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Business Plus Initiative
USAID funded project implemented by Chemonics International

MONGOLIA BUSINESS PLUS INITIATIVE

**QUARTERLY PERFORMANCE REPORT
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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 January 1, 2012 through March 31, 2012.

While Chemonics International continued its exhaustive search for a new Chief of Party, an interim COP Fernando Bertoli was fielded in mid-February. In response to USAID's concerns that the project was not gaining traction in the Business Enabling Environment component, upon arrival Mr. Bertoli initiated a process to revise the annual work plan for Year 1 and upcoming Year 2. This effort was focused in order to identify areas of activities that could gain traction within the government and project counterparts, identifying champions for reform, refocusing the grants program, and to remove activities that no longer demonstrated a return on investment or expected to produce impact in the short term. Mr. Bertoli led an effort, along with component leaders and the DCOP, Uurtsaikh Sangi, to meet with project counterparts and identify a set of prioritized reforms that currently have willing partners and can be achieved within the given timeframes in our AWP.

Within component 1, Chemonics responded by placing an added focus reforms that could be achieved with the customs agency on simplifying import and export processes. The World Bank's Doing Business indicator "trading across borders" was identified as an area that could have potential "quick wins" and Chemonics committed to bringing in an accomplished expert to establish a plan for improving Mongolia's standing from a ranking of 159. Additionally, there was express demand from the customs agency to assist with Risk Management and an identified need to assist with the establishment of a custom brokers' association and develop a draft law.

In component 2, the quality assurance program achieved significant milestones with the continued training of over 150 private sector champions for quality assurance in Health and Food Safety. This include the collection of service fees to provide a foundation for the eventual launch of the Quality Management Center of Excellence (QMCE), a clear indicator of sustainability based on private sector demand for quality assurance systems. Within component 2 the first grant was issued for a web based solution to assist start ups in Mongolia.

In the financial sector component, project continued to support the Ministry of Justice and its bankruptcy law working group to advance the draft bankruptcy law, participated at the Corporate Governance National Council activities and advised on National CG national policy implementation, and assisted the FRC insurance department to develop a strong regulatory function, establish guidance on determining benefits and strengthen the insurance sector capacity, among other activities detailed below.

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

- Continue support to the custom brokers association and develop a draft law and kick-off public and private dialogue on the draft legislation
- Initiate the establishment of customs brokers association
- Assess the plan to reduce the number of days for import clearance and reduce the burden of compliance with tax procedures
- Continue Economic Journalism Club activities
- Continue training activities affiliated with the quality assurance program and seek financial and leadership support for the envisioned QMCE
- Offer institutional capacity building initiatives across association landscape

- 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.

At the client's request to refocus BPI activities, BPI launched an extensive exercise to identify reform areas that can produce results in the short-term and to link BPI component activities under an integrated strategy to move forward. The QPR for the reporting quarter provides updates and progress on the activities planned under BPI's original AWP and some activities that are newly introduced as a result of project refocusing. This includes the foreign trade facilitation initiative to move Mongolia's ranking in World Bank's Doing Business indicator on "trading across borders." The revision to AWP activities for the remaining period of Year 1 and development of refocused AWP for quarter 4 of Year 1 and Year 2 is underway with close consultations with USAID and project counterparts.

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 3rd quarter of BPI operations ending on March 31, 2012, this quarterly report represents progress made against project deliverables as outlined in the BPI Year 1 AWP and introduction of new activities as agreed with USAID following the project restructuring. 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: Foreign Trade Facilitation in Customs General Administration

During the dialogue to refocus BPI efforts by concentrating on activities that can have measurable impacts within 20-30 months but can also serve as building blocks for further reforms, BPI planned an activity to reduce the time to clear imports. The new initiative falls under the business enabling environment (BEE) reforms along with others such as reducing the burden of compliance with procedures for paying. Mongolia currently ranks 158th out of 181 countries in the 2011 “Trading across borders” Doing Business indicator of the World Bank (WB) and the reduction of the time to clear imports is a major factor to the poor ranking. BPI developed the SOW and is ready to mobilize an STTA at the end of this quarter, who has extensive experience in Georgia in reforms to rapidly move its ranking in WB Doing Business indicators.

Result 2: Legal framework for customs brokers

An important aspect of the RM implementation is to transfer a number of CGA functions to brokers. International “best practice” requires that declarants have responsibility for accurately and completely completing and submitting customs declarations and associated documents when importing and exporting goods and means of transport. Customs brokers, acting as the declarants’ agents and customs specialists working directly for larger traders, perform this function in most countries. However, in Mongolia, the consensus is that customs brokers and registered agents do not properly perform this function and as a consequence customs officers generally closely scrutinize and revise customs declarations, changing declared value etc.

CGA is proposing a draft law on customs brokers’ to improve the current situation by taking responsibility for the training and licensing of customs brokers and registered customs specialists. At the end of the quarter, BPI mobilized a customs legal expert, Steve Creskoff, to work with the CGA, customs brokers, and other stakeholders to explain international best practices in customs brokers’ legislation and functions and to develop a draft law. The assignment will continue in the next quarter.

Result 3: Implement public committee hearings on legislative initiatives

BPI, under the efforts of project restructuring, have held initial meetings with OSF to refocus its activities in enhancing public and private dialogue and longer-term initiatives that can feed to business enabling environment (BEE) reforms BPI carries under the new structure.

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 and organized roundtable discussions and training in the follow areas:

1. A series of sessions corporate governance, new company law, and corporate social responsibility
2. A series of sessions on the newly adopted law on drivers' compulsory insurance
3. Improving writing and reporting skills
4. PPP
5. Quality as a source of competitive advantage for Mongolia

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.

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

B2. Component 2: Private sector capacity and competitiveness strengthened

The third quarter for USAID/BPI resulted in continued progress against deliverables as highlighted in the year 1 AWP. Several key milestones and successes were reached, against areas involved with: 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*.

Result 1: Successful inclusion of the UB municipal concessions/PPP unit in World Bank Institute (WBI) funded Leadership Development program

In quarters past, the UB municipal concessions and PPP unit was awarded inclusion in a World Bank funded 18-month Leadership Development program; this results directly from USAID/BPI's efforts to craft a technical proposal for consideration. Six PPP units from across the Asian region were selected; the UB PPP unit will take part in a first phase training workshop(s) in Seoul, South Korea in May 2012.

Other envisioned quarterly PPP-related efforts were scaled back per decision by USAID and BPI leadership. With the Government of Mongolia's passage of a new Budget Law and amendments made to the Concessions Law, it was determined resources and efforts would be better allocated and expended elsewhere across the project. For the remainder of year 1, BPI will not provide additional assistance to Mongolia's Public Private Partnerships program.

Result 2: First Grant Awarded to local NGO to establish web-based/SMS solution to Startups and Small Businesses across Mongolia

BPI finalized its first grant award to local NGO Development Solutions, a Mongolian business development service (BDS) provider based in Ulaanbaatar with operational focus on consulting to entrepreneurial startups and small businesses. The grant will serve to co-fund the establishment of a fee-based, online business solution (www.bizguide.mn) for businesses and business owners country-wide to access information and advisory services on operating and sustaining viable, profitable businesses in Mongolia. The grant will be implemented from April through September 2012.

Through the end of quarter 3, USAID/BPI received 56 grant concept proposals exceeding 2.1 billion Mongolian Togrog (MNT) in value.

Result 3: Official Registration Realized of the Mongolian Green Technology Association

BPI sustained efforts begun in last quarter to facilitate the establishment of a Green Tech Association in Mongolia. Registered officially during quarter 3, the founding stakeholders of the association represent various sub-sectors of industry (i.e. alternative fuels and energies, construction, eco lending/banking, etc), all keen on building and enhancing 'green' industry in the country. With assistance from BPI, the Association realized and registered a charter and respective set of by-laws with the Ministry of Justice and Home Affairs, finalized a 12-month strategic action plan governing association concerns (administrative, financial, marketing, operational), and began implementation of activities including a prospective advocacy campaign lobbying/advising the government on an approximate 30 billion MNT per annum subsidy support program (Clean Air Fund) aimed at the Mongolian private sector.

Result 4: Planning of the BizAccelerator Program “New Mongol”

Business accelerator programs are nothing new to entrepreneurs and startups worldwide. Accelerator programs are a proven quantity regardless of geography, and typically entail rigorous training, mentorship and fostering of ideas, enhancement of business planning and strategy development. In select cases base financing or 'seed' capital for graduates of respective programs is provided.

USAID/BPI believes that an accelerator program of sorts would be beneficial to startups and entrepreneurs in Mongolia. During this recent quarter's performance, the project worked with local NGO *SWMongolia* and foreseen partners on development of a concept framework under which a pilot accelerator program could be introduced/implemented in Mongolia.

Result 5: Inception USAID/BPI Quality Assurance Awards Ceremony Held in March

BPI held its first Quality Assurance inception awards ceremony on March 22, 2012. Receiving awards were approximately 50 public and private sector participants who had successfully completed program requirements in i) Hygiene: Food Safety and Manufacturing, and/or ii) Food Safety Hazard analysis and critical control points (HACCP) management systems. US Ambassador Jonathan Addleton, USAID Mission Director Karen Hilliard, and Nomin Holding General Manager Sh. Nurmaa participated at the event.

Since the inception of training in December 2011, BPI has trained 120 individuals in the above-mentioned areas. BPI anticipates training and certifying another 100-150 professionals in Food Safety and Quality by June 2012. BPI also plans to hold an advanced Lead Auditing training course for 30 professionals in May 2012. This Lead Auditor training will be the first of its kind in Mongolia.

Lastly, BPI continued work to establish the Mongolian Quality Management Center of Excellence (QMCE), a public private partnership driving ahead quality and competitiveness training/certification and accompanying international industry standards in the medium to longer-term future. Further consensus and support efforts were realized.

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 strengthening sustainability of the Banking and Finance Academy, Corporate Governance Development Center with direct technical assistance in delivery of training and ensuring that these two organizations operate profitably and provide best quality services to the financial and executive community. 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 March 31, 2012 the main activities and results are:

Result 1: Financial Sector Regulatory Institutions Capacity Strengthened

BPI has developed Corporate Governance Rating Index for FRC Corporate Governance Implementation Unit. CGRI index consists of 50 questions and was developed based on Mongolian CG Code and OECD CG Code. BPI shall provide assistance to FRC in implementing corporate governance rating index to top Mongolian Stock Exchange listed companies.

BPI has participated at the Corporate Governance National Council activities and advised on National CG national policy implementation. As result of meeting BPI shall co-organize CG National Council's round table discussion in April 20, 2012.

Result 2: Develop FRC Capacity to be an Effective Regulator

The project held a meeting in March with FRC and the Luxembourg development project regarding the implementation of FinA. BPI and the Luxembourg development project agreed to implement FinA on a joint basis.

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

After delivering the review of the draft law and the recommendations, the project continued to support the Ministry of Justice and its bankruptcy law working group. The project representative attended several meetings of the working group. The project delivered an opinion at the request of the state secretary of the Ministry regarding the general bankruptcy regulation and regulation of bank bankruptcies. The project also administered a translation of the second bankruptcy draft law into English as it was requested by the Ministry of Justice. The project coordinates with the World Bank Insolvency Legislative team to ensure the compatibility of the bankruptcy law draft with the global best practices in insolvency legislation as stipulated in the UNCITRAL Legislative Guide on Insolvency Law (United Nations Commission on International Trade Law) in the matter.

The Ministry of Justice is finalizing the review of the draft law and intends to distribute it to other government institutions for comments.

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

The draft laws on the investment funds and on the securities depository delivered by the project are currently under review by the relevant working groups. The project continued to provide technical advice to FRC. FRC intends to move ahead with the draft discussions at the working group in order to ensure submission of the drafts 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. The project is seeking ways to accommodate the demand from NBFI market participants towards the development of impact funds and pension funds (the third pillar voluntary funds) in conjunction with the upcoming investment funds legislation.

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

The project hired short term consultant Kirsten Armstrong who arrived in Mongolia and worked with FRC during February 2-26th, 2012. Ms. Armstrong assisted the FRC insurance department to develop a strong regulatory function, establish guidance on determining benefits and strengthen the insurance sector capacity.

Ms. Armstrong reviewed the Law on the Driver's Insurance and related FRC regulations and presented the findings to the FRC insurance department at two sessions on February 8th and 16th. Ms. Armstrong participated in the driver's insurance roundtable organized by the project

for the Economic Journalists' Club on February 10th and the seminar for bus and taxi companies organized by the Association of Mandatory Insurers on February 17th. The presentations at these events explained the general public and relevant stakeholders about the importance and principles of the mandatory drivers insurance. Ms. Armstrong produced a final report and also several policy guidelines for FRC.

Result 7: Assistance to USAID to Develop MIK Programs

This activity is in the process of development at this time. MIK new issuance has been held up somewhat due to weak demand in the marketplace, as the policy interest rates of central bank has drained banking sector from its liquidity at this time.

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

Loan Officer Development Program started its first training on March 12th, 2012. This is a uniquely rigorous program that offers world best practice training for loan officers. BFA has decided to award Certified Loan Officer designation to those who will successfully complete the program upon attending LODP program. There are total of thirteen attendees for this first LODP and the program will be completed on May 25, 2012, and participants will sit for a comprehensive examination.

BPI provided technical assistance by delivering a number of LODP Modules, including the Module 1 Introductions to Financial Markets and Module 4 Foundation to Risk Management thus far. BPI advisors will also deliver Module 24 on Valuation in May.

Result 9: Increased sustainability and organizational development of Banking and Finance Academy

Banking and Finance Academy officially opened for business on January 13, 2012. At the opening ceremony of BFA the Mongol Bank Training Center was transferred to the BFA with all the assets: including Cash amount of 128 million MNT, training equipment worth 51 million MNT. One accountant, administrator and a program assistant also joined recently. Additionally, training materials previously developed under GIZ program assistance during 1992-2012 were handed to the BFA. This capacity transfer has enabled BFA to update these training materials and begin offering some additional trainings such as teller's training.

BPI provided technical assistance to BFA in establishing itself as an independent private institution owned by the private banks. On a January 6th a meeting with commercial banks and NBFIs human resource department heads and managers was organized. At this time, BFA and its training programs were introduced to the banking community. On January 16th train the trainers program was organized for future trainers of BFA on how to effectively deliver trainings and particularities of adult learning. Future trainers of BFA took 100 questions tests and those who passed the test received their certificates on March 12, 2012. BFA now has 15 certified trainers. Training and consultative session with BFA future trainers was developed and delivered under BPI supervision by BODHI Financial Advisory services company February 1, 2012.

BFA official website started running from January 20th and the domain name is www.bfa.mn. BPI also provided assistance in negotiations and cooperation deals established between BFA and other international organization and training institutions. These include EBRD, Omega Financial Training and Price Waterhouse Coopers.

BPI delivered the following trainings to the BFA: Bank Corporate Governance for Mid-Level managers on January 18th, Corporate Governance and Updated Legal Environment for Bank Executives on March 17th.

Result 10: Corporate Governance and Transparency Improved

BPI translated Company's Law into English and shared with other international organizations such as IFC. On March 23 BPI delivered a session on the Companies Law to the Economic Journalists Club. This training session helped journalists to get better understanding of governance issues behind the law and the reason for such amendments. CGDC is also conducting session on amended Companies Law in their director's certification programs.

Corporate governance rating index developed for FRC shall serve as an excellent tool to increase transparency. CGRI shall be implemented at the listed companies first.

Result 11: Develop Capacity of CGDC to Design, Develop and Deliver CG Training

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 12: 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 13: Conduct Public Education Programs

The project has organized a roundtable on the mandatory driver's insurance and international experience on February 10, 2012 for the Economics Journalism Club (EJC). The purpose of the event was to explain the journalists about the new mandatory driver's insurance law and its implications and also inform about the experience in other countries in this regard. The roundtable helped to remove the initial wariness of the public to new law and to gain a better understanding about the mandatory driver's insurance.

The project organized a discussion on corporate governance with the EJC on March 2, 2012. The project presented examples of how bad corporate governance impacted the corporate community in various countries and provided a lesson that good corporate governance can help in avoiding risks.

The project organized a seminar on protecting the rights of small shareholders with the EJC on March 23. FRC was a joint organizer and main panelist of the event. The seminar discussed the challenges and issues faced by small shareholders of Mongolian companies and the ways by which the state can protect them.

The project organized a discussion on corporate social responsibility with the EJC on March 29, 2012. The discussion touched upon the issues of corporate social responsibility, good corporate citizenship and corporate contribution to the environment and society. This discussion stimulated a lively debate among journalists and proved to be a useful subject.

C. Next quarter results

C1. Component 1: Implementation of business enabling policies improved

Planned activity 1: Foreign Trade Facilitation with Customs General Administration

STTA Olin McGill will start his assignment in coordination with CGA, GASI, MNCCI, customs brokers, freight forwarders, and other stakeholders to introduce economic benefits from reducing the time to clear imports. BPI will also identify legislation, procedures, and steps that inhibit faster clearance time.

Planned activity 2: Legal framework for customs brokers

STTA Steve Creskoff will complete the assignment on drafting customs brokers' law with consultations with CGA, MNCCI, customs brokers, and traders through introducing international best practices in the area of customs brokers legislation and functions.

Planned activity 3: Implement public committee hearings on legislative initiatives

Discussions will continue to refocus activities under OSF subcontract and identify new and innovative initiatives.

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

EJC will continue its vigorous plan to organize series of events before public attentions are distracted to the upcoming Parliament election of July 2012. BPI will assist TPI in organizing the first media forum designed to raise the importance of public and private dialogue on legislation, including the draft law on press freedom, and obtain commitment from employers of EJC members. Upon the finalization of the AWP with refocused activities, BPI will schedule EJC events around the BEE reforms to raise awareness among government stakeholders, businesses, and general public designed to receive their buy-in for BPI reforms.

C2. Component 2: Private sector capacity and competitiveness strengthened

With agreement between USAID and BPI, there will be slight re-focusing of efforts as relates to the AWP for year one. A scaling back and reallocation of resources will take place, especially in relation to assistance for Public Private Partnerships. A cancellation of the grants program during the third quarter will result in shift in BPI's approach to association development, with considerable assistance promoted with institutional capacity building of select association partners. Lastly, enhancement of efforts in relation to private sector Alliances and Partnerships will be expanded and realized during this fourth quarter.

Planned activity 1: Delivery of training/capacity building within Association Development component

As a result of refocusing of the grants program, the project will develop and deliver a new approach to assisting select associations in activities aligned with USAID/BPI strategic objectives.

Programmatic activity implementation is foreseen, per agreement with BPI. For instance, the project is working with the Custom Brokers Council on a proposed Custom Brokers draft law, and may in fact establish a formal association and fund select activities with and on behalf of the association to drive change in the marketplace.

However, USAID/BPI from project inception has lobbied for the need to offer technical training and capacity building to increase institutional capacities and outreach of respective partner associations. It was hoped that subcontractor Human Fortis could serve this niche or role; however, BPI feels there could be more traction and value in internally developing a series a standardized Association Development Toolkit, encompassing such thematic areas as strategic planning, effective marketing and promotion, administrative finance, effective communications, etc. The project will then train a cadre of local consultants and professionals with whom they could contract for such services as the future unfolds. An STTA will be recruited to deliver this toolkit and training during the quarter.

Planned activity 2: Implementation support provided to Green Tech Association

In accordance with the Strategic Action Plan as was devised with founding members of the Mongolian Green Tech Association during quarter 3, BPI will aid and assist in the delivery of select activities with and on behalf of the startup organization. In particular, BPI will take a

leading role in development of a standardized set of marketing tools, consult the association on transparent and effective governance, as well as support working groups within the association on operational activities, i.e. proposed intern program; advocacy campaign.

Planned activity 3: Establishment and Support to a startup Custom Brokers Association

Aligned with efforts to introduce support in the drafting, passage and implementation of a new Customs Brokers law, USAID/BPI will establish a new association responsible for certain aspects of operation and enforcement of the new law. This was the proposed concept and idea by a BPI STTA expert on the ground from late quarter 3 into quarter 4.

The new association will undergo institutional capacity building assistance, as well as targeted technical assistance as identified between association leadership and BPI component I representation.

Planned Activity 4: Planning, marketing and Fund Raising for the ‘New Mongol’ BizAccelerator Program

As a result of efforts on an initiative to support startups and entrepreneurs, the concept for a “New Mongol” BizAccelerator program need be finalized, an MOU be signed amongst partner entities/sponsors, fundraising begun amongst local financial institutions and sponsors, and planning undergone so as to kick off the accelerator program in September 2012. BPI will play a supportive role with this endeavor, and foresees project management, training and mentoring, and program implementation the responsibility(ies) of several local partners including *NGO SWMongolia, BDS Development Solutions*, etc.

Planned activity 5: Continuance of Quality Assurance Training Offerings

With an eye on continuing to harness momentum and satisfy market demand for quality assurance trainings/certifications in Mongolia, BPI will offer up a limited number of Food Safety quality assurance trainings during quarter four. In total, it envisions training upwards of 100-150 additional professionals in either of the two existing areas.

During the quarter, BPI will as well initiate the first ever Lead Auditor training series in Mongolia. This training, as to be provided by a South Korean training/certification provider, will take place in late May or early June 2012. Approximately 25-30 professionals are foreseen to participate in key pillar areas including Quality Management (ISO 9001), Food Safety (ISO 22000), Safety and Health (ISO 18001) and Environment (ISO 14011).

Planned activity 6: Establishment of the QMCE

From project inception, it has been USAID/BPI’s intention to fund a pilot quality assurance training/certification program to i) build capacity and efficiencies of business professionals, but also ii) prove effectiveness and viability of training operations which could formulate the basis of a new training institution in Mongolia. To date, BPI has done just that. Over the next quarter, BPI will seek to garner financial and leadership support for the establishment of an independent Mongolian Quality Management Center of Excellence.

The objective will be to work with identified charter stakeholders to formalize commitment with a Memorandum of Understanding (MOU) by June 2012. BPI will work with the charter stakeholders to formulate strategy and framework of the entity, its funding commitments, marketing and other operational areas. This Alliance will include USAID/BPI moving forward thru first year of operations as an independent, Mongolian led quality assurance training center.

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. Following the Round Table on Mongolian National CG Policy Implementation in April 20th, FRC with BPI and CGDC support will conduct CG Scoring survey for top thirty or fifty Mongolian stock exchange listed companies to begin taking stock of strengths weaknesses, and challenges faced by the private and SOE companies. The project will help FRC to organize the corporate governance policy roundtable on April 20th, 2012. This roundtable will involve senior officials of relevant state institutions and international development organizations and result in an action plan to be implemented further.

FRC also requested the project to help in the improvement of accounting and audit supervision. BPI will coordinate with IFC and other international donors to provide this support.

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

The project will continue to assist the Ministry of Justice in the legislative process of the bankruptcy draft law. The project will assist the Ministry of Justice in organizing public outreach events, debates and conferences regarding the passage of the bankruptcy draft law.

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. FRC requested the project to assist in organizing a retreat for the working group on the investment fund law. The project is planning the organization of this event.

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

The project will engage an insurance regulatory expert in May-June to continue the assistance to the FRC insurance department regarding the mandatory driver's liability insurance.

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 in running Loan Officer Development Program. Direct technical assistance to deliver some modules will be provided on as needed basis. In May it is planned that BPI shall conduct two day Valuation Course. BPI has coordinated with PriceWaterHouse Coopers and BFA to organize a training seminar for high level executives and director on internal and external auditing.

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

BPI will provide TA to implement a tool kit with CGDC to review and assess the current status of the institution. BPI will also continue providing TA to CGDC towards increasing the quality of 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

BPI will provide capacity building program for Credit Information Bureau (CIB) to implement its business plan. The CIB Board has 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 is 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

The project will assist CGDC in organizing the Fifth Corporate Governance Forum in May 2012. The Forum will be conducted from May 7-8, 2012. The theme of this fifth Mongolian Corporate Governance Forum will be family owned companies' corporate governance. The forum shall include international and local speakers who are pronounced on family owned companies' corporate governance.

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 third quarter, project management and administration activities continued to support and delivery of programmatic and technical assistance across the three BPI component areas. The emphasis of the project management in the reporting quarter was to restructure BPI staffing that would need the BPI's refocused activities, by eliminating support positions and adding more technical positions. BPI also continued to focus on recruitment for the COP position.

During this period, project filled out three local long-term positions. By the end of the quarter, the project finalized the project website development and held an annual inventory check up by USAID scheduled in the next quarter.

Key project management and administration actions and activities completed include:

- Finalized recruitment of candidates to fill vacant local long-term positions in components II and III
- Completed annual inventory check up
- Finalized the project website development

All long-term key personnel were at post and short-term assignments went 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, was acting COP until Interim COP Fernando Bertoli joined the project in February 2012. A replacement for the long-term COP has not yet been identified and Chemonics has had extensive communications with the client on finding a suitable candidate for the slot. No other key changes were made in key personnel during the third quarter.

C2. Long-term local personnel

By the end of the quarter the project hired three local long-term professionals. 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.

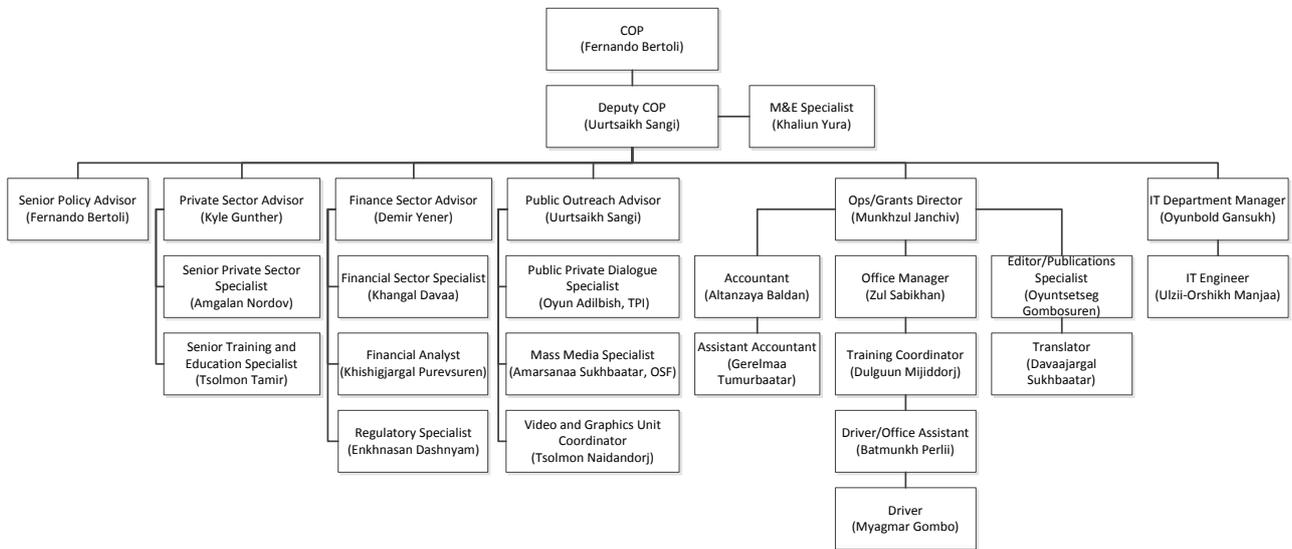
There were following changes in local long-term personnel:

- Khangal Davaa, assumed the position of Financial markets specialist on January 3
- Amgalan Nordov assumed the position of Senior Private sector Specialist on January 3
- Ulzii-Orshikh Manjaa assumed the position of IT Engineer on January 3
- Davaajargal Sukhbaatar resigned from the Translator/Interpreter position as of March 31

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
March 30, 2012



C3. Deployment of short-term technical assistance

Deployment of short-term expatriate assistance proceeded according to work plan schedule during the quarter. Six 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 with the Press Institute on the public private dialogue facilitation, media engagement, and journalist training. The activities under the Open Society Forum (OSF) are on hold following the BPI restructuring. BPI has been discussing potential activities and landmark initiatives with OSF.

The Press Institute subcontract personnel Oyun Adilbish resigned from the position of Public private dialogue specialist as of March 29 and the Press Institute is seeking for a replacement.

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:

- Submission of final AWP to the client
- Finalize the recruitment for COP and mobilize him/her to the post
- Finalize the project staff restructuring
- Filling local technical and support positions, advertised through local dailies
- Finalize the project website version in Mongolian
- 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 January-March 2012 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	Mar 31, 12
Munkhzul Janchiv	Operations and Grant director	Nov 7, 2011	
Khangal Davaa	Financial markets specialist	Jan 3, 2011	
Amgalan Nordov	Senior Private sector specialist	Jan 3, 2011	
Ulzii-Orshikh Manjaa	IT Engineer	Jan 3, 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	Mar 29, 12

Exhibit A-2: Short-term technical assignments during the January – March 2012 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	Jun 15, 2012
Jim Aziz	Credit Information Bureau to negotiate license agreements	Jan 16, 2012	Jan 27, 2012
Kirsten Armstrong	Mandatory drivers insurance oversight capacity building for FRC Mongolia	Feb 3, 2012	Feb 26, 2012
Fernando Bertoli	Assist on customs brokers association and interim COP	Feb 17, 2012	Mar 23, 2012
Stephen Creskoff	Customs brokers law and brokers' association	Mar 28, 2012	Apr 29, 2012
Olin McGill	Trade facilitation	Mar 31, 2012	Apr 30, 2012

ANNEX B: PERFORMANCE MONITORING PLAN

Exhibit B-1. Performance monitoring plan (January-March 2012 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%	0	0	0	
B	Percentage change in company gross output in non-mining sectors		105%	0	0	0	
PIR 1: Implementation of business enabling policies improved							
1.1	Percentage change in number of new business registrations in non-mining sectors		105%	0	0	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	49	49	0.98	
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	2	2	0.67	
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	0	0	
1.2.2	Percentage Change in average cost for trading goods across borders	4405	90%	0	0	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	0	0	
1.3.2	Change in average number of days required to register a business and/or obtain a license	13	11	0	0	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	14	14	0.70	
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	20	20	0.4	
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	0	0	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	113	113	3.77	
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%	0	0	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	100	100	5	

3.1.3	Number of laws and regulations drafted or revised to strengthen the NBF regulatory framework	0	10	6	6	0.6	
KRA 3.2: NBF Financing and investment products increased							
3.2.1	Number of financial sector professionals trained according to international standards by BFA	0	160	56	56	0.35	
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	86	86	0.86	
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 (January-March 2012 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	Q3	6/Jan/12	Roundtable discussion on the New law on compulsory drivers' insurance	Journalists	15	15	30	BPI/TPI	Press Institute	2	8
2	3.2.1	Q3	18/Jan/12	Bank Corporate Governance Training	Mid-level bank managers	2	3	5	BPI/BFA	BFA	6	4
3	1.4.2	Q3	20/Jan/12	Training workshop on writing and reporting skills for EJC journalists	Journalists	5	15	20	BPI/TPI	Press Institute	4	10
4	2.1.2/1.4.2	Q3	21/Jan/12	PPP workshop for EJC journalists	Journalists	11	9	20	BPI/TPI	Terej Camp	4	10
5	2.3.1	Q3	24-25-Jan-12	Food Safety and Hygiene Training	Representatives from food industries	5	18	23	BPI	Open Society Forum	14	40
6	2.3.1	Q3	31Jan-1,7Feb-12	HACCP principles-Food safety training	Representatives from food industries and GASI	7	28	35	BPI	Open Society Forum	24	105
7	1.4.2	Q3	3/Feb/12	Roundtable discussion on Quality as a source of competitive advantage in	Journalists	2	17	19	BPI/TPI	Press Institute	2	5
8	1.1.1	Q3	8/Feb/12	Roundtable discussion on Drivers Reliability Insurance	Representatives from local insurance companies and FRC	8	14	22	BPI/FRC	Financial Regulatory Commission	2	6
9	1.4.2	Q3	10/Feb/12	Roundtable discussion on Drivers Reliability Insurance with journalists	Journalists	6	14	20	BPI/TPI	Press Institute	2	5
10	1.1.1	Q3	16/Feb/12	Roundtable discussion on Drivers Reliability Insurance - II	FRC officials	3	7	10	BPI	FRC	3	4
11	1.4.2	Q3	2/Mar/12	Training workshop on Corporate Governance for EJC members	Journalists	5	15	20	BPI/TPI	Press Institute	2	5
12	3.1.2	Q3	9/Mar/12	Finance for Non-financial directors	Representatives from NewCom Group	7	7	14	BPI/CGDC	CGDC	16	28
13	2.3.1	Q3	10,12/Mar/12	Food Safety and Hygiene Training	Nomin Holding LLC managers	2	30	32	BPI	Nomin Holding LLC	16	64
14	3.2.1	Q3	12/Mar/12	Loan Officers Development Program	Loan officers	5	8	13	BPI/BFA	BFA	72	117
15	3.2.1	Q3	17/Mar/12	Bank Corporate Governance for Senior Bank Executives	Bank executives	7	2	9	BPI/BFA	BFA	8	9
16	1.4.2	Q3	23/Mar/12	Roundtable discussion on Companies New Law	Journalists	7	18	25	BPI/TPI	Press Institute	2	6
17	3.3.2	Q3	24-25-Mar-12	Board directors certification training	Executives and directors of private companies	16	8	24	BPI/CGDC	CGDC	12	36
18	1.4.2	Q3	29/Mar/12	Importance of the corporate social responsibility	Journalists	6	13	19	BPI/TPI	Press Institute	2	5
19	3.3.2	Q3	30-31-Mar-12	Board directors certification training	Executives and directors of private companies	4	5	9	BPI/CGDC	CGDC	12	14

Total Participants:	360	205	466
<i>Males:</i>	119		
<i>Females:</i>	241		