to organize a mini exhibition of Mongolian cashmere in New York in March 2007 with the same four Mongolian cashmere companies; resulting in orders worth \$100,000.

- Privatization of Gobi Cashmere Company; project conducted a pre-privatization technical and financial review; project consultants assumed initial management of the newly privatized company.

### Highlights:

- **November 2004:** Project published a report on “Mongolian garment industry: Likely effects of abolition of quotas and actions that are urgently required,” including how the cashmere industry would be affected, with recommendations for action for the government [[See: Report](#)]
- **17 January 2005:** EPRC Senior Business Advisor gave a presentation on Mongolia’s cashmere industry to representatives at the first Trade and Investment Framework Agreement (TIFA), Mongolia – United States Joint Council Meeting; arranged by Ministry of Industry and Trade in response to U.S. delegation request [[See: EPRC News, January-05](#)]
- **4 February 2005:** UB Concept GmbH—a European distribution hub for Mongolian cashmere products in Berlin—opened its doors after nine months of project support to help bring Mongolian cashmere products closer to market, simplify distribution channels, and increase sales in Western Europe; project assisted with structuring of company, identification of local investors, shareholders’ agreements, sample selection, and shipping logistics of samples of initial inventories [[See: EPRC News, February-05](#)]
- **7 March 2005:** Project presented findings of pre-privatization technical and financial review of Gobi Cashmere Company, conducted in preparation for privatization of the company; encouraged company management to focus on maximizing the chances of market access, management, and access to finance in the privatization process [[See: EPRC News, March-05](#)]
- **6 May 2005:** Project organized “Mongolian Cashmere: Routes to markets” seminar for industry leaders on developments in the global cashmere retail industry; facilitator, an international textile expert, suggested that producers need to be more pro-active in search for new customers and potential partners through visits to main centers, such as Hong Kong which has over 380 cashmere buyers, as well as London and New York [[See: EPRC News, May-05](#)]
- **24 May 2005:** Project presented findings and recommendations of the cashmere sector assessment, “A value chain analysis of the Mongolian cashmere industry”; findings included that with access to competitive international finance and improved yield and quality management, the industry could become profitable and sustainable, despite higher costs than China [[See: EPRC News, November-06 and Report](#)]
- **18-25 February 2006:** Four leading Mongolian cashmere companies attended the ASAP sourcing show in Las Vegas, U.S. on a trip organized by EPRC and the Mongolian Fibermark Society to exhibit cashmere products and meet buyers as part of EPRC’s Cashmere Routes to Market program [[See: EPRC News, February-06](#)]
- **21 November 2006:** Project conducted a workshop on export preparedness to summarize activities in the Routes to Markets program, give feedback from markets to Mongolian producers, inform about market tendencies for 2007, and give further recommendations; more than 50 executives and senior managers from leading Mongolian cashmere companies attended; experts visited all leading producers and international export marketing executives, designers, production managers, encouraging them to promote the image of Mongolian cashmere abroad and the role Mongolian Fibermark Society could play as champion of Mongolian quality [[See: EPRC News, November-06](#)]

A value chain analysis of the Mongolian cashmere industry



Mongolian garment industry: Likely effects of abolition of quotas and actions that are urgently required



Case Study: Mongolian Cashmere Finds New Markets



- **6 December 2006:** The Gobi Cashmere Company was privatized; project conducted the pre-privatization analysis and its cashmere Routes to Markets program consultants assumed initial management of the privatized company.
- **12-17 March 2007:** Representatives of four leading Mongolian cashmere garment export companies, Altai Cashmere, Gobi Corporation, Goyo, and Ezio Fordari – all beneficiaries of the Routes to Market program, showcased their products in New York City at private trade event, organized with help from the Mongolian Fibermark Society; showcase attracted buyers from Saks Fifth Avenue, Brooks Brothers, Polo Ralph Lauren, Bloomingdales, Liz Claiborne, and Perry Ellis; companies also attended a seminar on conducting business in the U.S. [See: [EPRC News, March-07](#)]

## DEVELOPING TOURISM PRODUCTS AND PROMOTING MONGOLIA AS A DESTINATION

- Background:**
- With the transition to a free market economy beginning in the 1990s, the Mongolian government began looking to tourism as a potential source for social and economic development and the creation of new jobs. The government took steps to promote tourism by developing a suitable legal and policy environment for private companies to operate in the sector.
  - In 1996, Mongolia joined the World Tourism Organization and began actively participating in international tourism trade fairs in the EU, United States, Japan, Korea, and China to promote Mongolia abroad as a destination. In 1999, the government approved the “Master Plan to foster National Tourism in Mongolia,” their strategy to grow the tourism sector through 2015, and established the Mongolian Tourism Board as a government implementing agency, which was later expanded and merged into the Ministry of Roads, Transport, and Tourism in 2004.
  - In 2000, the government passed the Tourism Law to regulate all aspects of the tourism sector. After some amendments were passed in 2001, the law considered important aspects of the industry, but arguably failed to allow the private sector the freedom to manage their own business by trying to over-regulate tourism related activities. In addition, the government was criticized for not actively serving private-sector needs through adequate promotion of Mongolia in key tourism markets.
  - Despite faults in the law and criticism, the government continued its efforts to promote Mongolia abroad, using branding to advertise the country, naming 2003 the “Visit Mongolia” year, 2004 the “Discover Mongolia” year, and 2006 the “800th Anniversary of the Mongol State” year.
  - Fragmentation of private companies in the sector, insufficient marketing of travel opportunities and lack of diversity of tourism products constrained growth of the industry. There was no uniting force from the private sector promoting tourism and providing input into government policy related to tourism.
  - Potential tourists abroad had little access to information on travel adventures in Mongolia. While leading tourism-related companies promoted their products on their own websites, these sites were difficult to find for potential tourists, and many of them served simply as online brochures that were quickly out of date.
  - In addition, most individual tour companies provided very similar services – ger camps with the same menus, level of services, lack of activities, etc. There was very little diversification of tourism products to attract visitors, and to bring the benefits of tourism to local communities through community-based tourism products.
  - If tourists did come to Mongolia, there was no place for them to learn about tour options and bookings, cultural events, hotel reservations, internal flight and train schedules, and other services that would make their stay easier, potentially longer, and full of opportunities to spend money.
  - Mongolia was also missing opportunities to promote travel and tourism in the more remote parts of the country. Without information about these places, there was no demand for transportation or tours in these areas, and no opportunities for local communities to benefit from tourism.
  - From 2004 to 2008, EPRC worked to enhance the competitiveness of the tourism sector in Mongolia by addressing these constraints with

counterparts from government, private sector, and nongovernmental organizations. Project initiatives included launching the first tourism portal to improve the visibility of Mongolia to potential travelers; opening the first Tourist Information Center in the country; developing tourism products through co-funding for private-sector initiatives; and facilitating creation of the independent National Tourism Organization of Mongolia, responsible for implementing state policy on tourism, training, information dissemination, promotion, and research.

- Objectives:**
- Assist with development of enabling legal and policy environment to support private businesses in the tourism sector
  - Help develop new tourism products and circuits
  - Promote Mongolia as a destination in the European and North American markets
  - Assist tourism companies establish links with foreign tour operators, understand requirements of different markets, and improve their services
  - Help develop and disseminate information for visitors to Mongolia.
- Results:**
- Assisted with revisions and draft amendments to Tourism Law.
  - Helped develop tourism products and circuits, including community-based tourism products in Khuvsgul aimag among the Tsaatan (reindeer) people, the “Chinggis Trail” in Khentii aimag, and Western aimags tourism circuits.
  - Improved marketing of Mongolia as a destination in North America and Europe through participation in tourism trade shows.
  - National Geographic award to Mongolia as “Best of 2008 Adventure Destination.”
  - Assisted with establishment of the independent, private-sector led Mongolian National Tourism Organization (MNTO), founded by 11 NGOs, seven private companies, and three individuals, which provides a united and coherent voice for the tourism industry to impact government policy and builds a national brand for Mongolian tourism.
  - Helped Mongolian tourism companies establish links with foreign tour operators through participation in international trade shows.
  - Helped improve tourism services by supporting 19 organizations with co-funding through the MCF; total funding from the project reached \$355,313 with total client contributions reaching \$643,927.
  - Assisted MNTO develop a partnership with Odyssey Books & Guides publishing company and gather information for “Mongolia: Nomad Empire of the Eternal Blue Sky,” part of Odyssey’s companion series, which launched in December 2009 in Ulaanbaatar and is now sold in 23 countries.
  - Helped establish Mongolia’s first Tourism Information Center in the Central Post Office, which served a total of 191,574 tourists from its opening in 2005 through 2008; though this center was closed in 2008, a private tourist information center opened soon after in downtown Ulaanbaatar which provides the same, needed services with no donor support.
  - Established first tourism portal website in 2007 to market Mongolia internationally and provide comprehensive information on travel and tour opportunities for prospective travelers worldwide; today there are new privately supported portal sites that offer information on tourism products, accommodations, and services.
- Highlights:**
- **2 April 2004:** The project developed a proposal for a Tourist Information Center (TIC) in Ulaanbaatar at the International Tourism Mart held from

- 2-4 April in Ulaanbaatar, stressing that cooperation among government, NGOs, and private-sector operators would be key for success; the proposal included a business plan for TIC with proposed income generating activities including reservation and guide services, operation of currency exchange facilities, and sale of maps and publications [See: [EPRC News, March-04](#)]
- **21 May 2004:** MOU to establish a TIC signed among the Mongolian Tourism Association, the Mongolian Tourism Board on behalf of the Ministry of Infrastructure, the Tourism Department of Ulaanbaatar Municipality, and the Arts Council of Mongolia; parties agreed to share information and resources to make the venture possible; agreed to determine the location, financing, and management of Center within two months [See: [EPRC News, May-04](#)]
  - **22 December 2004:** Members of the Board of the Directors of TIC, including the Mongolian Tourism Association, Ministry of Road, Transport, and Tourism, Arts Council of Mongolia, PR Association, and EPRC as a non-voting member, discussed and made revisions to the draft Articles of Association of the TIC; parties planned to meet again to finalize changes and aim to register the NGO and open for business by the start of the 2005 tourist season [See: [EPRC News, December-04](#)]
  - **March 2005:** Project assisted seven companies attend the International Tourism Bourse in Berlin, funding 25 percent of the cost of the trip through the project's MCF; participating tour operators estimated that they generated 22 percent increased bookings for 2005 as a result of their attendance, representing about \$2.5 million in increased sales, exclusive of air fares [See: [EPRC News, May-05](#)]
  - **5 April 2005:** TIC opened its doors in time for the beginning of the tourist season in May, after 12 months of negotiation and preparation by the partners; center offered up-to-date information and materials to find accommodation, restaurants, tour providers, and maps; project planned to provide intensive support to center during first three months [See: [EPRC News, April-05](#)]
  - **June 2005:** At invitation of the Governor of Khentii aimag, the project visited the aimag to examine how to increase tourism to the region, Chinggis Khan's birthplace, to take advantage of the 2006 tourism season—marketed as the 800th anniversary of the founding of the Mongol Empire; project agreed to assist with the development of a tourism strategy for 2006 to promote the “Chinggis Trail” that would link many sites of interest along the route and ‘staging posts’ in soum centers; strategy would be based on public/private partnerships and local community involvement; after promotion of the trail by one of the largest tour companies in Mongolia, Juulchin World Tours, at international trade fairs in London and Berlin, the company received 1,500 tourists from Europe and \$1,050,000 in revenues in 2006 [See: [EPRC News, June-05](#)]
  - **August 2005:** Five months after opening its doors, 8,500 tourists visited the TIC at the Central Post Office; an additional 3,000 visited the centers in the airport and railway station which opened soon after; customer satisfaction survey conducted in August complimented the level of service given by TIC trained with project assistance [See: [EPRC News, July-August-05](#)]
  - **Summer 2006:** EPRC conducted a survey of tourists exiting Mongolia through the international airport in summer 2005 to assess who comes to Mongolia, where they go, and how their experience was; highlights included that 77 percent of leisure visitors come from western countries, nearly half of leisure visitors travel on package arrangements, a quarter of visitors

traveled to Karkorum, 22 percent to Gobi, and 17 percent to Terelj; 87 percent of visitors rated their stay as “excellent” or “good”; worst reported experiences related to roads and travel conditions, taxi drivers, service standards, quality of food, hygiene, alcohol-related incidents, crime, and environmental issues [See: [EPRC News, February-06](#)]

- **8 February 2006:** Project offered two workshops for tour operators and service providers on recent trends in the tourism industry; first workshop provided advice on website design and role of websites in marketing strategy; second workshop focused on how the tourism industry could take advantage of increasing number of “over fifties” with more disposable income travelling to less traditional destinations, including through marketing on Internet and specialized print media commonly visited by this group, and importance of considering special needs of older groups [See: [EPRC News, February-06](#)]
- **24 March 2006:** EPRC sponsored launch of Welcome2Mongolia.com, a project-initiated tourism portal, at a reception with over 100 tour operators, hoteliers, ger camp operators, transport companies, and other service providers; designed and constructed by a Mongolian IT company, the portal provided information on all aspects of tourism in Mongolia, including on-line booking services and Q&A with experts; portal operated as a commercial enterprise, with TIC as one of shareholders [See: [EPRC News, March-06](#)]
- **March 2006:** Project and the Mongolian Tour Guides Association provided an intensive eight-week training program to a group of 60 trainees, selected from 200 candidates, to prepare them to serve the large inflow of tourists expected for the events associated with the 800th anniversary of the founding of the Mongol state; training included introduction to customer service, map reading, use of GPS, emergency communications, and first aid; with guaranteed jobs for all graduates [See: [EPRC News, March-06](#)]
- **23 April 2006:** The project assisted Ministry of Roads, Transport, and Tourism to organize a tourism sector retreat for 18 representatives of the ministry, Mongolian Tourism Association, Guides Association, Ger Camps Association, Deutsche Gesellschaft für Technische Zusammenarbeit GmbH, and United Nations Development Programme; following presentations on international best practices in the tourism sector, the government’s Tourism Action Plan, and internet marketing, private sector representatives agreed to create a private-sector-led National Tourism Organization [See: [EPRC News, April-06](#)]
- **11 May 2006:** In the summer of 2005, project worked with the U.S. Peace Corps to pilot a program to develop websites for Mongolia’s high tourism-potential aimags, Khentii and Uvurhangai; following the success and local support of the two pilot aimag websites, the project decided to expand the pilots into a full program for seven new aimags during the summer of 2006; project held workshop for 14 Peace Corps volunteers on 11 May to learn from the pilot aimags and discuss how to develop websites as a marketing tool for community-based tourism [See: [EPRC News, May-06](#)]
- **28 August - 8 September 2006:** Project organized a study tour for senior Mongolian tourism officials and private-sector representatives to Frankfurt-am-Main and Berlin in Germany, Budapest in Hungary, and Zagreb in Croatia to examine best practices in the tourism sector and how these could be adapted and introduced to the Mongolian tourism industry; common threads were strong partnership between private and public sectors at all decision-making levels, incorporating input from all levels of

the tourism industry into national tourism development strategies, and how private sector managed and operated national tourism organizations and promotional agencies with state-provided funding [*See: EPRC News, September-06*]

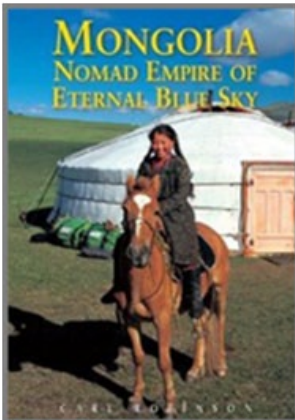
- **6-8 April 2007:** Project supported a weekend retreat for 22 leading tourism decision-makers from the Ministry of Roads, Transport, and Tourism, local administrations, private sector associations, and donor organizations to discuss the possible legal structure of a national tourism organization (NTO), its membership, its role, and potential funding mechanisms; attendants reached consensus on role and structure of NTO and asked EPRC to continue to provide technical and legal assistance to expedite formation of the organization [*See: EPRC News, April-07*]
- **22 May 2007:** Senior tourism stakeholders agreed to move forward to establish a the Mongolian National Tourism Organization (MNTO), with project acting as technical secretariat and advisor throughout formation; working group nominated 20 founding members and elected the first governing board including representatives from government and private sector [*See: EPRC News, May-07*]
- **January-August 2007:** Project co-funded a project at the request of the Itgel Foundation to assist the Tsaatan (reindeer) herders with the development and management of grass roots, community-based tourism to generate and diversify sources of income; the Itgel Foundation, volunteers, and NGOs supported the Tsaatan Community and Visitor Center (TCVC) to facilitate courses to develop local leadership and management skills and provide volunteer and professional consultation to ensure local sustainability; by August the Tsaatan community finished the construction of a two-story Visitor Center with support from the Itgel Foundation [*See: EPRC News, July-August-07*]
- **September 2007:** MNTO held a one-day workshop on 19 September, following a series of meetings, to prepare a strategic plan for 2008-2011, with support from two EPRC international experts; the MNTO received its official seal as an NGO on 25 September [*See: EPRC News, September-07*]
- **12-15 November 2007:** At the request of the Ministry of Roads, Transport, and Tourism, the MNTO organized the participation of five Mongolian tour operators at the World Travel Market in London; MNTO organized a “Mongolia Night” reception at the Mongolian embassy which attracted more than 80 press and media representatives; MNTO and delegation forged agreement with The Bradford Group to develop a marketing campaign of Mongolia in North America; four tour operators renewed contracts with current 30 partners and five tour operators found 16 new partners [*See: EPRC News, November-07*]
- **29 February 2008.** 59 tourism journalists and executives representing leading travel industry publications and organizations attended a press breakfast in New York hosted on the opening of the New York Times Travel and Trade Show to promote Mongolia as a tourist destination in the North American markets; event marked opening of MNTO’s U.S. tourism office to be operated in partnership with The Bradford Group; at the event, the National Geographic Adventure Magazine presented Mongolia with their “Best of 2008 Adventure Destination” award [*See: EPRC News, January-February-08*]
- **4-9 March 2008.** At request of the Ministry of Roads, Transport, and Tourism, the MNTO, with project assistance co-organized the participation of 11 Mongolian tourism industry organizations representing tour



operators, the national air carrier, a national park, hotels, and a car rental company at the International Tourism Boerse in Berlin; MNTO also organized a press conference and Mongolian cultural event which drew over 25 media representatives and generated interviews and coverage by major German media outlets [See: [EPRC News, March-08](#)]

- **4 April 2008.** MNTO made presentation to representatives of 45 entities, including tour operators, hotels, ger camps, guides, and others on current initiatives—including a partnership to produce a Mongolia travel companion book with Odyssey, organization of familiarization trips for North American press media and tour operators, advertisement placement with National Geographic “Adventure” magazine - and future activities to promote Mongolia as destination in the North American and European markets [See: [EPRC News, April-08](#)]
- **27 May – 3 June 2008.** Managing editor and writer of Mongolia Guide and Companion Odyssey book and the project traveled to Uvurkhangai, Bayankhongor, and Umnogobi aimags to explore natural and man-made attractions that had not been extensively highlighted in other Mongolia guide books; MNTO’s partnership with Odyssey was part of on-going efforts to promote new tourist circuits in Mongolia [See: [EPRC News, May-08](#)]
- **7 August 2008.** MNTO, Xola Consulting, and the project held a workshop on “Packaging and marketing adventure tourism in Western Mongolia” after a 19-day field trip to assess tourism potential of western aimags; representatives of 13 organizations attended the event that highlighted five potential products/themes to market Western aimags, including: trekking in Russian-Mongolian Altai, Natural and spiritual wonders of Western Mongolia, and others [See: [EPRC News, August-08](#)]
- **21-25 October and 10-13 November 2008.** “Mongolia–your next adventure” brand launched at Adventure Travel Trade Association (ATTA) World Summit in Norway in October and at the 2008 World Travel Market Fair in London in November; the project made presentations at the ATTA event, and supported MNTO, the Mongolian Tourism Association, the Ministry of Nature, Environment and Tourism, MIAT Airlines, and five private Mongolian tour operators to set up a Mongolia booth and first Mongolian country presentation at the World Travel Market Fair in London; “Mongolia–your next adventure” brand was promoted in the New York Times Travel and Trade Show, International Tourism Boerse in Berlin, and tourism conferences [See: [EPRC News, October-November-08](#)]

*Mongolia: Nomad Empire of the Eternal Blue Sky, Odyssey Travel Companion*



## ATTRACTING PRIVATE INVESTMENT THROUGH PUBLIC-PRIVATE PARTNERSHIPS AND CONCESSIONS

- Background:**
- Mongolia faces a severe shortage of modern infrastructure to support its rapid economic growth, ranking 137 out of 139 on the World Economic Forum's Global Competitiveness Report 2010-2011 indicator on quality of overall infrastructure, up from last place the previous year. There is a shortage of public funds to finance desperately needed renewal and expansion of the energy sector, transportation services, potable and waste water services, schools, hospitals, and jails, as well as the development of entirely new cities in mining-intensive areas.
  - With the estimated level of funding to meet these needs reaching \$10 billion, the government looked for a new model to modernize Mongolia's inadequate infrastructure. An effective method used internationally to leverage public funds for such needed investment is involving the private sector through a concession or a PPP. A concession refers to a grant by the government to a private company to provide a service traditionally provided by the government for a defined time period via a PPP. Properly structured PPPs can mobilize private capital to develop badly needed, economically viable infrastructure.
  - In 2005, the Ministry of Justice asked EPRC for assistance to draft a Concessions Law as a chapter to the State and Local Property Law. The chapter would have added concessions as a method of procurement of infrastructure services from the private sector. However, at the time the government was not ready for this step and the draft was shelved.
  - In October 2009, the government adopted a State Policy on PPPs and restarted discussions on a Concessions Law. After soliciting comments from the project and other donors on the draft law, parliament passed the first stand-alone Concessions Law in January 2010 to facilitate both concessions and PPPs.
  - Aside from the legal framework, the government also explored options to facilitate trade and transport at Zamyn Uud, the main border point with China for international trade, where the volume of rail and road cargo processed through the border crossing tripled from 2004 to 2008. A new logistics park would vastly improve the efficiency of trade by smoothing the flow of goods in and out of Mongolia, reducing congestion at the border, and decreasing processing time for road to rail cargo. Estimates of the opportunity cost of poor logistics at the border crossing reached \$2.78 million weekly in the peak May-July season. The project conducted a feasibility study for a modern freight logistics park in Zamyn Uud, proposing development of the park through a PPP to leverage public investment with private funds.
- Objectives:**
- Assist the government to create conditions for international investment in Mongolian infrastructure
  - Draft laws to create a framework for the facilitation of domestic and international infrastructure investment
  - Advise the government on international best practices in infrastructure investment and provide formal and informal training for the SPC's PPP Unit and line ministries. Assist with the preparation of model documents for concessions, including a "Project Screening Questionnaire," "Request for Qualifications," and "Request for Proposal"

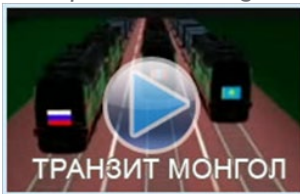
- Draft model concession contracts
- Conduct a pre-feasibility study for freight logistics park at Zamyn Uud and identify feasibility of using a PPP

- Results:**
- Parliament adopted the Concessions Law on 28 January 2010
  - Project drafted model Concession Contracts for the SPC to facilitate implementation of toll road and power projects
  - Introduced Mongolian policy-makers and private-sector stakeholders to international best practices for PPPs through international conference and training.

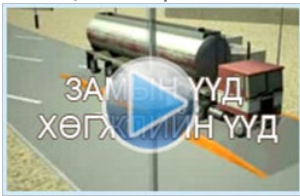
- Highlights:**
- **February 2006:** Delivery of initial draft Concessions Law chapter to the State and Local Property Law
  - **April 2008:** Presentation of the Zamyn-Uud pre-feasibility study, legal framework and financing options study including PPP option [*See: EPRC News, Mar-08, EPRC News, Apr-08*]
  - **28 October 2008:** At a meeting of the Consultative Council on Investment Climate and Private Sector Development, the prime minister issued a recommendation and assigned the Minister of Finance and the Director of the SPC to establish a state-owned legal entity with state ownership participation, approving its initial paid-in capital and directing it to establish a public-private partnership company to develop the logistics park in Zamyn Uud
  - **7 November 2008:** Project met with Mongolian freight forwarders on the proposed implementation plan for the Logistics Park, proposed as a limited liability company established as a PPP, where the government would provide long term land use rights for the site in return for a 25 percent ownership share with the private sector providing the balance of the development capital [*See: EPRC News, Nov-08*]
  - **January 2009:** To familiarize stakeholders of the proposed Zamyn Uud Logistics Park with the requirements and lessons learned for the successful financing and implementation of PPPs in infrastructure projects, the project conducted workshops with support from an internationally recognized PPP expert on 16 January for freight forwarders and on 19 January for the Parliamentary Ad Hoc Committee on PPPs [*See: EPRC News, Jan-Feb-09*]
  - **22 January 2009:** Ten freight-forwarding companies signed an MOU and wherein expressed their readiness to go into the partnership with the designated Government entity to co-finance the Zamyn Uud Logistics Park. [*See: EPRC News, January-09*]
  - **May 2009:** Project conducted initial analysis of charges for road-to-rail and rail-to-rail cargo trans-shipment in Zamyn Uud and held workshops for Railway Regulatory Authority on 12 May, Mongolian Freight Forwarders Association on 25 May, and for Customs on 26 May; project estimated annual transshipment revenues for the logistics park in 2008 at \$3.8 million
  - **2-3 July 2009:** At the request of the Ad Hoc Parliamentary Committee on PPPs, the project teamed up with the World Bank and ADB to hold the two-day International Seminar on Public-Private Partnerships for Infrastructure Finance to examine international best practices in PPPs and conditions to attract private investment [*See: EPRC News, Jul-09*]
  - **August 2009:** EPRC's Hot Topix TV program on 'Zamyn Uud: Gateway of Development' broadcasted nationally, focusing on logistics issues in Zamyn Uud and the impact on Mongolia's economy and development [*See: EPRC News, August-09*]

- **November 2009:** EPRC's Hot Topix program, 'Transit Mongolia,' produced in collaboration with the Mongolian Railway Authority, Mongolian Tumor Zam and TransCON LLC, broadcast nationally; program focused on the constraints to Mongolia's competitiveness as a transit corridor, including insufficient infrastructure and lack of investment [See: [EPRC News Nov-Dec 09](#)]
- **16-20 November 2009:** Representatives of Mongolian Transportation Study Center, the Mongolian University of Science and Technology and EPRC policy analyst S. Otgonbayar represented Mongolia at the eighth Eastern Asia Society for Transportation Studies (EASTS) Conference and Expo 2009 in Indonesia; they presented papers on the situation of the transportation sector in Mongolia and potential public-private financing for the Zamyn Uud Logistics facility and learned from experiences in other countries, including the importance of implementing a pilot PPP project in Mongolia [See: [EPRC News, Nov-Dec-09](#)]
- **November, December 2009:** Project provided comments and proposed amendments to Parliamentary Working Group on the draft Concessions Law
- **28 January 2010:** Parliament passed the Concessions Law, adopted 28 January
- **November - December 2010:** EPRC developed Country PPP Readiness Assessment which was cancelled at the request of the SPC
- **November 2010 – February 2011:** Project provided document reviews, procedures and policy advice, and on-the-job training for SPC's PPP Unit staff
- **March – May 2011:** Project developed standard contract language applicable to most concession contracts and finalized a model Concession Contract for toll roads and power plants

Hot Topix: Transit Mongolia



Hot Topix: Zamyn Uud:  
Gate of Development



## DEVELOPING DOMESTIC MARKETS AND EMPLOYMENT: EMERGING OPPORTUNITIES

- Background:**
- Urbanization and rising disposable incomes are changing consumption patterns and expanding domestic demand for products. In urban areas, diets are becoming more diversified and demand for milk, dairy products, eggs, and poultry meat, among other goods, are straining local production capacity, leading to increased imports to satisfy this growing demand. The same applies to construction materials and other products.
  - In 2008, Mongolia's manufacturing sector accounted for only 4.3 per cent of gross domestic product. Of the economically active population of around 1 million people, only 48,000 were employed in this sector. But the small manufacturing sector and the open and relatively undifferentiated Mongolian economy are likely to change rapidly. The emergence and expansion of mining supply chains will fuel faster growth in disposable incomes and urbanization.
  - Growth of domestic demand will provide opportunities for Mongolian businesses to expand selectively into new lines of products and services that will now offer economies of scale and location and cost advantages, making them capable of competing with imported products. These new businesses will generate increased employment, upgrading of labor force skills, development of supply and distribution chains, and economic multipliers.
  - In an effort to facilitate diversification of the economy and generate employment, the Government of Mongolia declared 2009 as the Industrialization Support Year. To support this initiative, and at government request, the project conducted an assessment of market trends, domestic demand, and production of cement, iron bars, and glass making.
  - To satisfy the growing demand for poultry meat, the project conducted a detailed analysis of market trends (domestic demand and imports), technological requirements (especially feed requirements), costs, profitability, and structuring of business enterprises.

- Objectives:**
- Conduct pre-feasibility assessments of selected sectors where Mongolian businesses could competitively satisfy domestic demand.
  - Assess capacity of local businesses to expand and meet growing domestic demand.
  - Identify and address key inputs and technological, management, structuring, and capital requirements.
  - Present, discuss, and make findings publically available.

- Results:**
- Developed and tested a methodology for facilitating entry of Mongolian private businesses into new lines of products and services to satisfy domestic demand competitively.
  - Conducted assessment on the market demand trends, local production, and imports of construction materials (cement, iron bar, and glass), presented and discussed the following findings:
    - Market demand for cement, iron bar, and glass has been increasing rapidly since 2004 and is expected to continue to increase due to economic growth and demand for housing.
    - Raw materials and inputs for cement and iron bar production are located closer to the local market and are competitive in cost and

- technical specifications.
- However, local producers have been unable to expand production due management capability to establish a well-running supply chain, and access to capital.
- Two cement production plants could be built to meet local demand: one large-scale production plant at Dalanjargalan soum of the Dornogovi province to supply to the markets in Ulaanbaatar, Oyu-Tolgoi, Tavan Tolgoi, and Zamyn Uud; and one medium-scale plant at Bayaikhongor soum to supply markets in Western aimags and nearby locations.
- The government should undertake the restructuring of the Darkhan Metallurgical Factory.
- Completed pre-feasibility assessment on establishing a broiler industry in Mongolia and determined that establishing an industry is feasible; presented the following findings and recommendations to policy-makers and sector players:
  - Domestic demand for poultry meat has been rising rapidly, at 22 percent per year since 2004, and 90 percent of the market is supplied by imported frozen chicken.
  - Though corn, a core ingredient for chicken feed, is not locally produced, it can be substituted with a mixture of feed-grade wheat, locally available at reasonable prices, and a special enzyme, xylanage, that can be easily imported.
  - Establishment of a broiler industry is technologically feasible and highly profitable for the diverse enterprises that could be structured.

- Highlights:**
- **19 December 2008:** GOM resolved to announce the year of 2009 as the Industrialization Support Year; the first deputy prime minister established and chaired a Government Working Group (GWG) to develop the program and corresponding action plan
  - **8 January 2009:** The GWG requested the project to conduct an assessment of market demand and production input analysis for selected construction materials, including cement, iron bar, and glass
  - **January - April 2009:** The project conducted the assessment and examined: a) market trends (local production and imports); b) overview of local producers' capacity and plans to expand their production; and, c) availability and cost of inputs
  - **21 April and 6 May 2009:** Project presented the findings of the study and recommendations to the working group, member companies of the Construction Material Producers' Association, local NGOs, and sector experts; MAK Group, a local corporation, is working on a detailed feasibility study to establish a cement plant in the Dornogobi province
  - **Summer 2010:** Project conducted a pre-feasibility assessment to develop a poultry meat (broiler) industry in Mongolia
  - **10 September 2010:** Project organized a seminar for the owners, managers, and representatives of the local egg and feed producers and potential investors and presented the results of the pre-feasibility study for the establishment of a broiler industry in Mongolia [[See: EPRC News, Sep – Oct 10](#)]
  - **September - October 2010:** Following the seminar, the project held meetings with the CEOs of three main players of the poultry sector and

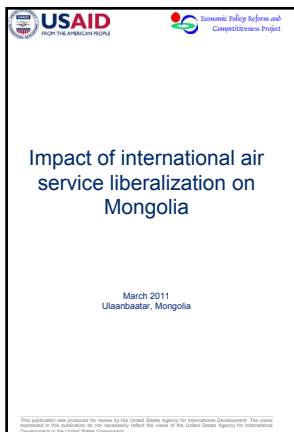


## SUPPORTING COMPETITIVE AIR SERVICE

- Background:**
- Lack of basic infrastructure is a major factor constraining economic growth in Mongolia. According to the World Economic Forum's Global Competitiveness Report 2010-2011, Mongolia ranks 129th out of 139 countries in the quality of air transport infrastructure, and at the bottom of the rankings in overall infrastructure, ranked at 137th. This demonstrates that Mongolia is not investing enough in infrastructure. Persistent under-investment is having a negative impact on economic growth, living standards, and private-sector development.
  - Domestically, air transportation plays a decisive role in supporting national development, especially in the development of economically remote provinces given the sparsely populated, vast territory of Mongolia. Internationally, it is also a key sector to facilitate foreign trade and reach international markets, particularly tourism markets.
  - The development of untapped mineral resources is expected to lead to significant economic growth. Economic growth usually results in increased demands on transportation sector, including air service, by triggering increased demands in addition to the persistent, unmet demand especially during the peak travel seasons. It is critical that Mongolia begins to prepare the aviation sector to accommodate and manage the expected growth, by expanding passenger traffic and capacity and strengthening safety and economic regulations of the civil aviation industry.
  - GOM needs a policy that frames long-standing and unfulfilled policy objectives of the civil aviation sector in the broader context of poor infrastructure, enabling economic growth ushered by mining investments, and mobilization of private capital within the framework of the recently passed Concessions Law to help finance the upgrading of international and domestic airports.
  - Mongolia has one state-owned international air carrier, MIAT, and two domestic privately-owned airlines. With the expected annual double-digit increases in business travel, tourism, and air freight, Mongolian civil aviation is lacking capacity in terms of airline seats and infrastructure to handle the additional volume. Although, GOM has signed bilateral air service agreements with over 30 countries, there are only four active routes connecting Ulaanbaatar with Beijing, Seoul, Moscow, and Berlin with restrictions on the flight frequency, capacity, and designated air carriers to operate between these routes.
- Objectives:**
- Assist the Civil Aviation Authority (CAA) with drafting strategic policy objectives for civil aviation
  - Assist the Economic Policy and Competitiveness Research Center (EPCRC) with the conduct of an assessment of economic impact of a potential liberalization of air services in Mongolia
  - Assist EPCRC with a public communications campaign to educate consumers and decision makers on air liberalization and its potential benefits
- Results:**
- Delivered and discussed draft strategic policy objectives for civil aviation, including restructuring options for CAA, creation of a Civil Aviation Fund, potential use of a concession or PPP structure to operate the Ulaanbaatar



## Impact of international air service liberalization on Mongolia



- international airport under construction, and air liberalization
- Assessment of economic impact of potential air liberalization completed, with support from InterVISTAS; estimated economic impact (calculated in 2010 prices) include:
- Assessment of economic impacts of potential air liberalization completed with EPCRC, with support from InterVISTAS; estimated economic impacts (calculated in 2010 prices) include:
  - International air traffic: 112 percent increase (over 2010 levels)
  - Domestic air traffic: increase ranging from 43 percent to 87 percent (through onward connections)
  - International air cargo volume: 62 percent increase (over 2009 levels)
  - Reduction of international air fares: 42 percent decrease as a result of competition
  - Air fare savings: 158.4 billion MNT (\$121 million)
  - Additional international visitors: 117,000 visitors (21 percent increase over 2010 levels)
  - Additional visitor spending: 123.4 billion MNT (\$94 million)
  - Total additional jobs: 21,540, which is 2.1 percent growth in total employment
  - Total impact on GDP: 2.5 percent growth or 253 billion MNT (\$190 million).
- EPCRC released report in Mongolian and English, workshops on air liberalization held for journalists, newspaper articles published, and nationally televised Stakeholders Talk held on air liberalization and its benefits.

- Highlights:**
- October 2009 - March 2010:** At the request of the CAA, project provided assistance and worked with the agency to consolidate a three-year history of operational revenues and expenses from agency cost centers and capital investment from the central budget; prepared terms of reference for international expert assistance in drafting strategic policy objectives for the aviation sector as inputs to sector policy paper; drafted concept paper for a Civil Aviation Trust Fund
  - March 2010:** Given change in leadership and top management at CAA, project presented its findings, proposed strategic policy objectives and actions to be undertaken in the civil aviation sector to the Ministry of Road, Transport, Construction, and Urban Development (MRTCUD), CAA, private domestic air carriers, and the Air Transporters Association [See: [EPRC News, Mar-10](#)]
  - February 2011:** EPCRC, with project support, engaged InterVISTAS, an internationally recognized air industry firm, to assess the potential economic impact of air liberalization and held a roundtable discussion for Economic Journalism Club members to explain basic concepts air service liberalization and its benefits [See: [EPRC News, Feb-11](#)]
  - March 2011:** Project presented the findings of the study to Mongolian air carriers, business community, MRTCUD, and CAA [See: [EPRC News, Mar-11](#)]
  - April and May 2011:** EPCRC, with project support, publicized the findings of the air liberalization study and released the report “Mongolia: Impact of international air service liberalization” in Mongolian and English languages [See: [Report](#)]
  - 25 May 2011:** EPCRC, with project support, organized a Stakeholders Talk on air liberalization on national television with sponsorship from the Open

Government website where panelists answered questions coming from citizens through telephone and SMS text messages [See: [EPRC News, May-11](#)]

# ANNEX C: TRAINING AND EVENTS

No	Event code	Date	Event	Participants	No. of Attend	Type of event	Location (city)	Duration (Hours)
		<b>2004</b>						
1	BDS	7-Apr	International Trade Mart by German Media	Tourism sector delegates	17	Press Conference	Ulaanbaatar	3
2	ENER	8-Apr	Privatization: The Investor's Point of View	Government and Donors	8	Presentation	Ulaanbaatar	4
3	ENER	14-Apr	Privatization: The Investor's Point of View	Government and NGOs	6	Presentation	Ulaanbaatar	4
4	ENER	16-Apr	EPRC Training on Energy Chart of Accounts	Energy Regulatory Authority and Central Energy System Generation	13	Training	Ulaanbaatar	8
5	ENER	19-Apr	EPRC Training on Energy Chart of Accounts	Energy Regulatory Authority and Central Energy System Generation	25	Training	Ulaanbaatar	8
6	ENER	20-Apr	EPRC Training on Energy Chart of Accounts	Energy Regulatory Authority and Central Energy System Generation	20	Training	Ulaanbaatar	8
7	ENER	21-Apr	EPRC Training on Energy Chart of Accounts	Energy Regulatory Authority and Central Energy System Generation	23	Training	Ulaanbaatar	8
8	ENER	22-Apr	EPRC Training on Energy Chart of Accounts	Energy Regulatory Authority and Central Energy System Generation	19	Training	Ulaanbaatar	8
9	ENER	3-7-May	EPRC Training on Energy Chart of Accounts	Energy Regulatory Authority and Central Energy System Generation	36	Training	Ulaanbaatar	40
10	ENER	10-13 May	EPRC Training on Energy Chart of Accounts	Western energy system distribution and transmission companies	16	Training	Ulaangom City, Uvs	36
11	ENER	18-20 May	EPRC Training on Energy Chart of Accounts	Eastern energy system distribution and transmission generation companies	25	Training	Choibalsan City, Dornod	24
12	BDS	13 Sept	Roundtable meeting with cashmere manufacturers	Private companies of cashmere	12	Round Table meeting	Ulaanbaatar	2
13	ENER	28-30 Sept	Training of Regulatory Accounting	Power plants of Erdenet, Darkhan and Ulaanbaatar, CHP, UB Audit	23	Training	Ulaanbaatar	24
14	ENER	6-8 Oct	Training of Regulatory Accounting	Financial officers of power plants in Erdenet, Darkhan and Ulaanbaatar, CHP and UB Audit	12	Training	Ulaanbaatar	24
15	ENER	20-22 Oct	International Accounting Standards Workshop	Financial officers of power plants in Erdenet, Darkhan and Ulaanbaatar, CHP, UB Audit	23	Workshop and Training	Ulaanbaatar	24
16	OGW	8-Oct	Online chat with Minister Munkh-Orgil	Ministry of Foreign Affairs, EPRC, TAF, press, media	14	Online chat	Ulaanbaatar	1.3
17	OGW	22-Oct	Online chat with Minister Barsbold U.	Ministry of Nature and Environment, EPRC, TAF, press, media	15	Online chat	Ulaanbaatar	1.3
18	BDS	25-Oct	Tourism & Risk Insurance	Tourist companies & Mongol Daatgal	18	Meeting	Ulaanbaatar	3
19	BDS	27-Oct	The Essentials of Credit Rating (Standard & Poor's)	Commercial bank, large companies, international organizations, Ministry of Industry and Trade	65	Presentation	Ulaanbaatar	2
20	OGW	5-Nov	Online chat with Minister Gandhi T.	Ministry of Health, EPRC Project, TAF, Press and Media	15	Online chat	Ulaanbaatar	1.3

## TRAINING AND EVENTS

No	Event code	Date	Event	Participants	No. of Attend	Type of event	Location (city)	Duration (Hours)
21	OGW	19-Nov	Online Chat with Minister Nyamdorj Ts.	Ministry of Justice and Internal Affairs, EPRC Project, TAF, press and media	12	Online chat	Ulaanbaatar	1.3
22	OGW	3-Dec	Online chat with Minister Altankhuyag N.	Ministry of Finance	13	Online chat	Ulaanbaatar	1
23	EPRC	9-Dec	Proposal for Trade Policy Analysis and Implementation Unit	USAID, EPRC, donors and multilaterals	12	Presentation	Ulaanbaatar	2
24	BDS	16-Dec	Presentation on BDF and MCF	BDS, Government agencies, NGOs, donors, local private companies, press and media	58	Presentation	Ulaanbaatar	3
25	OGW	21-Dec	Multimedia and Internet chat with Prime Minister and Parliament Speaker on the Government Action Plan	EPRC Project, TAF, Government officials, State Great Khural, Mongolian Info Network, press, media	30	Online chat	Ulaanbaatar	2
<b>2005</b>								
26	EPRC	13-Jan	Discussion of EPRC Annual Work Plan for 2005	EPRC Staff	6	Discussion	Ulaanbaatar	2
27	EPRC/OGW	14-Jan	Open Government on-line chat with Terbishdagva B., Minister of Food and Agriculture	Ministry of Food and Agriculture, EPRC Project, TAF, Press and Media	12	Online chat	Ulaanbaatar	1
28	EPT	17-Jan	Meeting with Mongolian Tax Payers' Association	EPT, NGO	5	Meeting	Ulaanbaatar	2
29	EPRC	19-Jan	Annual Work Plan-2005 Session with USAID	EPRC and USAID	9	Meeting	Ulaanbaatar	2
30	EPRC	21-Jan	Uniform Standard Chart of Accounts Presentation by Monkhsaikhan	EPRC Staff	23	Presentation	Ulaanbaatar	1.5
31	EPT	24-Jan	Meeting with Mongolian Tax Payers' Association	EPT, Private Sector		Meeting	Ulaanbaatar	2
32	EPRC/OGW	28-Jan	Online chat with Bayarsaikhan Ts. Minister of Social Welfare and Labor	Ministry of Social Welfare and Labor, EPRC Project, TAF, Press and Media	14	Online chat	Ulaanbaatar	1
33	EPT	31-Jan	Meeting with Mongolian Tax Payers' Association	EPT, Private Sector		Meeting	Ulaanbaatar	2
34	ENER	25-Feb	Energy Round Table	ENER	9	Meeting	Ulaanbaatar	3
35	EPRC	9-Mar	Modeling the Impact of Different Tax Measures presentation by Miles	EPRC, Mongolian Tax Association	8	Presentation	Ulaanbaatar	3
36	EPRC/OGW	11-Mar	Online chat with Khurelsukh U. Minister of General Authority for Disaster Protection	Ministry of General Authority for Disaster Protection, EPRC Project, TAF, Press and Media	8	Online chat	Ulaanbaatar	1
37	EPT	15-Mar	Meeting with Mongolian Tax Payers' Association	NGO, EPT	15	Meeting	Ulaanbaatar	2
38	EPRC	16-Mar	Private Equity Fund presentation by Bruce Norlund	EPRC Staff	17	Presentation	Ulaanbaatar	1.5

## TRAINING AND EVENTS

No	Event code	Date	Event	Participants	No. of Attend	Type of event	Location (city)	Duration (Hours)
39	EPRC/OGW	24-Mar	Open Government Web Site <i>Open House</i> for Press Officers of Ministries	EPRC, OG Website, Press Media of Ministries, TAF	23	Seminar	Ulaanbaatar	3
40	BDS	25-Mar	Press Interview of Tourist Information Center (TIC)	BDS	13	Interview	Ulaanbaatar	3
41	BDS	28-30 Mar	Training for the TIC new staff	BDS	39	Training	Ulaanbaatar	24
42	EPRC/OGW	1-Apr	Online chat with Bayartsogt. S Chairman of Cabinet Secretariat of Government of Mongolia	Cabinet Secretariat of Government, EPRC Project, TAF, Press and Media	13	Online chat	Ulaanbaatar	1
43	ENER	19-22 Apr	Training on International Accounting and Financial Reporting Standards, implementation of Uniform System of Accounts, and development of conversion methodology for 2004 and 2005	Central Energy System Distribution and Transmission Licensees, Dispatch Center, and Energy Regulatory Authority	33	Training	Ulaanbaatar	32
44	EPRC/OGW	29-Apr	Online chat with Batbayar N. Minister of Roads, Transportation and Tourism	Ministry of Roads, Transportation and Tourism, EPRC Project, TAF, Press and Media	16	Online chat	Ulaanbaatar	1
45	BDS	6-May	Presentation of "Latest trends in the apparel industry and how they relate to the Mongolian cashmere industry" by Philip Eddleston (Market linkages for cashmere sector).	Cashmere producers	20	Presentation	Ulaanbaatar	2
46	BDS	11-May	Presentation of "Survey of opportunities for the Mongolian meat industry to develop exports of pet food" by Jeanne Everett (STTA on Pet Food).	Representatives of the meat processing industry	24	Presentation	Ulaanbaatar	2
47	BDS	24-May	Presentation of "A value chain analysis of the Mongolian cashmere industry" by Don Lecraw (STTA on Value chain analysis of the cashmere sector).	Cashmere industry stakeholders, Gobi Cashmere Company, GoM representatives donors, international organizations and EPRC Project	25	Presentation	Ulaanbaatar	3
48	EPRC/OGW	24-Jun	Online chat with Tsagaan. P Minister of Education, Culture and Science	Ministry of Education, Culture and Science, EPRC Project, TAF, Press and Media	19	Online chat	Ulaanbaatar	1
49	EPRC/TAF	5-Jul	Seminar on Communications Strategy	EPRC, Press officers of ministries	30	Meeting and presentation	Ulaanbaatar	2
50	BDS	9-Jul	Tourist Info Center Training	TIC officers	8	Training	Ulaanbaatar	4

## TRAINING AND EVENTS

No	Event code	Date	Event	Participants	No. of Attend	Type of event	Location (city)	Duration (Hours)
51	EPRC/OGW	22-Jul	Online chat with Batkhuu G., Minister of Roads, Transportation and Tourism	Ministry of Roads, Transportation and Tourism, EPRC Project, TAF, Press and Media	8	Online chat	Ulaanbaatar	2
52	EPRC/USAID	10-Aug	Weekly meeting with USAID	EPRC Project and USAID	8	Meeting	Ulaanbaatar	2
53	EPRC/OGW	9-Sep	Online chat with Dorligjav D., Minister of State Professional	Ministry for State Professional Inspection, EPRC Project, TAF, Press and Media	10	Online chat	Ulaanbaatar	1
54	USAID/EPRC	14-Sep	Weekly meeting with USAID	EPRC Project and USAID	6	Meeting	Ulaanbaatar	2
55	USAID/EPRC	21-Sep	Weekly meeting with USAID	EPRC Project and USAID	8	Meeting	Ulaanbaatar	2
56	USAID/EPRC	28-Sep	Weekly meeting with USAID	EPRC Project and USAID	8	Meeting	Ulaanbaatar	2
57	EPRC	28-Sep	Seminar of Export management practical guide by Jim Krigbaum	NGO, Tourist Companies and EPRC Project	20	Training	Ulaanbaatar	2
58	EPRC	30-Sep	Seminar of Getting most out of Tradeshow by Jim Krigbaum	NGO, Tourist Companies and EPRC Project	20	Training	Ulaanbaatar	2
59	EPRC/OSF	4-Oct	Size and character of the informal sector in Mongolia	OSF, Ministries, NGO, Private companies, Universities, EPRC Project, Press and Media	66	Survey report presentation	Conference room, Khaan Palace hotel	3
60	EPRC	8-Oct	Tax Reform Retreat: Legal Entity Income Tax Law	Parliament Standing Committees on Economic Policy and Budget, Parliament Tax Working Group, EPRC Project	47	Workshop	Hotel Mongolia, Ulaanbaatar	5
61	EPRC/OSF	13-Oct	World Economic Forum's 2005 Global Competitiveness Index for Mongolia	Private companies, NGOs, Universities, Banks and EPRC Project	43	Presentation	Open Society Forum, Ulaanbaatar	3
62	EPRC/OGW	28-Oct	Open Government Online Internet Chat	Enkhjav A., Director of the State Center for Civil Registration and Information, TAF, MIN and EPRC	28	Online chat	USAID TRC, Ulaanbaatar	1.5
63	EPRC/MB	2-Nov	The Future of the Credit Information Bureau	Banks, Mongolian Bankers Association, Non Bank Financial Institutions, UB Electricity Distribution Network, Mobicom, Skytel, Universities, and EPRC Project	66	Workshop	Bank of Mongolia, Ulaanbaatar	2
64	EPRC	5-Nov	Tax Reform Retreat: Personal Income Tax Law and VAT Law	Parliament Standing Committees on Economic Policy and Budget, Parliament Tax Working Group, EPRC Project team	28	Workshop	lkh Tenger, Ulaanbaatar	4
65	EPRC	10-Nov	Mongolia Computable General Equilibrium (Dr Miles Light, EPRC STTA on Tax Modeling)	Trainees from MoF, MoIT, NSO, NUM, GTZ and MP	14	Workshop	USAID TRC, Ulaanbaatar	6
66	EPRC	11-Nov	Mongolia Computable General Equilibrium by Miles Light, EPRC STTA on Tax Modeling	Trainees from MoF, MoIT, NSO, NUM, GTZ and MP	14	Workshop	USAID TRC, Ulaanbaatar	6

## TRAINING AND EVENTS

No	Event code	Date	Event	Participants	No. of Attend	Type of event	Location (city)	Duration (Hours)
67	EPRC	15-Nov	Mongolia Housing Finance Suggested Improvements, Claude Bovet, EPRC STTA on Housing Finance Consultant	Banks, Delta San, MoF	26	Presentation and Round Table	Open Society Forum, Ulaanbaatar	3
68	EPRC	16-Nov	Mongolia Computable General Equilibrium by Miles Light, EPRC STTA on Tax Modeling	Trainees from MoF, MoIT, NSO, NUM, GTZ and MP	10	Workshop	USAID TRC, Ulaanbaatar	6
69	EPRC	17-Nov	Mongolia Housing Finance Suggested Improvements, Claude Bovet, EPRC STTA on Housing Finance Consultant	Ministry of Construction and Urban Development Leadership team	18	Presentation	Ministry of Construction and Urban Development, Ulaanbaatar	4
70	EPRC	17-Nov	Mongolia Computable General Equilibrium by Miles Light, EPRC STTA on Tax Modeling	Trainees from MoF, MoIT, NSO, NUM, GTZ and MP	10	Workshop	USAID TRC, Ulaanbaatar	6
71	EPRC	19-Nov	Tax Reform Retreat: Immovable Property Tax in Mongolia and Presentation on General Taxation Law and Law on Monitoring Of Tax Imposition and Payment and Tax Collection	Parliament Standing Committees on Economic Policy and Budget, Parliament Tax Working Group, EPRC Project team	24	Workshop	Ikh Tenger, Ulaanbaatar	4
72	EPRC	3-Dec	Tax Reform Retreat: Tax reforms to increase competitiveness in the cashmere industry, Housing Finance and VAT Law Review	Parliament Standing Committees on Economic Policy and Budget, Parliament Tax Working Group, EPRC Project team	30	Workshop	Ikh Tenger, Ulaanbaatar	4
73	EPRC	6-Dec	Interim Analysis Workshop (Network Licensees) by Munkhsaikhan D., CPA, EPRC Accounting Advisor	Darkhan Heat Network, CETN, ERA, BNSEEDN, UBEDN, UB Heat Network	17	Training	USAID TRC, Ulaanbaatar	7
74	EPRC	7-Dec	Interim Analysis Workshop (Network Licensees) by Munkhsaikhan D., CPA, EPRC Accounting Advisor	CHP 4, Erdenet CHP, Darhan CHP, CHP 2 and ERA	17	Training	USAID TRC, Ulaanbaatar	7
75	EPRC	8-Dec	Analysis and policy implications of the informal economy based on ISHS by Mack Ott, EPRC STTA on Shadow Economy Survey	EPRC Staff	18	Presentation	USAID TRC, Ulaanbaatar	2

## TRAINING AND EVENTS

No	Event code	Date	Event	Participants	No. of Attend	Type of event	Location (city)	Duration (Hours)
76	EPRC	15-Dec	Assessment and Business Model of Mongolian National Tourism Portal by Christopher Seek, EPRC STTA on Commercial Feasibility of Tourism Portal website	EPRC Staff	14	Presentation	USAID TRC, Ulaanbaatar	2
77	EPRC	19-Dec	Tax Reform Retreat: Labor income taxes and VAT	Parliament Standing Committees on Economic Policy and Budget, Parliament Tax Working Group, EPRC Project team	36	Workshop	Government House, Hall "A", Ulaanbaatar	4
		<b>2006</b>						
78	ENER	4-Jan	International best practices and lessons learned from transition to open competitive wholesale power market - Michael Bekker	ERA, Erdenet Power Plant, CHP-3, CHP-4, USAID and EPRC	36	Presentation	USAID/TRC, Ulaanbaatar	3
79	BDS	8-Feb	Significance of web marketing in tourism	Tourist agencies, Tourist Information Center staff, tour operators, tourism camp operators,	24	Seminar	USAID/TRC, Ulaanbaatar	3
80	BDS	13-Mar	International best practices and lessons learned from transition to open competitive wholesale power market	EPRC Staff	16	Presentation	USAID/TRC, Ulaanbaatar	1.5
81	EPRC	15-Mar	Social Accounting Matrix	Trainees from NSO staff	19	Training	NSO Conference	2
82	ENER	16-Mar	Conceptual design of Mongolian wholesale power market	EBDN, UB EDN, Transmission Grid Co., , CES Transmission, NDC, ERA, ERA, Darhan PP, UBPP - 4 and UBPP -	30	Meeting	USAID/TRC, Ulaanbaatar	4
83	EPRC	17-Mar	Employee Stock Ownership Plans (ESOPs): Practical considerations for the use of ESOP in Mongolia (David Binns)	Private companies, energy sector, government, banks and associations	33	Presentation	Open Society Forum, Ulaanbaatar	3
84	EPRC	22-Mar	Shadow Economy	Trainees from NSO staff	17	Training	NSO Conference	2
85	EPRC	23-Mar	Bankers meeting to discuss the draft Memorandum of Understanding for the establishment of a	Commercial banks, Mongolian Banking Association and an independent consultant	13	Meeting	USAID/TRC, Ulaanbaatar	3
86	BDS	24-Mar	Official launch of tourism portal	Tourism companies, USAID, government and BDS team	81	Presentation and reception	Bayangol Reception room,	2
87	BDS	25-Mar	International Travel Mart	Foreign Embassies, President, MRTT, MTA and BDS	General public	Trade show	Misheel Expo, Ulaanbaatar	2



## TRAINING AND EVENTS

No	Event code	Date	Event	Participants	No. of Attend	Type of event	Location (city)	Duration (Hours)
88	ENER	29-Mar	International best practices and lessons learned from transition to open competitive wholesale power market - Second workshop	EBDN, UB EDN, Transmission Grid Co., , CES Transmission, NDC, ERA, ERA, Darhan PP, UBPP - 4 and UBPP - 3	21	Meeting	USAID/TRC, Ulaanbaatar	4
89	GCA/BDS	29-Mar	American tourists market profile and ways to serve them	Senior managers of ger camps	80	Training	Edelweiss conference hall,	1
90	EPRC	30-Mar	Housing Finance Corporation organizational meeting	Commercial banks, the Bank of Mongolia and EPRC	18	Meeting	Conference hall of the Bank of	3
91	BDS	23 Apr	Private-public dialogue on Mongolia's tourism sector issues	MRTT, tourism sector organizations, and private sector	18	Workshop	Ikhtenger, Ulaanbaatar	5
92	ENER	24 Apr	Accounting conversion training for Eastern and Central Energy System companies	Eastern Energy System, Erdenet-Bulgan EDN, Erdenet-Bulgan EDN (Arhangai), Erdenet-Bulgan EDN (Uvurhangai), Erdenet-Bulgan EDN (Bulgan), Erdenet-Bulgan EDN (Kharhorin), EKHTE EDN LLC, ERA, UB audit	15	Training	USAID/TRC, Ulaanbaatar	8
93	ENER	25 Apr	Accounting conversion training for Eastern and Central Energy System companies	Eastern Energy System, Erdenet-Bulgan EDN, Erdenet-Bulgan EDN (Arhangai), Erdenet-Bulgan EDN (Uvurhangai), Erdenet-Bulgan EDN (Bulgan), Erdenet-Bulgan EDN (Kharhorin), EKHTE EDN LLC, ERA, UB audit	13	Training	USAID/TRC, Ulaanbaatar	8
94	ENER	26-Apr	Accounting conversion training for Eastern and Central Energy System companies	Eastern Energy System, Erdenet-Bulgan EDN, Erdenet-Bulgan EDN (Arhangai), Erdenet-Bulgan EDN (Uvurhangai), Erdenet-Bulgan EDN (Bulgan), Erdenet-Bulgan EDN (Kharhorin), EKHTE EDN LLC, ERA, UB audit	14	Training	USAID/TRC, Ulaanbaatar	8
95	ENER	27 Apr	Accounting conversion training for Eastern and Central Energy System companies	Eastern Energy System, Erdenet-Bulgan EDN, Erdenet-Bulgan EDN (Arhangai), Erdenet-Bulgan EDN (Uvurhangai), Erdenet-Bulgan EDN (Bulgan), Erdenet-Bulgan EDN (Kharhorin), EKHTE EDN LLC, ERA, UB audit	17	Training	USAID/TRC, Ulaanbaatar	8
96	BDS	1 May	Training of staff of Tourism Information	TIC staff	8	Training	USAID/TRC, Ulaanbaatar	8
97	BDS	4 May	Training of staff of Tourism Information	TIC staff	8	Training	USAID/TRC, Ulaanbaatar	8
98	BDS	5 May	Training of staff of Tourism Information	TIC staff	8	Training	USAID/TRC, Ulaanbaatar	8
99	BDS	11 May	Website development for regional tourism sites	Peace Corps volunteers	14	Workshop	USAID/TRC, Ulaanbaatar	2
100	Finance	13 May	Housing finance: Modalities of cooperation between the private and public sectors	Ministry of Construction and Urban Development, National Housing Center, Bank of Mongolia, and private commercial banks	30	Workshop	Nuht, Ulaanbaatar	5

## TRAINING AND EVENTS

No	Event code	Date	Event	Participants	No. of Attend	Type of event	Location (city)	Duration (Hours)
101	Finance	29 Jun	Feasibility of privatizing the Credit Information Bureau	Banks, non bank financial institutions, public utilities, the Mongolian Bankers Association, and Mongol Bank	44	Presentation	Mongol Bank, Ulaanbaatar	2
102	EPRC	21 Jul	Orientation of Summer Ger Camp on Finance and Economics	Bank of Mongolia, NSO, XACBank, Ministry of Finance, Institute of Finance and Economics, Newcom LLC, Newcom Property LLC, Eznis Airways LLC, Mercy Corps/Mongolia, EPRC	28	Orientation	USAID TRC, Ulaanbaatar	1
103	EPRC	24 Jul - 4 Aug	Summer Ger Camp on Finance and Economics	Bank of Mongolia, NSO, XACBank, Ministry of Finance, Institute of Finance and Economics, Newcom LLC, Newcom Property LLC, Eznis Airways LLC, Mercy Corps/Mongolia, EPRC	25	Training	Mongolian Secret History Camp	88
104	ENER	27 Jul	USOA Implementation-Interim Analysis	ERA and Power Plant II staffs, EPRC Project	11	Training	USAID TRC, Ulaanbaatar	7
105	ENER	28 Aug	Benchmarking in the energy sector	ERA staff, EPRC Project	17	Presentation	USAID TRC, Ulaanbaatar	3
106	EPRC/USAID	3-Sep	Briefing on USAID/Mongolia activities supporting trade, investment, private sector development and energy	U.S. Congressmen, congressional staffers, USAID, EPRC	21	Meeting	USAID TRC, Ulaanbaatar	3
107	EPRC	7-Sep	International Accounting and Financial Reporting Standards	Tax inspectors and tax supervisors, EPRC Project	300	Presentation	Conference room of General Department of	3
108	EPRC	11-15 Sep	International Accounting and Financial Reporting Standards	Tax inspectors and tax supervisors, EPRC Project	50	Workshop	Conference room of Khaan Palace	40
109	EPRC/USAID	20-Sep	Meeting with Mark Minton, US Ambassador	USAID, EPRC professional staff	11	Meeting	USAID TRC, Ulaanbaatar	1
110	Finance	11-Oct	Mongolian Mortgage Corporation (MIK)	Bank of Mongolia, private commercial banks, international organizations, and EPRC	13	Presentation	Board meeting room of The Bank of	2
111	EPRC	27-Oct	Meeting on establishing Trade Policy Council (TPC)	UNDP, GTZ, MoIT, and EPRC Project	10	Meeting	USAID TRC, Ulaanbaatar	2
112	EPRC	30-Oct	Briefing with Dave Citron, U.S. State Department Desk Officer	USAID, EPRC staff	10	Meeting	USAID TRC, Ulaanbaatar	1
113	EPRC	3-Nov	Meeting with the State Inspection Agency on single window for trade facilitation	State Inspection Agency, EPRC staff	13	Meeting	USAID TRC, Ulaanbaatar	2.5
114	TAF	9-10-Nov	Public communications workshop for public affairs officers	MoSWL, MoECS, MoNE, MoFA, Cabinet Secretariat of GoM, General Authority of Disaster Protection	11	Training	Nuht	16
115	TAF	16-17-Nov	Public communications workshop for public affairs officers	TAF, MoCUD, MoD, MoRTT, MoFE, MoIT, Cabinet Secretariat of GoM	17	Training	Nuht	16
116	EPRC	16-Nov	Mongolian Energy Sector Corporate Governance	SPC, MoFE, and EPRC Project	27	Presentation	USAID TRC, Ulaanbaatar	2

## TRAINING AND EVENTS

No	Event code	Date	Event	Participants	No. of Attend	Type of event	Location (city)	Duration (Hours)
117	EPRC	17-Nov	Trade Negotiation Unit meeting	UNDP, MoIT, Trade Policy Negotiation Unit Project, and EPRC Project	14	Meeting	USAID TRC, Ulaanbaatar	2
118	EPRC	21-Nov	Mongolian Cashmere Buyers Perspective by George Segal and Raymond Eagleson	Cashmere companies, EPRC Project	46	Presentation	USAID TRC, Ulaanbaatar	3
119	EPRC	22-Nov	Tax inspectors training	Tax inspectors and tax supervisors of GDNT, EPRC Project	35	Presentation /Training	Conference room of General Department of	4
120	TAF	1-2-Dec	Public communications workshop for public affairs officers	MoF, MoH, MoFA, State Professional Inspection Agency, Cabinet Secretariat of GoM	11	Training	Nuht	16
121	MoF	18-Dec	Working Group on single electronic window for trade facilitation	WG members and technical staff of ICTA, MNCCI, CGAM, MoIT, SSIA, MoE, MoF, MASM, and GDNT.	28	Presentation /Meeting	Ministry of Finance	2
		<b>2007</b>						
122	MICC	18-Jan	MICC-Aureos Capital Agreement	MICC, Aureos, ADB, IFC EBRD, USAID, and EPRC Project	28	Signing ceremony	USAID TRC, Ulaanbaatar	2
123	Energy International	26-Jan	Working Group Meeting	Energy & Mining Companies	12	Meeting	USAID TRC, Ulaanbaatar	2
124	EPRC	27-Feb	Presentation on Single Window for Trade Facilitation	Representatives of private business entities, EPRC project	34	Presentation	Open Society Forum	2
125	MBA	28-Feb	Meeting on privatization of credit information services	Commercial banks, , non-bank financial institution, MBA, and EPRC project	19	Meeting	Mongolian Bankers Association	1.5
126	MoF	29-Mar	Working Group meeting on single electronic window for trade facilitation	WG members and technical staff of ICTA, MNCCI, CGAM, MoIT, SSIA, MoE, MoF, MASM, and GDNT.	18	Meeting	Ministry of Finance	1
127	EPRC	6-8-Apr	Tourism national strategy and formation of a national tourism organization	MRTT, MTGA, MHA, MTA, private tourism companies, Ger Camp Association, Ger to Ger Project, Mercy Corps, and EPRC	22	Retreat	Mongolian Secret History Tourist Camp	13
128	EPRC	10-Apr	Signing of MOU to establish a private sector Credit Information Bureau	Representatives of the commercial banks, non-bank financial institutions, the MBA, the Bank of Mongolia, and EPRC	22	Signing ceremony	Mongolian Bankers Association	0.5
129	EPRC	16-18-Apr	Tax inspectors training	Tax inspectors and tax supervisors of GDNT, EPRC Project	78	Training	Conference room of Khan Palace Hotel	23
130	EPRC	5-May	Housing Finance Retreat	MPs, MoCUD, MoF, Housing Finance Corporation, ADB, MIK, and EPRC	30	Retreat	Ikh Tenger compound	4
131	EPRC	9-May	Presentation on mortgage bonds and asset-backed securities laws for Mongolia by Steve Butler	Representatives of the commercial banks, Financial Regulatory Commission, the MBA, the Bank of Mongolia, MIK Board Members, MoJHA, MoCUD, Mongolian Stock Exchange Market, Housing Finance Corporation, Broker Dealer companies, USAID, and EPRC	47	Presentation	Bank of Mongolia	2.5
132	EPRC/USAID	11-May	USAID/EPRC By-weekly meeting	USAID, EPRC staff	13	Meeting	USAID TRC, Ulaanbaatar	2

## TRAINING AND EVENTS

No	Event code	Date	Event	Participants	No. of Attend	Type of event	Location (city)	Duration (Hours)
133	EPRC	12-May	Housing Finance Retreat #2	MPs, MoCUD, MoF, MoJHA, Housing Finance Corporation, Financial Regulatory Commission, MBA, ADB, MIK Board Members, Mongolian National University, Property Registration Office, representatives of commercial banks, the Bank of Mongolia, and EPRC	43	Retreat	Ikh Tenger compound	5
134	EPRC	14-May	Credit Information Bureau presentation by Roger Nye	Representative of the commercial banks, Financial Regulatory Committee, the MBA, the Bank of Mongolia, and	15	Presentation	Mongolian Bankers Association	2
135	EPRC	16-May	Credit Information Bureau presentation by Roger Nye	MoCUD, Financial Regulatory Commission, Housing Finance Corporation, Non-banking Institution, Savings and Credit Cooperative, and EPRC	37	Presentation	USAID TRC, Ulaanbaatar	2
136	EPRC	30-May	Presentation on BoM policies and regulations to support secondary mortgage market development by Roberto Toso	Bank of Mongolia, MoF, MIK, USAID, and EPRC	22	Presentation	Bank of Mongolia	2
137	EPRC/USAID	30-May	USAID/EPRC By-weekly meeting	USAID, EPRC staff	10	Meeting	USAID TRC, Ulaanbaatar	1.5
138	EPRC	22-Jun	Brainstorming session for Energy public education campaign	Journalists and Press Institute	11	Workshop	USAID TRC, Ulaanbaatar	3
139	EPRC	28-Jun	Beta release of Joomla!Mongolia	IT specialists from government agencies and private sector	68	Presentation	Khan Palace Hotel	5
140	EPRC	29-Jun	Summer Trade Seminar graduation ceremony	MoIT, MNCA, MASM, MoF, SSIA, NSO, MNCCI, NUM	41	Training	Ikh Tenger compound	60
141	EPRC	5-Jul	Workshop on energy public education	Journalists and Press Institute	13	Workshop	USAID TRC, Ulaanbaatar	6
142	EPRC	5-12 Aug	Draft securities laws retreat	MoCUD, MoF, Housing Finance Corporation, MIK, and EPRC	10	Retreat	Jargalant Resort Center	48
143	EPRC	30-Aug	Workshop on energy public education	Journalists and Press Institute	8	On-site workshop	Sharyn Gol Coal Mine	6
144	EPRC	5-Sep	Workshop on research methodology	Summer trade seminar participants	15	Presentation	USAID TRC, Ulaanbaatar	2.5
145	EPRC	19-Sep	MNTO Board strategic planning workshop	MNTO board members	12	Workshop	USAID TRC, Ulaanbaatar	7.5
146	EPRC	21-Sep	Fibermark Society board meeting	Board members	8	Meeting	USAID TRC, Ulaanbaatar	1.5
147	EPRC	11-Oct	Transit Mongolia	Freight forwarders	17	Meeting	USAID TRC, Ulaanbaatar	2
148	EPRC	23-Oct	Sumer Trade Seminar Research Grants Award Ceremony	Ministry of Trade and Industry, EPRC, GTZ, grant recipients	12	Award Ceremony	Ministry of Trade and Industry,	1
149	EPRC	25-Oct	Joomla!Mongolia Security seminar	Government webmasters and IT officers	28	Workshop	USAID TRC, Ulaanbaatar	7
150	EPRC	26-Oct	Joomla!Mongolia Security seminar	Government webmasters and IT officers	25	Workshop	USAID TRC, Ulaanbaatar	7

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No	Event code	Date	Event	Participants	No. of Attend	Type of event	Location (city)	Duration (Hours)
151	EPRC	29-Oct	Joomla!Mongolia Security seminar	Government webmasters and IT officers	25	Workshop	USAID TRC, Ulaanbaatar	7
152	EPRC	30-Oct	Joomla!Mongolia Security seminar	Government webmasters and IT officers	25	Workshop	USAID TRC, Ulaanbaatar	7
153	EPRC	20-Nov	Presentation on program of down-payment mortgage supplements for lower and middle income families	Parliament Working Group on Housing Finance	9	Presentation	Government House, Ulaanbaatar	1.5
154	EPRC	21-Nov	Round Table discussion on Customs laws	Mongolian Customs Office, EPRC staff and private sectors	57	Discussion	Conference room of Khan Palace Hotel	2.5
155	EPRC	4-Dec	Joomla!Mongolia technical workshop	Government webmasters and IT officers	8	Workshop	USAID TRC, Ulaanbaatar	2
156		<b>2008</b>						
157	GDNT	26-27-Feb	Hands-on workshop on IT network set up and security	Tax officers	40	Training	GDNT Training Center,	16
158	ENER	27-Feb	Presentation on Review of Mongolia's retail tariff designs by Doug Bowman	MoFE, SPC, ERA, UB distribution companies	28	Presentation	USAID TRC, Ulaanbaatar	3
159	NCTTF	11-Mar	National seminar on the "Regulatory Framework for Transit Transport of Mongolia"	MoRTT, MoFA, MoIT, NCTTF, officers from the Cabinet, the General Customs Authority, the Border Administration Authority, SSIA, MRRA, UBTZ, MNCCI, and representatives from the private sector and NGOs.	54	Seminar	Conference Hall of Puma Hotel	6
160	EPRC	12-Mar	Workshop on heating and energy issues	Journalists	14	Workshop	UBHN Company	3
161	MojHA & FRC	15-Mar	Round table discussion on the "Legal and regulatory environment for secondary mortgage markets."	Members of Parliament, MojHA, Chief Executive Officers of HFC and MIK, FRC staff, lawyers and legal officers from the Supreme Court and ministries, and EPRC	25	Round table discussion	Ikh Tenger Compound	4
162	EPRC	28-Mar	Workshop on heating and energy issues	Journalists	13	Workshop	Combined Heat Plant in Dalanzadgad	5
163	MNTO	4-Apr	Presentation to the tourism industry and its members on work done and future activities to promote Mongolia as a destination in the North American and European markets.	Representatives from tour operators, hotels, ger camps, guides, tourism NGOs, and the MRTT	45	Presentation	Brauhaus Restaurant	5
164	EPRC	22-Apr	Michael Bennett's presentation on Zamiin-Uud Logistics Facilities	MRRA, UBTZ, NCTTF, representatives of the private sector and international community	30	Presentation	USAID TRC, Ulaanbaatar	2
165	EPRC	20-May	Workshop on Joomla! Mongolian Edition	Webmasters from government agencies	21	Workshop	Information Technology	8
166	NCTTF & MoFA	13-Jun	Retreat on Trilateral Transit Transport Agreement	Customs, MRTT, MoIT, MoFA, and the National Security Council	18	Workshop	Nukht Conference Center	6

## TRAINING AND EVENTS

No	Event code	Date	Event	Participants	No. of Attend	Type of event	Location (city)	Duration (Hours)
167	MNTO	27-Jun	Joan Perrin's presentation on Business Plan of MNTO	MNTO Board Members	7	Presentation	MNTO Office, Tavan Bogd Plaza	2
168	ECO	1-Jul	Presentation on Customs clearance and inspection yard reconfiguration	State Specialized Agency (SSIA), Customs General Administration (CGA), Asian Development Bank (ADB) consultants, and Erchim Co.Ltd, and EPRC	16	Presentation	Customs General Administration	2
169	FIN	1-Jul	Presentation on IPOs review of regulations-practices procedures	Officers from the Financial Regulatory Commission (FRC) Securities Department, representatives of thirty-eight companies, including the Association of Securities Brokers and Dealers, MICC, BDSec, and students from the FRC's professional training course	89	Presentation	Mongol Bank	2.5
170	ENE	24-Sep	Presentation on proposed competitive electricity market design for Mongolia's CES	ERA staff	15	Presentation	ERA	2.5
171	ENE	25-Sep	Presentation on proposed competitive electricity market design for Mongolia's CES	CHP-3 staff	8	Presentation	CHP-3	2.5
172	ENE	25-Sep	Presentation on proposed competitive electricity market design for Mongolia's CES	CHP-4 staff	8	Presentation	CHP-4	2
173	ENE	26-Sep	Presentation on proposed competitive electricity market design for Mongolia's CES	Transmission Company staff	36	Presentation	Transmission Company	2.5
174	ENE	30-Sep	Presentation on proposed competitive electricity market design for Mongolia's CES	NDC staff	7	Presentation	National Dispatch Center	2
175	EPRC	25-Sep	Corporate Governance review workshop	Chairmen and corporate secretaries from private sector firms	17	Workshop	USAID TRC, Ulaanbaatar	5
176	ECO	3-Oct	Development of a logistics park in Zamyn Uud	UB railway, MNCCI, MRTT, Freight Forwarders and Mongolian railway	18	Presentation	Resource Center, USAID,	3
177	FIN	8-Oct	Corporate Governance Forum	FRC, MNCCI, MSE, MONEF, MIK, IFC, Zoos bank, Anod bank, Khan bank, Khas bank and joint stock companies	37	Forum	Kempinski Hotel Khan Palace,	4
178	ENE	4-Nov	Competitive electricity market implementation-Energy law	ERA staff	14	Presentation	Energy regulatory authority	1.5
179	ENE	5-Nov	Proposed competitive electricity market	CHP-2,3,4, Darkhan Selenge CHP, Baganuur, South Eastern region CHP, NDC, Erdenet CHP, Erdenet, Bulgan CHP, ERA	33	Presentation	USAID Resource Center, Ulaanbaatar	3

## TRAINING AND EVENTS

No	Event code	Date	Event	Participants	No. of Attend	Type of event	Location (city)	Duration (Hours)
180	ECO	7-Nov	Zamiin Uud Logistics Park Development Corporation	Freight forwarders	8	Presentation	USAID Resource Center,	2
		<b>2009</b>						
181	ECO	16-Jan	Land Port Los Andes (Chile) and Zamyn Uud Logistics Park (Mongolia): Two Innovative PPPs	MNCCI, Freight Forwarders and private companies	20	Presentation	USAID Resource Center, Ulaanbaatar	4
182	ECO	19-Jan	Incentives, Structure and Regulation of PPP in Middle Income Countries	Ministries, UNDP, Open Society Forum, NSO, and NUM	19	Presentation	USAID Resource Center,	4
183	USAID	28-Jan	USAID/ EPRC Bi-weekly meeting	USAID, EPRC staff	10	Workshop	USAID TRC, Ulaanbaatar	2
184	DIA	7-Feb	Minerals, Metals, and Mining – Mine Life Cycle	Confederation of Mongolian Trade Union, Environmental Society of Mongolia and Total Reform Movement	5	Workshop	USAID Resource Center,	8
185	FIN	9-Feb	Case Writing and Teaching Workshop	Khas bank and professors of IFE	6	Workshop	Institute of Finance and Economics,	4
186	FIN	10-Feb	Corporate Governance Training	Staffs from the Financial Regulatory Commission	12	Training	FRC, Ulaanbaatar	6
187	DIA	14-Feb	Musselwhite Mine Agreement	Confederation of Mongolian Trade Union, National Soyombo Movement, Environmental Society of Mongolia and Total Reform Movement	6	Workshop	Confederation of Mongolian Trade Union, Ulaanbaatar	8
188	FIN	21-24-Feb	Corporate Governance: Trainers' Session	MONEF, IFC, Mobicom, IFE, FRC and SPC	17	Training	IFE, Ulaanbaatar	23
189	DIA	3-Mar	St.Marys Cement vs. Community of Flamborough	Confederation of Mongolian Trade Union, National Soyombo Movement, Environmental Society of Mongolia and Total Reform Movement	7	Workshop	Confederation of Mongolian Trade Union, Ulaanbaatar	8
190	FIN	6-Mar	Corporate Governance Program Review	MONEF, IFC, Mobicom, IFE, FRC, SPC and private companies	53	Training	Bank of Mongolia,	3.5
191	DIA	7-Mar	Minerals, Metals, and Mining – Activities in the Mine Life Cycle	Confederation of Mongolian Trade Union, National Soyombo Movement, Environmental Society of Mongolia and Total Reform Movement	9	Workshop	Confederation of Mongolian Trade Union, Ulaanbaatar	8
192	FIN	13-15-Mar	Corporate Governance: Directors' pilot training	IFC, MSE, IFE, and private sectors	19	Training	Institute of Finance and Economics,	19.5
193	FIN	19-Mar	Introduction to Corporate Governance training	MSE, SPC, and FRC	5	Training	State Property Committee, Ulaanbaatar	3
194	DIA	19-20-Mar	General Agency for Specialized Inspection, Zamyn-Uud	General Agency for Specialized Inspection staff	55	Training	Zamiin-Uud, Mongolia	12
195	ENE	26-Mar	Discussion of the draft market rules	CHP-3, CHP-4, UBHN, and ERA	12	Presentation	ERA, Ulaanbaatar	2
196	ENE	31-Mar	Energy working group meeting	Energy working group members	16	Meeting	USAID Resource Center,	2

## TRAINING AND EVENTS

No	Event code	Date	Event	Participants	No. of Attend	Type of event	Location (city)	Duration (Hours)
197	ENE	2-Apr	Market design	State Property Committee, and Ministry of Minerals and Energy	11	Presentation	USAID Resource Center,	2
198	DIA	2-Apr	Joomla! training	All government agencies	24	Presentation	National IT Park,	7
199	FIN	6-Apr	Credit information center LLC	BoM, IFC, IFE, FRC, SPC private banks and companies	54	Workshop	Government House, Ulaanbaatar	7
200	DIA, ECO	8-Apr	Tax reform issues and impact of the recession on tax collections	Journalists	27	Training	Press Institute, Ulaanbaatar city	8
201	FIN	9-Apr	Corporate Governance Forum	BoM, IFC, IFE, FRC, SPC private banks and companies	50	Forum	Kempinski Hotel Khan Palace,	3.5
202	DIA, ECO	17-18-Apr	Tax reform issues and impact of the recession on tax collections	Journalists	25	Training	Erdenet city	16
203	ENE	30-Apr	Energy working group meeting	WG members	16	Meeting	USAID Resource Center,	3
204	ENE, DIA	8-May	Energy Sector Financial Situation and tariff Issues	Journalists	19	Training	Press Institute, Ulaanbaatar	4
205	ECO	12-May	Could Mongolia have a PPP in Zamiin Uud Logistic Park?	Railway authority staff	5	Presentation	Railway Authority, Ulaanbaatar	2
206	USAID	13-May	USAID/ EPRC Bi-weekly meeting	USAID, EPRC staff	12	Meeting	USAID TRC, Ulaanbaatar	2.5
207	DIA	19-May	Joomla! Mongolian content management system	Government agencies	16	Presentation	Institute of Management Academy, UB	1
208	ECO	25-May	Could Mongolia have a PPP in Zamiin Uud Logistic Park?	Freight forwarders, State Property Committee and Mongolian Railway	15	Presentation	USAID Resource Center,	4
209	ECO	26-May	Business prospects of PPP for Zamyn Uud Logistics Park: Some initial estimates	Customs staff	7	Presentation	Customs General Authority, Ulaanbaatar	4
210	DIA	26-May	Joomla! Mongolian Content system	Ministry of Defense, National Emergency Management Agency, National Development and Innovation Committee, General Police Department and Ministry of Minerals and Energy	9	Presentation	Institute of Management Academy, UB	1
211	FIN	2-Jun	Mongolian Corporate Government Development Center	IFE, FRC, SPC, IFC private banks and companies	24	Meeting	Khan Bank, Ulaanbaatar city	4
212	FIN	3-6-Jun	Corporate Governance Directors train-the-trainers program	IFE, FRC, SPC, private banks and companies	23	Training	IFE, Ulaanbaatar city	32
213	ENE	11-Jun	Draft market rules	ERA and NDC staff	5	Workshop	ERA, Ulaanbaatar	2
214	DIA	11-12-Jun	Public Relations for the GASI Inspectors	GASI staff	15	Training	Press Institute, Ulaanbaatar	13.5



## TRAINING AND EVENTS

No	Event code	Date	Event	Participants	No. of Attend	Type of event	Location (city)	Duration (Hours)
215	ENE	19-Jun	Energy working group meeting	WG members	14	Meeting	USAID Resource Center,	2
216	DIA	19-Jun	Journalist workshop held on GASl's role and function to serve Mongolia's citizens	Journalists	23	Training	Press Institute, Ulaanbaatar city	8
217	FIN	20-Jun	Mortgage market development issues	FRC, IFC, BoM and companies	25	Discussion	Ikh Tenger compound, Ulaanbaatar	4
218	FIN, DIA	30-Jun	Corporate Governance for Journalists workshop	Journalists	28	Training	Press Institute, Ulaanbaatar	3.5
219	ECO	2-Jul	Public-Private Partnerships for Infrastructure Investment in Mongolia	Members of Parliament, government officials, private companies, ADB, World Bank and International organizations	71	Workshop	Government house, Ulaanbaatar city	8
220	ECO	3-Jul	Public-Private Partnerships for Infrastructure Investment in Mongolia	Members of Parliament, government officials, private companies, ADB, World Bank and International organizations	64	Workshop	Government house, Ulaanbaatar city	8
221	USAID	21-Aug	EPRC staff meeting	EPRC staff	16	Meeting	USAID TRC, Ulaanbaatar	2
222	DIA	24-Aug	Joomla! Internal workshop	EPRC staff	5	Workshop	USAID TRC, Ulaanbaatar	1
223	ECO	3-Sep	Customs risk management cycle	Customs staff	14	Workshop	General Customs Authority ,	8
224	USAID	16-Sep	USAID/EPRC meeting	USAID, EPRC staff	16	Meeting	USAID TRC, Ulaanbaatar	16
225	DIA	29-Sep	Joomla! Day Mongolia 2009	University studens, teachers and private companies	54	Workshop	Information Technology Park,	4
226	DIA	30-Sep	Joomla! Day Mongolia 2009	University studens, teachers and private companies	102	Workshop	Information Technology Park,	8
227	USAID	25-Sep	EPRC staff meeting	EPRC staff	17	Meeting	USAID TRC, Ulaanbaatar	2
228	DIA	5-Oct	Mining life cycles and roles of local government, citizens, and communities	Members of Parliament, local government officials, private companies, local individuals	131	Workshop	Dalanzadgad, Umnugobi aimag	8
229	DIA	6-Oct	Mining life cycles and roles of local government, citizens, and communities	Members of Parliament, local government officials, private companies, local individuals	100	Workshop	Dalanzadgad, Umnugobi aimag	8
230	DIA	8-Oct	Customs and the public	Journalists	22	Training	Press Institute, Ulaanbaatar	4
231	DIA	17-18-Oct	Joomla! Mongolia	Local government officials, students and private sectors	19	Training	Choir, Gobisumber	14
232	DIA	22-Oct	"Introduction to Joomla! Mongolia" seminar	Government agencies	21	Training	Information Technology Park,	7
233	ECO	23-Oct	How to improve Customs service	Private freight forwarding companies and Mongolian National Chamber of Commerce	20	Workshop	USAID Resource Center,	2

## TRAINING AND EVENTS

No	Event code	Date	Event	Participants	No. of Attend	Type of event	Location (city)	Duration (Hours)
234	DIA	27-Oct	Customer service	GDT officials	24	Workshop	USAID Resource Center,	3
235	DIA	5-6-Nov	Customer Experience management	GDT officials	22	Workshop	USAID Resource Center,	16
236	DIA	9-10-Nov	Customer Experience management	GDT officials	20	Workshop	Press Institute, Ulaanbaatar	20
237	USAID	11-Nov	EPRC staff meeting	EPRC staff	19	Meeting	USAID TRC, Ulaanbaatar	2
238	DIA	24-25-Nov	Public communication for Customs inspectors	Customs officials	21	Workshop	Press Institute, Ulaanbaatar	13
239	DIA	24-25-Nov	Customer Experience management	Local GDT officials	19	Training	USAID Resource Center,	19
240	DIA	26-27-Nov	Public communication workshop for taxation inspectors	Local GDT inspectors	20	Training	Press Institute, Ulaanbaatar city	13
241	DIA	2-3-Dec	Customer Experience management	GDT officials	29	Training	USAID Resource Center,	16
242	ENE	8-Dec	Market rules	ERA, NDC, CHP-3, CHP-4 and local CHPs staff	39	Workshop	USAID Resource Center,	8
243	ENE	9-10-Dec	NDC training on market rules	ERA, NDC, CHP-3, CHP-4 and local CHPs staff	24	Workshop	National Dispatch Center,	16
244	DIA	14-Dec	Mining grievances and conflict resolution	MONEF, CMTU and private mining companies	21	Workshop	Lobby Center, Ulaanbaatar	7
<b>2010</b>								
245	DIA	25-Jan	Modern approaches to Corporate Social Responsibility	Mineral Resources Authority of Mongolia, SOS Medica Mongolia, Open Society Forum, mining companies and NGOs	66	Workshop	Ministry of Foreign Affairs and Trade, Ulaanbaatar	4
246	DIA	9-11-Feb	Dry-run meeting of the Mining Modules	EPRC staff	9	Meeting	USAID TRC, Ulaanbaatar	24
247	DIA	24-28-Feb	Zamyn-Uud trip on Public Education Activity with General Customs Administration and General Agency for Specialized Inspection	Journalists	30	Field trip workshop	Zamyn-Uud trip on Public Education Activity with General Customs Administration and General Agency for	20
248	FIN	26-Feb-4-Mar	Training of trainers program	Professors of National University of Mongolia	15	Training	National University of Mongolia,	28
249	FIN	13-Mar	Corporate Governance Training for MCS Executives	MCS staff	18	Training	Corporate Governance Development Center at IFE, Ulaanbaatar	6

## TRAINING AND EVENTS

No	Event code	Date	Event	Participants	No. of Attend	Type of event	Location (city)	Duration (Hours)
250	ECO	18-Mar	Risk management	GASI officials and Buyant-Ukhaa inspectors	19	Presentation	USAID TRC, Ulaanbaatar	3
251	ECO	19-Mar	E-signature	ICTPA, Cabinet Secretariat, GASI and GDT	10	Presentation	USAID TRC, Ulaanbaatar	2
252	ECO	25-Mar	Civil aviation policy paper review	Geosan LLC, MAT Assotiation, Aero Mongolia and Eznis	5	Presentation	USAID TRC, Ulaanbaatar	1
253	DIA	6-Apr	Complaint, Grievance and Conflict Resolution Mechanism	Mining companies	16	Workshop	MONEF board room, Ulaanbaatar	7
254	ECO	9-Apr	Risk management	GASI inspectors	23	Workshop	GASI, Ulaanbaatar city	1
255	ECO	14-Apr	Promoting fair competition	Members of parliament, Ministry of justice and home affairs, National University of Mongolia and AFCCP officials	19	Workshop	USAID, Ulaanbaatar city	2
256	DIA	19-Apr	Complaint, Grievance and Conflict Resolution Mechanism	Junior officials of mining companies	31	Workshop	USAID, Ulaanbaatar city	4
257	DIA	19-Apr	Complaint, Grievance and Conflict Resolution Mechanism	Senior officials of mining companies	37	Workshop	USAID, Ulaanbaatar city	4
258	DIA	21-Apr	Complaint, Grievance and Conflict Resolution Mechanism	Junior officials of mining companies	14	Workshop	USAID, Ulaanbaatar city	4
259	DIA	21-Apr	Complaint, Grievance and Conflict Resolution Mechanism	Senior officials of mining companies	13	Workshop	USAID, Ulaanbaatar city	4
260	DIA	22-Apr	Complaint, Grievance and Conflict Resolution Mechanism	Journalists	28	Workshop	Press institute, Ulaanbaatar city	5
261	DIA	23-Apr	Complaint, Grievance and Conflict Resolution Mechanism	Junior officials of mining companies	10	Workshop	USAID, Ulaanbaatar city	4
262	DIA	23-Apr	Complaint, Grievance and Conflict Resolution Mechanism	Senior officials of mining companies	9	Workshop	USAID, Ulaanbaatar city	4
263	DIA	26-Apr	Complaint, Grievance and Conflict Resolution Mechanism	Junior officials of mining companies	6	Workshop	USAID, Ulaanbaatar city	4
264	DIA	26-Apr	Complaint, Grievance and Conflict Resolution Mechanism	Senior officials of mining companies	8	Workshop	USAID, Ulaanbaatar city	4
265	DIA	28-Apr	Complaint, Grievance and Conflict Resolution Mechanism	Junior officials of mining companies	10	Workshop	USAID, Ulaanbaatar city	4
266	DIA	28-Apr	Complaint, Grievance and Conflict Resolution Mechanism	Senior officials of mining companies	7	Workshop	USAID, Ulaanbaatar city	4
267	DIA	29-Apr	Complaint, Grievance and Conflict Resolution Mechanism	CMTU aimag heads	21	Workshop	Songino resort, Ulaanbaatar	1

## TRAINING AND EVENTS

No	Event code	Date	Event	Participants	No. of Attend	Type of event	Location (city)	Duration (Hours)
268	ECO	30-Apr	Legal environment of electronic signature	ICTPA, Ministry of Finance, State Communication Agency, General Department of Taxation, Cabinet Secretariat, Ministry Justice and Home Affair, Communication Regulatory Commission, Bank of Mongolia, State Property Committee	26	Presentation	USAID, Ulaanbaatar city	2
269	DIA	4-May	Complaint, Grievance and Conflict Resolution Mechanism	NGOs and civil societies	18	Workshop	USAID, Ulaanbaatar city	8
270	DIA	5-May	Complaint, Grievance and Conflict Resolution Mechanism	NGOs and civil societies	11	Workshop	USAID, Ulaanbaatar city	4
271	DIA	6-May	Complaint, Grievance and Conflict Resolution Mechanism	NGOs and civil societies	11	Workshop	USAID, Ulaanbaatar city	8
272	ENE	4-May	Two part generation tariff methodology	ERA, Thermal power plant - 3, Thermal power plant - 4, National dispatch center	22	Presentation	ERA, Ulaanbaatar city	3
273	ECO	6-May	E-signature	ICTPA, National data center, Government communication department, Ministry of Finance	11	Presentation	ICTPA, Ulaanbaatar city	2
274	DIA	7-May	Uni Code	Civil service council, Bank of Mongolia, Financial regulatory commission, General customs administration, Ministry of social welfare and labor, Ministry of foreign affairs and trade, General intelligence agency, Cabinet secretariat, Ministry of mineral resources and energy	47	Presentation	USAID, Ulaanbaatar city	4
275	DIA	11-12-May	Complaint, Grievance and Conflict Resolution Mechanism	Mining companies	18	Workshop	Umnugobi province	12
276	ECO	13-May	E-signature	ICTPA, Ministry of Finance, State Communication Agency, General Department of Taxation, Cabinet Secretariat, Ministry Justice and Home Affair, Communication Regulatory Commission, Bank of Mongolia, State Property Committee	19	Presentation	USAID, Ulaanbaatar city	2
277	ECO	20-May	E-signature	ICTPA, Government communication department, National data center, General agency for specialized inspection	14	Presentation	USAID, Ulaanbaatar city	2
278	FIN	25-May	The Equator Principles	Khan Bank, Xas Bank, Trade and Development Bank, National Investment Bank, Oyu Tolgoi LLC, Savings Bank and Capitron Bank	17	Presentation	Mongolian Bankers Association, Ulaanbaatar	3.5
279	DIA	27-May	Mine-IT Expo	Mining and IT private companies	62	Workshop	Kempinsky Khan Palace Hotel,	5

## TRAINING AND EVENTS

No	Event code	Date	Event	Participants	No. of Attend	Type of event	Location (city)	Duration (Hours)
280	FIN	27-May	Corporate Governance Forum	Corporate Governance Development Center, IMF, Financial regulatory commission, Institute of Finance and Economics, private companies and	142	Forum	Kempinsky Khan Palace Hotel, Ulaanbaatar	5
281	DIA, FIN	28-May	The role of stock markets in Corporate Governance	Journalists	12	Discussion	Press Institute, Ulaanbaatar	1.5
282	DIA	8-9-Jun	Customer service workshop for tax inspectors of Eastern aimags	Eastern aimag tax inspectors	33	Workshop	Khentii aimag, Mongol Bank building	16
283	DIA	14-15-Jun	Customer service workshop for tax inspectors	UB tax inspectors	39	Workshop	Songino khairkhan district,	16
284	DIA	15-16-Jun	Complaint, Grievance and Conflict Resolution Mechanism	Trainers	8	Training	USAID, Ulaanbaatar city	15
285	DIA	17-Jun	Complaint, Grievance and Conflict Resolution Mechanism	Mineral Resources Authority, Petroleum Authority and trainers	21	Workshop	USAID, Ulaanbaatar city	7.5
286	DIA	18-Jun	Complaint, Grievance and Conflict Resolution Mechanism	Mineral Resources Authority, Ministry of Energy and Mineral Resources and trainers	16	Workshop	USAID, Ulaanbaatar city	7.5
287	DIA, FIN	18-20-Jun	Role of Investigative Journalism in Corporate Governance	Journalists	20	Workshop	Mongolian Secret History Camp, Darkhan-Uul	18
288	DIA, ENE	25-Jun	Journalists' Economic club luncheon: Energy issues	Journalists	13	Workshop	Grand Khan Irish Restaurant,	1.5
289	DIA	30-Jun-1-Jul	Customer service workshop for tax inspectors	Western aimag tax inspectors	30	Workshop	Uvs aimag	16
290	DIA	5-6-Jul	Organizational change management seminar	GASI inspectors	34	Workshop	Terelj National Park	12
291	ECO	9-13 Aug	Economic and financial analysis of mining developments and fiscal regimes	Analysts and policy makers	21	Seminar	Ikhtenger complex, Ulaanbaatar	36
292	ECO	27-Aug	E-sign law	ICTPA, State Communications Office, Ministry of Finance, Customs General Office, National Data Center, Bank of Mongolia and Parliament Administration Office	17	Workshop	Erkhet Suld Camp, Ulaanbaatar	5.5
293	ECO	28-Aug	E-sign law	ICTPA, State Communications Office, Ministry of Finance, Customs General Office, National Data Center, Bank of Mongolia and Parliament Administration Office	14	Workshop	Erkhet Suld Camp, Ulaanbaatar	5.5

## TRAINING AND EVENTS

No	Event code	Date	Event	Participants	No. of Attend	Type of event	Location (city)	Duration (Hours)
294	ENE	3-Sep	Introduction to the Balanced Scorecard Methodology	State Property Committee, Energy Regulatory Authority, Ministry of Mineral Resources and Energy, Erdenes MGL, Energy National Dispatch Center, Central Energy Transmission, Ulaanbaatar Energy Distribution Center, Power plant 2, Power plant 3, Darkhan Power Plant, Darkhan Metallurgical Plant and UB Heating Network	45	Workshop	USAID Training Resource Center, Ulaanbaatar	4
295	ENE	6-10-Sep	Introduction to the Balanced Scorecard Methodology	Central and regional electric transmission company employees	15	Workshop	USAID Training Resource	35
296	ECO	10-Sep	Establishing a boiler industry in Mongolia	Khan Bank, Xas Bank, US Embassy, CHF International, Ikh jiguur LLC, Tavan Bogd group, Tumen shuvuut, Bukhug, NBTS, Agmarko and Ugtuul Altai	15	Presentation	Open Society Forum, Ulaanbaatar	2
297	ENE	11-Sep	Introduction to the Balanced Scorecard Methodology	State Property Committee, Central and regional electric transmission company, Mongolian Employers' Federation, UB Electric Transmission Company, Ministry of Mineral Resources and Energy, Cabinet Secretariat and Confederation of Mongolian Trade Unions	13	Workshop	USAID Training Resource Center, Ulaanbaatar	4
298	ENE	13-Sep	Introduction to the Balanced Scorecard Methodology	Ulaanbaatar Energy Distribution Network	19	Workshop	USAID Training Resource	7
299	ENE	14-Sep	Introduction to the Balanced Scorecard Methodology	Ulaanbaatar Energy Distribution Network	24	Workshop	USAID Training Resource	7
300	ENE	15-Sep	Introduction to the Balanced Scorecard Methodology	Ulaanbaatar Energy Distribution Network	23	Workshop	USAID Training Resource	7
301	ENE	16-Sep	Introduction to the Balanced Scorecard Methodology	Ulaanbaatar Energy Distribution Network	25	Workshop	USAID Training Resource	7
302	ENE	17-Sep	Introduction to the Balanced Scorecard Methodology	Ulaanbaatar Energy Distribution Network	23	Workshop	USAID Training Resource	7
303	DIA	16-Sep	Property rights and economic development roundtable at PI	Journalists	21	Workshop	Press Institute, Ulaanbaatar	2
304	ECO	4-Oct	HTS code application at GASI	GASI inspectors	15	Meeting	USAID, TRC	3.5
305	FIN	4-8-Oct	Balanced scorecard	Darkhan metallurgical plant	20	Workshop	Darkhan metallurgical	40
306	ECO	8-Oct	HTS code application at GASI	GASI inspectors	16	Meeting	USAID, TRC	3.5
307	FIN	8-9-Oct	Finance for non-financial directors	Directors	24	Workshop	Corporate governance development center	14

## TRAINING AND EVENTS

No	Event code	Date	Event	Participants	No. of Attend	Type of event	Location (city)	Duration (Hours)
308	FIN	11-15-Oct	BSC implementation workshop	Officers of CRETG	56	Workshop	Central regional electricity	32
309	ECO	15-16-Oct	Market study workshop on AFCCP	AFCCP, managers and staffs	32	Workshop	Erkhetsuld camp	18
310	FIN	16-Oct	Balanced scorecard introductory seminar	Members of Cabinet Secretariat	19	Seminar	USAID, TRC	4
311	FIN	18-22-Oct	BSC implementation workshop	Officers of UBEDN	50	Workshop	Ulaanbaatar electricity distribution network co.	35
312	FIN	22-23-Oct	Finance for non-financial directors	Directors	21	Workshop	Corporate governance development	14
313	DIA	27-Oct	Site visit to Baganuur coal mine	Journalists	22	Site visit	Baganuur	11
314	ECO	27-Oct	PPP readiness assessment	Government officers	11	Workshop	USAID, TRC	1.5
315	FIN	25-29 Oct	BSC implementation workshop	Officers of DMP	45	Workshop	Darkhan metallurgical	33
316	FIN	30-Oct	Balanced scorecard introductory seminar	Members of Darkhan-Uul province local government	16	Seminar	Darkhan-Uul province	4
317	ECO	2-Nov	PPP readiness assessment: Government	Government officers	10	Workshop	USAID, TRC	2
318	ECO	5-Nov	PPP readiness assessment: Private	Private sector officers	11	Workshop	USAID, TRC	2
319	ECO	12-Nov	HTS code application at GASI	GASI inspectors	11	Workshop	Erkhetsuld camp	7
320	DIA	12-Nov	Roundtable discussion on energy supply	Journalists	10	Discussion	Press Institute	1.5
321	FIN	13-Nov	Introduction to Corporate Governance	Railway organizations	17	Seminar	USAID, TRC	3
322	DIA	15-17-Nov	Minerals, metals and mine life cycle	NGOs	22	Workshop	USAID, TRC	27
323	DIA	18-19-Nov	Customer service workshop at GDT	GDT headquarters staff	101	Workshop	General department of taxation	16
324	FIN	22-26-Nov	CG training for directors of SOEs	Directors of SOEs	28	Workshop	Corporate governance development	42
325	FIN	30-Nov-3-Dec	CG training for directors of SOEs	Directors of SOEs	10	Workshop	Corporate governance development	42
326	DIA	3-Dec	GASI reform and cooperation with the	Journalists	22	Workshop	Press Institute	5.5
327	ECO	3-Dec	Risk management	Customs General Authority	50	Workshop	The Corporate	7
328	DIA	7-8-Dec	Community relations and mining	Mining companies	80	Forum	Chinggis Khaan Hotel	15.5
329	DIA	10-Dec	Impact of railway coal transportation tariff	Journalists	15	Discussion	Press Institute	1.5
330	DIA	17-Dec	Current situation of the Power Plant #3	Journalists	26	Presentation, site visit	Power Plant #3	4
		<b>2011</b>						

## TRAINING AND EVENTS

No	Event code	Date	Event	Participants	No. of Attend	Type of event	Location (city)	Duration (Hours)
331	DIA	17-21-Jan	Minerals, metals, and the mine life cycle training of trainers	Trainers	9	Training	Dalanzadgad, South Gobi	42.5
332	ECO	20-21-Jan	Customs management workshop on risk management	CGA officials	78	Workshop	The Ulaanbaatar Hotel	17
333	ECO	24-28-Jan	Economic and financial analysis of mining developments and fiscal regimes	Government officials	29	Seminar	Corporate Hotel Nukht	39.5
334	DIA	26-Jan	Urgent issues on energy sector	Journalists	11	Discussion	Tuushin Hotel	1.5
335	DIA	27-28-Jan	Finding common ground, constructive approaches to mining and natural resource conflicts	NGOs	31	Workshop	USAID, TRC	17
336	DIA	28-Jan	Erdenes Tavan Tolgoi shares issues	Journalists	31	Workshop	Press Institute	5.5
337	DIA	18-Feb	Liberalization of air	Journalists	10	Workshop	Press Institute	1
338	FIN	28-Feb, 3-Mar	Financial restructuring; Bankruptcy law reform	MOJHA, FRC, National Legal Institute officials	8	Workshop	MOJHA	4
339	DIA	23-24-Feb	Mechanisms for complaint, grievance and conflict resolution	Mining industry representatives	20	Seminar	Bishrelt Plaza Hotel	8
340	ENE	2-Mar	Demand charge methodology	ERA officials	11	Training	ERA	2
341	DIA	3-4-Mar	Mechanisms for complaint, grievance and conflict resolution	NGO representatives	20	Seminar	Bishrelt Plaza Hotel	18
342	DIA	10-11-Mar	Conflict to resolution-costs, risk and avoidance	Mining industry representatives	22	Seminar	Tuushin Hotel	8
343	DIA	11-Mar	How to understand Customs risk	Journalists	17	Workshop	Press Institute	4
344	DIA	16-17-Mar	Conflict to resolution-costs, risk and avoidance	Government officials	23	Seminar	Puma Imperial Hotel	8
345	FIN	19-Mar	Corporate governance training	MCS Directors and Executive	19	Training	MCS Office	8
346	DIA	19-Mar	Minerals, metals and mine life cycle	Secondary school students	30	Training	Dalanzadgad, South Gobi	8
347	DIA	20-Mar	Minerals, metals and mine life cycle	Secondary school students	30	Training	Dalanzadgad, South Gobi	8
348	DIA	23-24-Mar	Conflict to resolution-costs, risk and avoidance	NGO representatives	20	Seminar	Puma Imperial Hotel	16
349	DIA	26-Mar	Minerals, metals and mine life cycle	College students	30	Training	Dalanzadgad, South Gobi	8
350	DIA	27-Mar	Minerals, metals and mine life cycle	Citizens	30	Training	Dalanzadgad, South Gobi	8
351	DIA	27-Mar	Minerals, metals and mine life cycle	Citizens, College students	30	Training	Dalanzadgad, South Gobi	8
352	DIA	29-Mar	Corporate social responsibility	Mining industry representatives	30	Training	Puma Imperial Hotel	8



## TRAINING AND EVENTS

No	Event code	Date	Event	Participants	No. of Attend	Type of event	Location (city)	Duration (Hours)
353	FIN	28-Mar-1-Apr	Balanced scorecard	Officers of CRETG, DMP, UBEDN	34	Training	USAID, TRC	40
354	DIA	31-Mar	The impact of air service liberalization in Mongolia	Journalists	15	Discussion	Press Institute	1

<b>Totals</b>	<b>8590</b>	<b>2692.7</b>
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Abbreviation ADB=Asian Development Bank

AWP=Annual Work Plan

BDF= Business Development Fund

BDS = Business Development Center

BDS=Business Development Service

CES=Central Electricity System

CETN=Central Electricity Transmission Network

CGA=Customs General Administration

CHP=Combined Heat & Power

DIA = Public Dialogue, Consensus Building, Public Education

ECO = Economic, Trade and Financial Policy Component

EDN=Electricity Distribution Network

ENE = Energy Component

ENER = Energy Support

EPRC= Economic Policy Reform and Competitiveness Project

EPT=Economic Policy Team

ERA=Energy Regulatory Authority

FIN = Financial Markets Component

FRC=Financial Regulatory Commission

GDNT=General Department of National Taxation

IFC=International Finance Corporation

MASM=Mongolian Agency for Standards and Metrology

MBA=Mongolian Bankers Association

MBDF= Mongolian Business Development Fund

MCF= Mongolian Competitiveness Fund

MIK=Mongolian Mortgage Corporation

MNCA=Mongolian National Customs Administration

MNCCI=Mongolian National Chamber of Commerce and Industry

MNTO= Mongolian National Tourism Organization

MoCUD=Ministry of Construction and Urban Development

MoF=Ministry of Finance

MoFA=Ministry of Foreign Affairs

MoIT=Ministry of Industry and Trade

MOJHA=Ministry of Justice and Home Affairs

MRRA=Mongolian Railway Regulatory Authority

MRTT=Ministry of Road, Transport and Tourism

NCTTF=National Committee on Trade and Transport Facilities

NDC=National Dispatch Center

NGO=Non Government Organization

<b>Total person/dc 2,891,287</b>
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## TRAINING AND EVENTS

No	Event code	Date	Event	Participants	No. of Attend	Type of event	Location (city)	Duration (Hours)
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*TIC=Tourist Info Center*

*TRC=Training Resource Center*

*UBEDN=Ulaanbaatar Electricity Distribution Network*

*UBTZ=Ulaanbaatar Railway*

*NSO= National Statistical Office*

*OGW=Open Government Website*

*OSF=Open Society Forum*

*SSIA= State Specialized Inspection Agency*

*TAF=The Asia Foundation*

# ANNEX D:

## TECHNICAL REPORTS

### ECONOMIC AND TRADE POLICY

- Impact of international air service liberalization on Mongolia
- Poultry meat assessment
- Impact of Tax Reforms 2007-2009
- Zamiin Uud border crossing inspection yard, clearance facilities and associated infrastructure
- Pre-Feasibility Analysis to Establish Logistics Facilities in Zamiin Uud, Mongolia
- Proposed retail tariff reform plan for Mongolia's Central Electricity System
- A Communications Strategy to Support Tax Relief in Mongolia
- Country Risk and Country Risk Premium Estimation For Mongolia
- Mongolian Mining Sector Competitiveness and The Use of Stability Agreements
- Assessment of Mongolia's Free Trade Zone Program and Site Evaluation

### ENERGY SECTOR REFORM

- Short-term energy sector technical assistance on development of economic dispatch operating procedure
- EPRC Proposed Two-Part Tariff for Purchases of Electric Capacity and Energy from Generation Licensees
- Energy Regulatory Authority Assessment Update 2008
- Proposed competitive electricity market design for Mongolia's Central Electricity System
- Energy Regulatory Authority Assessment Report

### FINANCIAL MARKETS

- Review of regulations, policies and procedures for approval, listing and supervision of initial public offerings of securities in Mongolia
- A review of the Mongolian Primary Mortgage Market
- Report on assistance to the Bank of Mongolia with the development of policies and regulations to support secondary mortgage market development
- Restructuring the Mongolian Credit Information Bureau: Prospects for privatization
- Employee share ownership in privatized companies: Assessing the potential for ESOPs in Mongolia
- Urban housing finance proposals for Mongolia
- Mongolian Private Equity Fund Feasibility Study, Second stage

### BUSINESS COMPETITIVENESS

- Potential target export markets for Mongolian pet food products
- A value chain analysis of the Mongolian cashmere industry
- Mongolian Garment Industry: Likely Effects of Abolition of Quotas and That Are Urgently Required
- Business Plan: The National Tourist Information Center of Mongolia
- Potential Impact of The End of The Multi Fiber Agreement on Mongolia's Textile Industry



# ANNEX E: CITIZEN EDUCATION AND INFORMATION PUBLICATIONS

- Mortgage Glossary Brochure
- Mongolian Taxes at a Glance Brochure
- Economic Entity Income Tax Brochure
- Personal Income Tax Brochure
- Value-Added Tax Brochure
- Manual for Value-Added Tax Payers



# ANNEX F: NEWSLETTERS

## YEAR 2011

- MAY 2011
- APRIL 2011
- MARCH 2011
- FEBRUARY 2011
- JANUARY 2011

## YEAR 2010

- DECEMBER 2010
- NOVEMBER 2010
- SEPTEMBER - OCTOBER 2010
- JULY-AUGUST 2010
- JUNE 2010
- MAY 2010
- APRIL 2010
- MARCH 2010
- JANUARY - FEBRUARY 2010

## YEAR 2009

- NOVEMBER - DECEMBER 2009
- OCTOBER 2009
- AUGUST - SEPTEMBER 2009
- JUNE - JULY 2009
- MAY 2009
- APRIL 2009
- FEBRUARY 2009 - MARCH 2009

## YEAR 2008

- DECEMBER 2008 - JANUARY 2009
- OCTOBER 2008 - NOVEMBER 2008
- AUGUST 2008 - SEPTEMBER 2008
- JULY 2008
- JUNE 2008
- MAY 2008
- APRIL 2008
- MARCH 2008
- JANUARY 2008 - FEBRUARY 2008

## YEAR 2007

- DECEMBER 2007
- NOVEMBER 2007
- OCTOBER 2007
- SEPTEMBER 2007
- JULY-AUGUST 2007

- JUNE 2007
- MAY 2007
- APRIL 2007
- MARCH 2007
- FEBRUARY 2007
- DECEMBER 2006 - JANUARY 2007

## YEAR 2006

- NOVEMBER 2006
- OCTOBER 2006
- SEPTEMBER 2006
- JULY-AUGUST 2006
- JUNE 2006
- MAY 2006
- APRIL 2006
- MARCH 2006
- FEBRUARY 2006
- DECEMBER 2005 - JANUARY 2006

## YEAR 2005

- NOVEMBER 2005
- OCTOBER 2005
- SEPTEMBER 2005
- JULY-AUGUST 2005
- JUNE 2005
- MAY 2005
- APRIL 2005
- MARCH 2005
- FEBRUARY 2005
- JANUARY 2005

## YEAR 2004

- DECEMBER 2004
- NOVEMBER 2004
- OCTOBER 2004
- SEPTEMBER 2004
- JULY-AUGUST 2004
- JUNE 2004
- MAY 2004
- APRIL 2004
- MARCH 2004
- FEBRUARY 2004
- JANUARY 2004





# ANNEX G: VIDEOS

## HOT TOPIX TV PROGRAMS

- ZAMYN-UUD: GATE OF DEVELOPMENT
- UB HEATING: DEMAND AND CONSERVATION
- UB HEATING: FACTS, FIGURES, AND OPINIONS
- TRANSIT MONGOLIA

## SUCCESS STORIES

- LIFTING LOCAL VOICES IN MINING
- STRENGTHENING CORPORATE GOVERNANCE IN MONGOLIA
- BUILDING MONGOLIA'S SECONDARY MORTGAGE MARKET
- JUMPSTARTING ECONOMIC JOURNALISM
- TRANSFORMING TAXES
- RAISING THE BAR: CUSTOMER SERVICE IN TAX OFFICES
- FROM ROCKS TO RICHES

## OTHERS

- OPEN GOVERNMENT AND NATIONAL PUBLIC DIALOGUE: MONGOLIA TAKES ADVANTAGE OF IT





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