



USAID
FROM THE AMERICAN PEOPLE



Business Plus Initiative
USAID funded project implemented by Chemonics International

MONGOLIA BUSINESS PLUS INITIATIVE

**QUARTERLY PERFORMANCE REPORT
OCTOBER – DECEMBER 2011**

January 30, 2012

Contract No. AID-438-C-11-00001

This publication was produced for review by the United States Agency for International Development. It was prepared by Chemonics International Inc. The author's views expressed in this publication do not necessarily reflect the views of the United States Agency for International Development or the United States Government.

Contact Information:

**Mongolia Business Plus Initiative Project (BPI), Uurtsaikh S., Acting Chief of Party,
Express Tower, 12th Floor, Khoroo 1, Chingeltei District, Ulaanbaatar, Mongolia**

**Chemonics International Inc., Patricio Mansilla, Director, 1717 H Street, NW,
Washington, D.C. 20006, USA**

www.chemonics.com

CONTENTS

ABBREVIATIONS.....	vii
EXECUTIVE SUMMARY	1
SECTION I: BACKGROUND	3
SECTION II: QUARTER PROGRESS	5
A. Introduction.....	5
B. Work plan implementation	5
B1. Component 1: Implementation of business enabling policies improved.....	5
B2. Component 2: Private sector capacity and competitiveness strengthened.....	5
B3. Component 3: Financial sector capacity and enabling environment improved ..	8
C. Next quarter results	10
C1. Component 1: Implementation of business enabling policies improved	10
C2. Component 2: Private sector capacity and competitiveness strengthened.....	10
C3. Component 3: Financial sector capacity and enabling environment improved	12
SECTION III: PROJECT MANAGEMENT AND ADMINISTRATION	15
A. Introduction.....	15
B. Project management and administration activities.....	15
C. Personnel	15
C1. Long-term expatriate personnel	15
C2. Long-term local personnel.....	15
C3. Deployment of short-term technical assistance.....	16
D. Status of subcontracts	17
F. Problems encountered and remedial actions	17
G. Project and contract management actions expected for the next quarter.....	17
ANNEX A: LONG-TERM LOCAL PERSONNEL AND EXPATRIATE SHORT-TERM ASSIGNMENTS.....	19
ANNEX B: PERFORMANCE MONITORING PLAN.....	21

ABBREVIATIONS

ADB	Asian Development Bank
APS	Annual Program Statement
AWP	Annual Work Plan
BFA	Banking and Finance Academy
BOM	Bank of Mongolia
BPI	Business Plus Initiative
BTC	Banking Training Center
CIEH	Chartered Institute for Environment and Health
CG	Corporate Governance
CGA	Customs General Administration
CGDC	Corporate Governance Development Center
CGRI	Corporate Governance Rating Index
CIB	Credit Information Bureau
COP	Chief of Party
CSOs	Civil Society Organizations
DCC	Donor Coordination Council
DCOP	Deputy Chief of Party
EJC	Economic Journalism Club
FRC	Financial Regulatory Committee
FSVC	Financial Service Volunteer Corporation
GOM	Government of Mongolia
IT	Information Technology
IFC	International Finance Corporation
LODP	Loan officer development program
M&E	Monitoring and Evaluation
MBA	Mongolian Bankers Association
MIK	Mongolian Mortgage Corporation
MNCCI	Mongolian National Chamber of Commerce and Industry
MOJ	Ministry of Justice
MSE	Mongolian Stock Exchange
NBFIs	Non-bank Financial Institutions
NGO	Non-governmental organization
OSF	Open Society Forum
PMP	Project Monitoring Plan
OECD	Organization for Economic Co-operation and Development
PPP	Public Private Partnership
QMCE	Quality Management Center of Excellence
RM	Risk Management
SOW	Scope of Work
SPC	State Property Committee
STTAs	Short-term Technical Advisors
TPI	The Press Institute
USAID	United States Agency for International Development
USG	United States Government
VAT	Value Added Tax
VDR	Virtual Data Room
WCO	World Customs Organization

EXECUTIVE SUMMARY

This Quarterly Performance Report (QPR) for the *Business Plus Initiative* (BPI) activity covers the period from October 1, 2011 through December 31, 2011.

The Business Plus Initiative has made substantial progress toward its Year 1 work plan objectives during its second-quarter of operations. Milestones achieved in new activities, include the launch of a Risk Management system developed for the Customs General Administration in October, roundtable discussions and trainings with the Economic Journalism Club, launch of the BPI grants program and subsequent informational events and trainings to prepare grantees, inception of quality assurance program in Health and Food Safety (first of two phases of program development leading to eventual establishment of the Quality Management Center of Excellence), and delivery of a Needs Assessment associated with establishment of a PPP virtual data room for the State Property Committee. In the financial sector component, the project successfully completed the review and recommended revisions of the draft bankruptcy law, provided two new draft laws including the draft Investment Fund Law and the draft Law for the Central Securities Depository, and BPI completed development of the Loan Officer Development Program modules for the Banking and Finance Academy's professional capacity building and certification program for bank loan officers and financial sector professionals.

In the next quarter, BPI plans to conduct the following activities, among others:

- Initiate efforts to set up the customs brokers association
- Continue Economic Journalism Club activities
- Continue training activities affiliated with the quality assurance program, and seek financial and leadership support for the envisioned Quality Management Center of Excellence
- Disburse grant funds to first tranche of grantee associations, and offer institutional capacity building initiatives across association landscape
- Assist Banking and Finance Academy to kick-off its first Loan Officer Development Program
- Assist Financial Regulatory Commission in developing regulations for the law on compulsory drivers' insurance combined with public education activities
- Seek opportunities to provide assistance to Credit Information Bureau

SECTION I: BACKGROUND

The Business Plus Initiative is a five-year project designed to support an enhanced role for the private sector in Mongolia's economic growth. The project began in June 2011 against a backdrop of rapid mineral-driven economic growth, a government budget deficit of 10 percent of GDP, inflation approaching 15 percent annually, and unemployment of 35 percent of the labor force. While some forecasts show GDP and per capita income doubling or even tripling within the next five years, it is clear that large segments of the population will not share in the benefits of this rapid growth and may actually suffer in the near-to-mid-term as the cost of living gets higher.

BPI's design takes a pragmatic approach to promotion of more equitable and sustainable, private-sector led economic growth and good governance. The project seeks to complement and support the Government of Mongolia's strategy to advance the following objectives:

- Improved implementation of business enabling policies
- Strengthened private sector capacity and competitiveness
- Increased financial sector capacity and enabling environment.

SECTION II: QUARTER PROGRESS

A. Introduction

This section details results achieved by BPI during the reporting quarter or planned for the next quarter.

B. Work plan implementation

With the 2nd quarter of BPI operations ending on December 31, 2011, this quarterly report represents progress made against project deliverables as outlined in the BPI Year 1 AWP. The implementation and reporting of results and activities is separated by project components.

Following the reporting of key results, both quantitative and qualitative, is substantiation on foreseen or planned activity areas and respective results anticipated for the next quarter of BPI year 1 operations.

B1. Component 1: Implementation of business enabling policies improved

Result 1: Risk Management Implemented in Customs General Administration

The Customs General Administration (CGA) of Mongolia requested BPI assistance in a number of areas in trade facilitation. BPI opted for providing technical assistance in a public education campaign on risk management (RM) and customs brokers.

The launch of the RM system at customs in October 2011 demonstrates the need of public awareness of customs achievement in trade facilitation as well as support and compliance from foreign traders. It is important for CGA to effectively communicate and explain the new system to the general public and traders with a new, customer-friendly image for the agency. BPI plans to deliver the public education campaign products in the next quarter.

Result 2: Legal framework for customs brokers

Another important aspect of the RM implementation is to transfer a number of CGA functions to brokers. BPI proposes to provide assistance in legislative drafting of the customs brokers' law. Prior to the passage of the law, it is imperative to build consensus between CGA, traders, customs brokers, freight forwarders, and other stakeholders on the need to establish the customs brokers association. BPI envisions the association as a professional body consisting of skilled and competent customs brokers to perform all customs clearance functions, including the payments of duties and VAT on behalf of traders, in compliance with World Customs Organization (WCO) guidelines.

Discussions to design and provide the assistance are underway with CGA management and BPI plan to deliver it in the upcoming quarter.

Result 3: Implement public committee hearings on legislative initiatives

With the finalization of the scope of work under the subcontract with Open Society Forum (OSF), BPI and OSF started discussions to create a platform to effectively engage civil society organizations (CSOs) and business associations in public hearings on draft legislations. Following a number of meetings with the President's advisor on using Civic Hall meetings for such purposes, BPI concluded that public hearings at the Civic Hall are better positioned than those at the Parliament and its working groups' level. In the next quarter, OSF will identify the draft laws on the Parliament agenda that are aligned with activities, interests, and functions of CSOs and business associations.

Result 4: Roundtable discussions and trainings with Economic Journalism Club

Under this cross-cutting activity, BPI organized a number of events across the components 1-3. BPI and TPI launched the 2011/2012 series of training for Economic Journalism Club (EJC) members on October 15 to identify the need and interests of the club members and design the annual program based on their inputs. Twenty-three members of the EJC in attendance agreed to receive literacy or introductory training on topics such as economics, finance, taxation, budget, monetary policy, and global economy and its impact on Mongolian economy. Based on the recommendations, BPI and TPI organized the following events in the reporting quarter:

1. A series of three trainings on shares and stock market functions: share ownership and corporate governance; the new company law; and media tour at Mongolian Stock Exchange
2. Workshop on budget and its transparency with relation to the 2012 budget law
3. Workshop on compulsory drivers' insurance law to be become effective January 1, 2012

Each event hosted guest speakers from government, private sector, and academics from respective areas to provide balanced information and feedback to the EJC members and non-member journalists and reporters from media outlets.

In the future, the EJC, with consultations with BPI and TPI, agreed to limit the club activities to its members only to ensure effectiveness of EJC events as we have observed significant difference in quality and sophistication of questions and inputs posed by the EJC members and non-members.

The Exhibit II-5 illustrates the details on the EJC events.

B2. Component 2: Private sector capacity and competitiveness strengthened

Following the closure of BPI second quarter operations, the project has several key results to report in its activities aligned or affiliated with private sector capacity and competitiveness strengthening initiatives. The three core programmatic areas, as highlighted in the quarter 1 report, as well as the BPI AWP, include: *1) Increasing in Foreign and Domestic private sector investment; 2) Strengthening Business Associations' capacity and effectiveness; and 3) Establishing and expanding of Partnerships for Business Enhancement and Innovation.*

Given that each of the programmatic areas can be considered start up under BPI, the results achieved over the course of the 2nd quarter can be labeled as impressive. Key result areas across the three component II pillar areas during this time period are listed below, with qualitative and quantitative substantiation and detail.

Result 1: Establishment of PPP Virtual Data Room (VDR) and “Best Practices” Data Room

During quarter 1 work, BPI drafted a Scope of Work to govern STTA assistance to the State Property Committee PPP unit to address the establishment of a Virtual Data Room. The SOW was approved, and STTA expert recruited to assess the framework and logistical aspects of introducing this VDR into the SPC PPP unit's website. The findings of the local STTA PPP expert were submitted for consideration to BPI and the SPC. BPI IT human resources assisted the SPC in integral upgrades to the existing IT platform necessary to further convert the website and introduce new functionalities as proposed. Work continues on this initiative; populating and managing the Data Room will be the direct responsibility of the PPP unit.

Result 2: Establishment of the PPP Donor Coordination Council (DCC)

During the second quarter of year 1, BPI formally facilitated the establishment of the PPP Donor Coordination Council (DCC). The intent and purpose of the DCC was to establish a

vehicle whereby all parties associated with provision of technical assistance to Mongolia's Public Private Partnerships program can coordinate and collaborate on planned programmatic activities, so as to achieve maximum effect and impact. An inception meeting of the DCC was held in November 2011, with primary donors ADB, World Bank, IFC and USAID present. Several areas of joint interest and collaboration were identified and discussed; namely training and capacity building, and direct transaction advisory services are targeted.

Result 3: Inclusion of the UB municipal concessions and PPP unit in a WBI funded Leadership Development program

An immediate mutual objective as identified at the inception DCC meeting in November, was a prospective opportunity for Ulaanbaatar's municipal PPP unit to be included in a World Bank Institute funded Leadership Development program from 2011-13. In partnership with the World Bank local UB office, BPI led efforts to devise an application for consideration in this 18-month training/capacity building initiative, which will include training workshops (May 2012) in Seoul, Korea followed by off-site advisory services supporting a pilot PPP municipal transaction (closure by 2013). The UB municipal unit (5 members) was one of six PPP units from the Asian region to be awarded inclusion in this program.

Result 4: PPP Training and Capacity Building

Both the national and municipal PPP units lack necessary capacity to implement impactful PPP program campaigns. Infrastructure development continues to represent a real challenge to drawing foreign investment, as well as promoting overall competitiveness within the country as a whole. DCC partner ADB offered a general PPP training to local stakeholders during quarter 2; BPI drafted a scope of work which would ideally complement and build the technical capabilities and capacities of respective SPC and municipal PPP unit members in Mongolia. No approvals were realized in relation to this SOW, but discussions continue with USAID on this consulting assignment.

Result 5: Introduce BPI grants program to support Association Development component

With intent to support and enhance the institutional capacities and reach of business associations to support private sector development and overall competitiveness in the Mongolian private sector, the project officially launched its BPI grants program.

During quarter 2, the project developed all essential tools necessary to support its grants program. BPI Annual Programs Statement (APS) for 2011/2012 officially defines and details the focus, intent and parameters of the program during year 1. Standardized tools and templates to support the application process were finalized, as was protocol affiliated with the grants process. Lastly, BPI held three events to support the launch of the program: 1) an open forum event and presentation was held with 79 attendees present addressing the intent and framework of the BPI grants program, 2) a presentation to 24 business association representatives at the national Mongolian Chamber of Commerce (MNCCI), and 2) a 'Grants Toolkit' training promoting grants application best practices training workshop was held with 66 individuals in attendance.

Through end of quarter 2, BPI has received 20 grant concept proposals valued at over 715 million MNT; however, no concept applications have been accepted by the grants evaluation team as of December 31, 2011.

Result 6: Formation of the startup Green Technology Association

To support the growth of the green technology industry in Mongolia, BPI endeavored during quarter 2 to establish a business association composed of 'green' producers from across Mongolian industries (i.e. alternative fuels and energies, construction, eco lending/banking, and other products/services). An inception and second meetings were held for 10 founding

stakeholders of the association. A green tech company registry was developed, representing the firms' product/service lines; also, a key spokesperson from the GOM addressed the Association on a GOM-managed government subsidy program supporting green technology producers.

Result 7: Inception of Quality Assurance Pilot Program

A comprehensive Quality Assurance program was identified during the year 1 AWP as a pillar program for Component II. Envisioned to take place during the second quarter was the development of a strategy with which to build and introduce a quality assurance program benefitting multiple industries in Mongolia.

During quarter 2, a strategy document on the program (including program focus, curriculum, costing, etc) was developed and submitted for consideration by USAID as well as other local stakeholders in Mongolia. Efforts focused on aligning the program with international training and accreditation bodies for the two programmatic areas, including 1) Food Safety and 2) Quality Management. Materials were developed for the first of three training modules affiliated with the Food Safety quality assurance trainings. A first training on Food Safety 'Hygiene' was held for 23 participants during quarter 2; all trainee participants sat for the examinations affiliated with BPI Food Safety trainings. Per results stemming from participation in these examinations, trainees will receive certification in the given training area by global training body Chartered Institute for Environment and Health (CIEH). Additional trainings will take place in quarter 3, affiliated with Food Safety and Quality Management.

Long-term sustainability of the quality assurance training program was considered. Within the submitted strategy framework document was discussion on the establishment of an independent NGO representing QMC). During quarter 2, BPI approached and discussed prospects of sponsorship and partnership by several leading private sector stakeholders in the local economy.

B3. Component 3: Financial sector capacity and enabling environment improved

The Component 3 focuses on the strengthening of financial institutions, development of new financial products and financial instruments. The Finance team has addressed the challenges in this area by working on such vital functions as improved financial sector supervision and regulation, new non-bank financial instruments and products and the development and strengthening of NBFIs. Increasing transparency of all firms is a priority in order for them to gain better access to finance at a lower cost of capital. The Component 3 team continued its work in reaching the objectives set out in the annual plan. For the quarter ending in December 31, 2011 the main activities and results are:

Result 1: Financial Sector Regulatory Institutions Capacity Strengthened

This group of activities focused mainly on institutional capacity building towards ensuring an enabling environment in legal and regulatory frameworks so as to foster the establishment of private sector owned and operated NBFIs.

Result 2: Develop FRC Capacity to be an Effective Regulator

BPI helped develop the Strategic Corporate Governance Implementation plan for the FRC. FRC is the implementation agency of the GOM corporate governance strategic initiative. The Project provided technical assistance in developing and strengthening the Corporate Governance Unit. BPI provided advisory support to the CG unit in the number of steps to be taken in order to successfully develop the institutional capacity of a CG unit at FRC as a regulatory agency and to launch the official GOM corporate Governance Strategic initiative during the first quarter of 2012.

Result 3: Assist Ministry of Justice and Home Affairs in Bankruptcy Law

The project successfully completed the review and recommended revisions of the DRAFT bankruptcy law, and provided the ministry and the working group with a step by step road map towards the successful introduction of the Bankruptcy Law. The DRAFT law underwent reviews and revisions, by the working group, and BPI recommendations were incorporated into the DRAFT Bankruptcy law. The MoJ is intent in submitting the draft to the parliament in the First Quarter 2012.

Result 4: Assist FRC in Drafting Selected Securities Legislation and Regulations

BPI provided two new draft laws, including the DRAFT Investment Fund Law and the DRAFT Law for the Central Securities Depository upon the request of the Financial Regulatory Committee. Both laws are currently under review by the relevant working groups. A follow up technical assistance program is planned for early March. FRC expects these laws to be submitted to the Parliament committee after the elections in June 2012.

Result 5: NBFi Financing and Investment Products Increased

The main thrust of activities in this area seeks to improve regulatory framework for capital markets formation and the introduction of financial products that will expand access to finance for Mongolian private sector entities.

Result 6: Assistance to FRC for Mandatory Drivers Insurance and related products

The project is currently in the process of developing this capability with the FRC and the insurance association. However, there have been efforts to create public awareness on this law through public outreach programs. (please see the sections that follow)

Result 7: Assistance to USAID to Develop MIK Programs

This activity is in the process of development at this time.

Result 8: Improved Credit Appraisal and Management Skills of Lending Institutions

As Banking and Finance Academy tooled up to become operational through the hiring of a new CEO and the merger with the Bankers Training Center under the BoM, BPI completed of the Loan Officer Development Program (LODP) for the Banking and Finance Academy. LODP will be the flagship training programs of the BFA. In addition, a training of trainers program was delivered, and around 30 trainers have been trained.

Result 9: Corporate Governance and Transparency Improved

The main emphasis in the activities under this component is to ensure improved awareness of good corporate governance practices along the OECD guidelines and under the new Mongolian Companies Law. In addition, a scorecard system will be put in place to ensure that the adopted good corporate governance practices are measured and necessary guidance and directions is provided to the private and public sector firms. A very important development is the passage of the new Companies Law that requires all companies with LLC and JSC status to have a minimum of three certified independent directors to be nominated and engaged at all companies. The two main independent institutions in this regard is the CGDC and the Banking and Finance Academy (BFA).

Result 10: Develop Capacity of CGDC to Design, Develop and Deliver CG Training

In close cooperation with CGDC, BPI designed, developed and delivered Corporate Governance Rating Index (CGRI) for the FRC. The CGRI is a 50 question survey, developed on the basis of the OECD guidelines for corporate governance. The Index is intended to serve as a report card for all companies and will be administered independently for all firms by CGDC, but promulgated at the CG Web Portal of the FRC. The key point will be that this activity will strengthen CGDC consulting capacity, besides its training capacity.

The Project also helped develop the capacity of CGDC to design, develop and deliver training and introduce new services by delivering additional modules or revisions and or updates to the CGDC curriculum. These include new modules on CEO Succession Planning; Board Leadership; Corporate Social Responsibility; and, Business Valuation Process for Board Members. CGDC conducted three separate activities in which around 60 directors received certification training, using the course materials developed by USAID.

Result 11: Develop Capacity of CIB

The project is in the process of providing technical assistance in this area under First Quarter 2012 whereby BPI STTA will provide technical guidance and direction to CIB board in order to ensure the entity to successfully begin its operations during 2012.

Result 12: Conduct Public Education Programs

Project conducted a series of public education and outreach programs in partnership with the EJC. The programs included topics such as share ownership, introduction of the new laws on companies and mandatory drivers' liability insurance. Please refer to Result 1.4.2: Roundtable discussions and trainings with Economic Journalism Club for more details.

C. Next quarter results

C1. Component 1: Implementation of business enabling policies improved

Planned activity 1: Risk Management Implemented in Customs General Administration

BPI will launch the public education campaign on RM for CGA using creative multimedia tools to explain the basic functioning of RM, its benefits to the traders and foreign trade facilitation. The target audience of the campaign will be traders, as well as general public.

Planned activity 2: Legal framework for customs brokers

BPI will proceed with delivering technical assistance in establishing legal and institutional framework for customs brokers through mobilizing STTAs to review and comment the draft law on customs brokers and to set up customs brokers association. BPI understands that it is beyond our control and influence if the draft law is passed at Parliament. However, we will mobilize the best efforts in coordination with CGA through consensus building and awareness of the legislation among policy makers and stakeholders.

Planned activity 3: Implement public committee hearings on legislative initiatives

BPI and OSF will proceed with organizing public hearings at Parliament working groups on legislations by engaging CSOs and business associations. Once draft laws and/or policy papers are identified, roundtable discussions may be organized for CSOs and business organizations to provide technical concept so that they can effectively communicate their inputs during public hearings and participate in policy-making in an informed manner.

Planned activity 4: Roundtable discussions and trainings with Economic Journalism Club

EJC has a vigorous plan to organize series of events before public attentions are distracted to the upcoming Parliament election of July 2012. In addition to technical trainings on selected topics, TPI and BPI will hold a session for the EJC members to review their reporting skills in technical areas in which they have received training under the project. Another milestone to improve the EJC members' performance is to receive support from their employers – managers and editors-in-chief for the club's capacity building efforts. Most employers in media prefer to send their staff to EJC events in rotation, which makes it very difficult for the EJC to ensure consistent and continuous participation of the same members. At the session with media managers, BPI and TPI will try to receive commitments from the EJC members' employers to support EJC activities and their reporters and journalists.

C2. Component 2: Private sector capacity and competitiveness strengthened

Quarter 3 represents what BPI anticipates to be an exciting quarter for Component II. The bulk of activities within this component were literally startup activities, and the project feels considerable results will be achieved and reported across the component areas over the course of the quarter. This includes programmatic assistance targeting Public Private Partnerships, Business Associations, and Quality Assurance training programs.

Planned activity 1: Finalization of PPP Virtual Data Room (VDR) and “Best Practices” Data Room

During quarter 2, BPI initiated work on the establishment of a PPP VDR and ‘Best practices’ functionality to the website of the SPC. A locally recruited PPP Specialist surveyed and assessed the existing SPC website, performing a needs assessment to make this VDR and functionality a reality. A comprehensive assessment report was submitted to BPI, and to the beneficiary client SPC.

During quarter 3, BPI anticipates offering assistance to facilitate establishment of these tools that will aid and assist the SPC and its PPP program. BPI IT and technical resources will work with the SPC and its IT staff to finalize this envisioned work. SPC commitment and pledge of resources in developing and managing the VDR is essential.

Planned activity 2: PPP Transaction Implementation and Capacity Building measures

With a continued lack of capacity(ies) and capability(ies) at the national and municipal level to implement effective PPPs, it remains necessary to deliver and build capacity to respective PPP units and ideally representatives within GOM line ministries. At the same time, BPI understands the primary objective with any assistance offered are actual finalized and closed infrastructure PPP transactions. Thus, in quarter 3 the recently recruited long-term PPP Specialist will identify, develop and deliver ‘bankable’ project transactions at either the municipal and/or national level. This Specialist will utilize BPI in-house resources, as well as identify expatriate and/or other assistance to 1) drive ahead select PPP transaction(s) and also 2) build longer-term qualifications and capabilities of stakeholders associated with Mongolia’s PPP program.

Additionally, there is consensus that educating and promoting awareness in a broader context would be of benefit to Mongolia’s PPP program. BPI (via component II staff and Communications Outreach team) will develop and introduce trainings during the quarter oriented toward the Economic Journalism Club that will build awareness around Mongolia’s Public Private Partnerships program, anticipate project life cycles of effective PPPs, etc.

Planned activity 3: Implementation of BPI Grants Program supporting Association Development

Although in the previous quarter 20 proposals had been submitted by local stakeholders for consideration with the BPI grants program, none had been approved for funding assistance. In quarter 3, BPI anticipates receipt of another 20-30 concept proposals for consideration. Further, BPI anticipates acceptance and approval (along with USAID) of 5-7 grant application proposals for funding, and will begin its partnership with select associations’ assistance and activities as outlined in approved grant applications.

Planned activity 4: Delivery of training/capacity building within Association Development component

With the BPI grants program fully operational and respective select grantees being awarded funding assistance by the project in the quarter, it is envisioned to offer up technical training and capacity building to further increase institutional capacities and outreach of respective associations. BPI will, in partnership with local subcontractor Human Fortis, develop a series

of training modules which it feels will further increase the viability, impact and outreach prospects of given organizations.

In addition to select institutional capacity building/training offerings targeting BPI grantees, BPI will endeavor to identify and develop additional training modules to broadly benefit the business association community at large. This could encompass such thematic areas as strategic planning, effective marketing and promotion, administrative finance, effective communications, etc.

Planned activity 5: Continued Implementation of BPI Quality Assurance Program

BPI has initiated trainings affiliated with the Food Safety portion of its Quality Assurance training program. During quarter 3, BPI anticipates training approximately 75-100 individuals across the three training areas of Food Safety. The project also intends to finalize and introduce the first one if not two training modules affiliated with Quality Management; in total, it is expected that the program will train 50 individuals by end of quarter 3. Thus, across both programmatic areas, BPI anticipates training 125-150 individuals over the course of quarter 3.

BPI will continue efforts to establish the Quality Management Center of Excellence (QMCE) during quarter 3. While it is not foreseen to officially register and open the QMCE prior to closure of the third quarter, continuous and extensive efforts associated with locating strategic and leading partners, funding commitments, planning for official QMCE establishment, and deciding on future of quality assurance programmatic assistance will take place.

C3. Component 3: Financial sector capacity and enabling environment improved

Planned Activity 1: Financial Sector Regulatory Institutions Capacity Strengthened

This group of activities will mainly focus on institutional capacity building in order to ensure an enabling environment in legal and regulatory frameworks. This is expected to foster the establishment and well regulated private sector owned and operated NBFIs.

Planned Activity 2: Develop FRC capacity to be an effective regulator

BPI will continue providing support to build the Corporate Governance Unit at the Financial Regulatory Committee. There are plans to hire short term local consultant for the Corporate Governance Unit to help establish the unit and streamline its operations. BPI is planning to design, develop and implement an internship program in conjunction with the graduate business schools (possibly Institute of Finance and Economics and Faculty of Economics at the National University) whereby MBA students will be interning at the FRC CG unit to help them with the institutional development.

Planned activity 3: Assist Ministry of Justice and Home Affairs in Bankruptcy Law

No new activities expected next quarter, unless a request is received from the MoJ.

Planned Activity 4: Assist FRC in drafting selected securities legislation and regulations

BPI legal advisor Mr. Schiffman will be invited to visit UB in the quarter to assist the FRC staff gain a better understanding of the DRAFT Investment Funds law and the DRAFT Central Securities Depository Law, and develop the necessary regulatory support it will require to implement the laws.

Planned Activity 5: Assistance to FRC for mandatory drivers' insurance and related products

Two BPI consultants specializing in mandatory drivers' liability insurance will be invited to assist the FRC in policy and regulatory capacity development and skills. The STTAs will provide assistance, guidance and direction to FRC and Insurance Association towards the design and introduction of new insurance products. Mandatory Driver's Liability Law will be

effective as of January 1, 2012. There are many questions surrounding the effective implementation of the law. There is also the need for regulations and procedures for the enforcement of this law. The public opinions are quite mixed on this new compulsory insurance law and FRC is in need of capacity to enforce the law effectively.

Planned Activity 6: Assistance to USAID to Develop MIK Programs

BPI will jointly develop a program with MIK to introduce a special financial vehicle under a mortgage backed security to be sold internationally utilizing the USAID mortgage guarantee fund to support the issue. This creative financial instrument is expected to be issued by the end of the first quarter 2012.

Planned Activity 7: Improved Credit Appraisal and Management Skills of Lending Institutions

BPI will continue to provide assistance to the BFA. BFA has recently recruited an executive director (Ms. Nergui) with whom BPI is cooperating closely, providing technical support to and guidance and direction to implement the BFA business plan of BFA. The Mongol Bank has will transfer of the Bank Training Center (BTC) assets and cash to the BFA. BPI will provide technical support to BFA in effectively manage the transition to an independent for profit training organization set up by the partner banks at the Mongolian Bankers Association. BFA will officially launch its first LODP program to the bank and finance sector professionals towards certification. In addition BFA will launch its first set of new courses that will include such topics as bank lending operations, LODP full program, human resource management, and corporate governance for bank directors. BFA plans to train 60 bankers under the first LODP program, in addition to the others cited above.

Planned Activity 8: Develop capacity of CGDC to design, develop and deliver cg training

BPI will deliver training programs to FRC and CGDC surveyors to conduct the CGRI effectively. BPI will provide TA to CGDC to continue the delivery of directors certification trainings, in addition to providing single topic training on corporate governance as the market demands. BPI shall continue providing technical support to CGDC to ensure sustainability of its operations.

Planned Activity 9: Develop Capacity of CIB

Implement capacity building program for Credit Information Bureau (CIB) to implement its business plan. The CIB Board have asked BPI to assist in negotiations and developing requirements for the CIB software. This software will host the credit information. This assistance is necessary because credit information database creation in a new concept to Mongolia. CIB Mongolia has selected a Singaporean Company to provide the software to CIB. BPI will provide TA towards ensuring that the contract negotiations for the agreement is satisfactory, and that other technical details are properly acquired to prevent any future delays in making the CIB operational and sustainable.

Planned Activity 10: Conduct Public Education Programs

BPI will organize a number of investigative journalists training in finance and economics, in cooperation with the EJC. In addition, there will be at least four additional public outreach and awareness programs on mandatory drivers' insurance law implementation, as well as the implementation of the new companies law, and corporate governance. There will also be other public education programs on stock exchange operations and the issue of due diligence in investing processes.

SECTION III: PROJECT MANAGEMENT AND ADMINISTRATION

A. Introduction

This section summarizes significant project management and administration activities, problems encountered and actions taken to solve them, and main activities scheduled for completion during the next quarter. Annex A contains a list of long-term local project staff and short-term expatriate and local technical assignments.

B. Project management and administration activities

During the second quarter, project management and administration activities focused on support and delivery of programmatic and technical assistance across the three BPI component areas. Project management continued to focus on finishing procurement of contract-approved commodities and recruitment of qualified local long-term personnel. By the end of the quarter, the project had finished procurement of all major commodities. In addition, the project finalized the disposition of excess inventory to local NGOs. Key project management and administration actions and activities completed include:

- Hosted Chemonics home office Communication and Outreach team on assignment to promote effectiveness of BPI internal and external project communications
- Measured and updated M&E system with key project results. Additionally, continued regular weekly and monthly reporting to USAID
- Continued discussions and negotiations with Human Fortis in efforts to finalize a subcontract to assist BPI in project activities
- Provision of logistical support affiliated with mobilization of BPI expatriate STTA
- Finalized recruitment of candidates to fill vacant local long-term positions in components II and III
- COP departed the project at the end of November; Chemonics has initiative a recruitment process to identify and mobilize a replacement COP
- Completed procurement of all major commodities approved by USAID
- Finalized the disposition of excess expendable and non-expendable project property as approved by the USAID and donated to NGOs
- BPI finalized the subcontract with OSF on November 17

All long-term key personnel were at post and short-term assignments started smoothly.

C. Personnel

C1. Long-term expatriate personnel

A decision to replace the BPI Chief of Party was made in December 2011. Uurtsaikh Sangi, DCOP, is acting COP until the COP position is filled. A replacement has not yet been identified. No other key changes were made in key personnel during the second quarter.

C2. Long-term local personnel

By the end of the quarter the project had hired four local long-term professionals and filled five positions, as well as one local long-term staff was promoted to a position of Monitoring and Evaluation Specialist. Project management efforts during the quarter focused on recruiting competent local personnel at competitive rates, in accordance with the approved salary matrix scale. Exhibit A-1 in Annex A provides a summary status of local staff as of the end of the reporting period.

There were following changes in local long-term personnel:

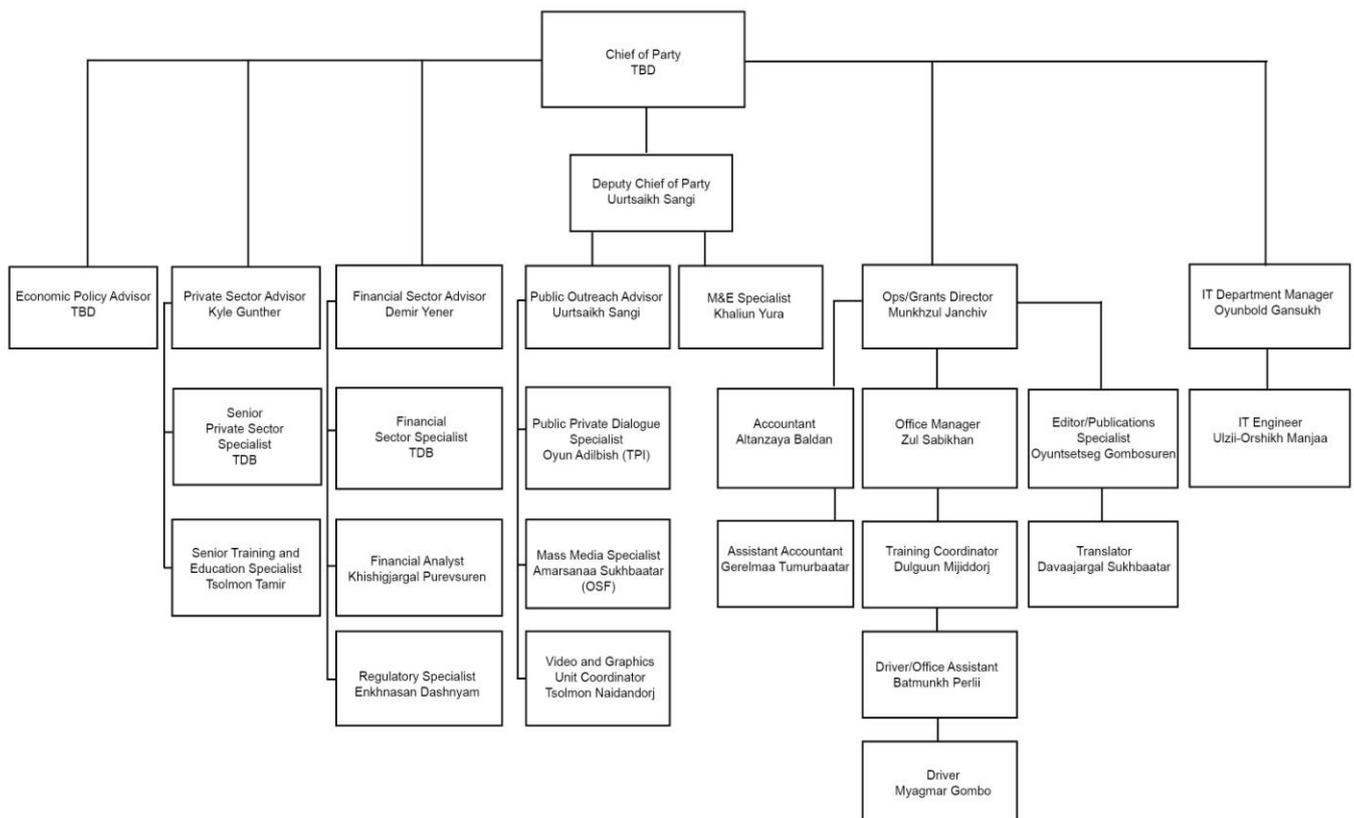
- Oyunbold Gansukh assumed the position of IT department manager on October 7
- Gerelmaa Tumurbaatar filled in the position of Accounting Assistant on October 7
- Khishigjargal Purevsuren assumed the position of Financial analyst on October 31
- Davaajargal Sukhbaatar assumed the position of Translator on October 31
- Munkhzul Janchiv joined the project as Operations and Grant Director on November 7
- Khaliun Yura promoted to a position of Monitoring and Evaluation Specialist as of November 23

There were no other changes in long-term local personnel during the period under review.

The organizational chart of the project as of the end of the quarter appears as Exhibit III-1.

Exhibit III-1: BPI organization chart for Oct-Dec QPR

Mongolia Business Plus Initiative Project organization chart
December 30, 2011



C3. Deployment of short-term technical assistance

Deployment of short-term expatriate assistance proceeded according to work plan schedule during the quarter. Ten project-related short-term technical assignments were completed or initiated during the quarter.

Exhibit A-2 in Annex A provides details about the purpose of these assignments and dates of arrival and departure, as relevant.

D. Status of subcontracts

BPI continues to work closely with subcontractors The Open Society Forum on public education and national dialogue activities and the Press Institute on the public private dialogue facilitation, media engagement as well as journalist training.

BPI has continued discussions on information and detail associated with a subcontract to assist and support component II project activities moving forward into quarter 3. Chemonics and Human Fortis will discuss SOW that match with the capacities and abilities of Human Fortis; BPI will utilize Human Fortis if commitment and value is demonstrated by the subcontractor. USAID will be kept up informed of any further intent or development with regards to utilizing Human Fortis.

F. Problems encountered and remedial actions

There were no significant problems materially affecting contract performance during the quarter.

Recruiting suitable and qualified candidates for vacant positions has been a problem since the start-up. Given labor market conditions and higher salary expectations driven by private sector, especially by mining companies, the project has been encountering difficulties.

G. Project and contract management actions expected for the next quarter

Project and contract management actions expected to be completed during the next quarter include the following:

- Finalization and signing the subcontract with Human Fortis Consulting
- Finalize the recruitment for COP and mobilize him/her to the post
- Hiring of suitable local personnel for vacant positions under component 1 after COP arrives at the post
- Complete procurement of remaining office furniture and equipment
- Finalize the project website development
- Finalize the IT works related to project server and Local Area Network
- Prepare for USAID annual inventory check up in February 2012
- Perform any and all other contract management and project support functions as required in the annual work plan and as needs emerge.

ANNEX A: LONG-TERM LOCAL PERSONNEL AND EXPATRIATE SHORT-TERM ASSIGNMENTS

Exhibit A-1: Local long-term project staff as of the end of October – December 2011 quarter			
Employee name	Position	Start date	End date
<i>Professional Staff</i>			
Uurtsaikh Sangi	Deputy chief of party	Jun 20, 2011	
Altanzaya Baldan	Accountant	Jun 20, 2011	
Enkhnasan Dashnyam	Regulatory specialist	Jul 28, 2011	
Tsolmon Tamir	Senior training and education specialist	Jul 28, 2011	
Tsolmon Naidandorj	Video and graphics coordinator	Jul 28, 2011	
Oyuntsetseg Gombosuren	Editor/Publications Specialist	Jul 28, 2011	
Dulguun Mijiddorj	Training coordinator	Aug 22, 2011	
Khaliun Yura	M&E Specialist	Aug 24, 2011	
Oyunbold Gansukh	IT department manager	Oct 7, 2011	
Khishigjargal Purevsuren	Financial analyst	Oct 31, 2011	
Davaajargal Sukhbaatar	Translator	Oct 31, 2011	
Munkhzul Janchiv	Operations and grant director	Nov 7, 2011	
<i>Support Staff</i>			
Zul Sabikhan	Office manager	Jun 20, 2011	
Batmunkh Perlii	Driver/Messenger	Aug 22, 2011	
Myagmar Gombo	Driver Messenger	Sep 12, 2011	
Gerelmaa Tumurbaatar	Accounting assistant	Oct 7, 2011	
<i>Subcontractors</i>			
Amarsanaa Sukhbaatar	Mass media specialist	Jul 27, 2011	
Oyun Adilbish	Public private dialogue specialist	Jul 27, 2011	

Exhibit A-2: Short-term technical assignments during the October – December 2011 quarter

Name	Purpose of assignment	Date of arrival	Date of departure
Barrie Evans	Development of the strategy for quality assurance program and organize ISO and HACCP training programs	Aug 15, 2011	Feb 28, 2012
Upekha Weeransinghe	Loan officers development program for BFA	Sep 11, 2011	Oct 8, 2011
Michelle Lum	Assistance on project operations, training, and communications	Sep 11, 2011	Dec 15, 2011
Alicia Ann Imbody	PMP implementation and training	Sep 22, 2011	Oct 1, 2011
Jorge Montoya	Review of risk management selectivity component update and design for customs	Sep 25, 2011	Oct 8, 2011
Robert Hart	Loan officer training advisor to BFA	Oct 13, 2011	Dec 8, 2011
Amgalan Nordov	STTA on PPP Best Practices Data Room	Nov 1, 2011	Dec 15, 2011
Khangal Davaa	STTA for BFA to contribute to loan officer training	Nov 1, 2011	Dec 31, 2011
Langdon Miller	STTA on grants program, 'Toolkit Training'	Nov 27, 2011	Dec 2, 2011
Cecilia Paredes	STTA on communications strategy	Dec 2, 2011	Dec 17, 2011

ANNEX B: PERFORMANCE MONITORING PLAN

Exhibit B-1. Performance monitoring plan (October-December 2011 quarter)

Indicator number	Indicator Description	Baseline	Current Target	Actuals	Change Since Startup	% Target Met	Milestones
Project Objective: Role for private sector in Mongolia's economic growth enhanced							
A	Percentage change in employment in non-mining sectors		110%	#DIV/0!	#DIV/0!	#DIV/0!	
B	Percentage change in company gross output in non-mining sectors		105%	#DIV/0!	#DIV/0!	#DIV/0!	
PIR 1: Implementation of business enabling policies improved							
1.1	Percentage change in number of new business registrations in non-mining sectors		105%	#DIV/0!	#DIV/0!	#DIV/0!	
KRA 1.1: Government capacity to implement economic policies and programs increased							
1.1.1	Number of government agency staff trained in various topics related to implementation of economic policies	0	50	17	17	0.34	
1.1.2	Number of legal, regulatory, or institutional actions taken to improve implementation or compliance with existing business enabling environment policies with project assistance	0	3	0	0	0	
1.1.3	Number of tools and administrative procedures created or improved to enhance implementation of economic policies	0	3	0	0	0	
KRA 1.2: Trade capacity strengthened							
1.2.1	Change in number of procedures required to trade goods across borders as a result of project assistance	16	14	0	-16	0	
1.2.2	Percentage Change in average cost for trading goods across borders	4405	90%	#DIV/0!	#DIV/0!	#DIV/0!	
KRA 1.3: Licensing, standards, and inspections streamlined and enforced							
1.3.1	Change in number of procedures required to register a business and /or obtain a license	7	5	0	-7	0	
1.3.2	Change in average number of days required to register a business and/or obtain a license	13	11	0	-13	0	
KRA 1.4: Public-private dialogue broadened							
1.4.1	Number of public-private dialogue mechanisms utilized as a result of project assistance	0	4	0	0	0	
1.4.2	Number of EJC roundtables held to improve journalists' education on economic and financial issues	0	20	6	6	0.30	
PIR 2: Private sector capacity and competitiveness strengthened							
2.1	Change in percentage of public and private sector partners supported by the project who have increased efficiencies of their businesses and/or operations	0	25%	0	0	0	
KRA 2.1: Foreign and domestic private sector investment increased							
2.1.1	Number of PPPs facilitated by BPI	0	3	0	0	0	
2.1.2	Number of public and private counterparts trained in PPP processes and best practices	0	50	0	0	0	
KRA 2.2: Business associations' capacity strengthened							
2.2.1	Number of business associations mature/viable in the competency areas strengthened as a result of project assistance	0	5	#DIV/0!	#DIV/0!	#DIV/0!	
2.2.2	Percentage change in number of new business association members as a result of project assistance		110%	0	0	0	
KRA 2.3: Partnerships for business enhancement and innovation expanded							
2.3.1	Number of quality management auditors trained for international certification	0	30	23	23	0.77	
2.3.2	Number of GDAs facilitated by BPI	0	1	0	0	0	

PIR 3: Financial sector capacity and enabling environment improved							
3.1	Percentage Change in value of total assets (including credits) of NBFIs assisted by BPI		105%	#DIV/0!	#DIV/0!	#DIV/0!	
3.2	Change in average Mongolia CGRI scores		0.5	0	0	0	
KRA 3.1: Financial sector regulatory institutions capacity strengthened							
3.1.1	Number of institutions under FRC jurisdiction that have adopted internationally recognized financial sector standards as a result of project assistance	0	50	0	0	0	
3.1.2	Number of non-bank financial sector supervisors trained with project assistance	0	20	8	8	0.40	
3.1.3	Number of laws and regulations drafted or revised to strengthen the NBFIs regulatory framework	0	10	6	6	0.60	
KRA 3.2: NBFIs Financing and investment products increased							
3.2.1	Number of financial sector professionals trained according to international standards by BFA	0	160	29	29	0.18	
3.2.2	Number of new or adapted non-bank financial products developed with project assistance	0	4	0	0	0	
KRA 3.3: Corporate governance and transparency improved							
3.3.1	Number of new companies participating in CGRI assessments	0	40	0	0	0	
3.3.2	Number of corporate executives and directors trained by CGDC with project assistance in new Mongolian corporate governance programs	0	100	53	53	0.53	
3.3.3	Number of public education programs held to educate citizens on shares of publicly traded companies distributed to citizens	0	8	0	0	0	

Exhibit B-2. Public Conferences, Presentations, Training Events and Workshops Hosted by Project and Partners with Project Support (October - December 2011 quarter)

No	Indicator	Reporting Period	Date	Event Name/Topic	Participants	No. Male	No. Fem.	No. of Attend.	Event Host	Location	Duration (hours)	Person/ days
1	1.4.2	Q2	15/Oct/11	Economic Journalism Club Workshop-Retreat	Journalists	4	19	23	BPI/TPI	Khokh Morit Camp	8	23
2	1.4.2	Q2	28/Oct/11	Workshop on Share Ownership and Corporate Governance for EJC journalists	Journalists	8	19	27	BPI/TPI	Press Institute Conference Hall	3	10
3	3.3.2	Q2	21-22,26-27/Oct/11	Directors training on Corporate Governance	Private sector companies	4	4	8	BPI/CGDC	Corporate Governance Development Center	32	32
4	1.4.2	Q2	10/Nov/11	Workshop on Company new law for EJC journalists	Journalists	7	18	25	BPI/TPI	Press Institute Conference Hall	2	6
5	3.3.2	Q2	18/Nov/11	CGRI Workshop	FRC, SPC and MSE officials	10	8	18	BPI/CGDC	Financial Regulatory Commission	2	5
6	1.4.2	Q2	18/Nov/11	Media tour at MSE for EJC journalists	Journalists	9	20	29	BPI/TPI	Mongolian Stock Exchange	2	7
7	-	Q2	22/Nov/11	Grant Opening Event	Representatives from NGOs and private sectors	25	25	50	BPI	Open Society Forum	2	13
8	-	Q2	28/Nov/11	Presentation on Grants Program	Representatives from Associations	21	6	27	BPI	Mongolian National Chamber of Commerce and Industry	2	7
9	-	Q2	1/Dec/11	Effective Grant Preparation training	Representatives from NGOs and private sectors	35	30	65	BPI	Open Society Forum	3	24
10	1.4.2	Q2	1/Dec/11	Workshop on Budget for EJC journalists	Journalists	15	15	30	BPI/TPI	Press Institute Conference Hall	1.5	6
11	3.2.1	Q2	5-7/Dec/11	Loan Officer Development Program	Banking sector representatives	9	20	29	BPI/MBA	Mongolian Bankers Association	8	29
12	1.4.2	Q2	16/Dec/11	Workshop on Driver's Insurance Law	Journalists	8	8	16	BPI/TPI	Press Institute Conference Hall	2.5	5
13	3.3.2	Q2	17/Dec/11	Directors training on Corporate Governance	BoD and Directors from financial sectors	21	6	27	BPI/CGDC	Corporate Governance Development Center	8	27
14	2.3.1	Q2	19-20-Dec-2011	Food Safety Training	Representatives from food industries	5	18	23	BPI	Open Society Forum	13	34

Total Participants:

397

89

228

Males:

181

Females:

216