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*Business Plus Initiative*  
USAID funded project implemented by Chemonics International

# QUARTERLY PERFORMANCE REPORT (October-December 2013)

January 2014  
Ulaanbaatar, Mongolia

## Public-Private Dialogue Fuels Mongolia's Business Enabling Reforms



USAID Business Plus Initiative (BPI) put into motion a series of public-private dialogue (PPDs) bringing together public and private sector representatives to improve the country's business enabling environment. PPD participants agreed on actionable reforms that will make doing business easier, cheaper, and faster in Mongolia. The wordly chart above highlights the main features of proposed reforms.

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## ABBREVIATIONS AND ACRONYMS

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BPI	Business Plus Initiative
CGA	Customs General Administration
CGDC	Corporate Governance Development Center
CSC	Citizen Service Center
DS	Development Solutions
EBRD	European Bank for Reconstruction and Development
EJC	Economic Journalists Club
ELC	Economic and Legal Consultancy
ERC	Energy Regulatory Commission
GASI	General Authority for Special Inspection
GASR	General Authority of State Registration
GDT	General Department of Taxation
GIZ	German Agency for International Cooperation
GOM	Government of Mongolia
HACCP	Hazard Analysis and Critical Control Point
IFC	International Finance Corporation
IMRI	Integrated Mineral Resource Initiative
IT	Information Technology
ITPTA	Information Technology, Post and Telecommunication Authority
KRA	Key Result Area
MCUD	Ministry of Construction and Urban Development
MMCI	Mongolian Management Consultant's Institute
MNCCI	Mongolian National Chamber of Commerce and Industry
MOF	Ministry of Finance
MOJ	Ministry of Justice
MOU	Memorandum of Understanding
NCPSS	National Council For Private Sector Support
OCRS	Online Company Registration System
OSF	Open Society Forum
OSS	One-Stop Shop
PCA	Post Clearance Audit
PIR	Project Intermediate Result
PMCG	Policy Management and Consulting Group
PMP	Project Monitoring Plan
PPD	Public-Private Dialogue
QSDC	Quality Supplier Development Center
SDP	Supplier Development Plan
SME	Small and Medium Enterprises
TAB	Trading Across Borders
TDB	Trade Development Bank
TOT	Training-of-Trainers
TPI	The Press Institute of Mongolia
TRS	Time and Release Study
UBEDN	Ulaanbaatar Electrical Distribution Network
UBM	Ulaanbaatar Municipality
USAID	United States Agency for International Development
FOG	Fixed Obligation Grant
TAF	Technical Assistance Fund

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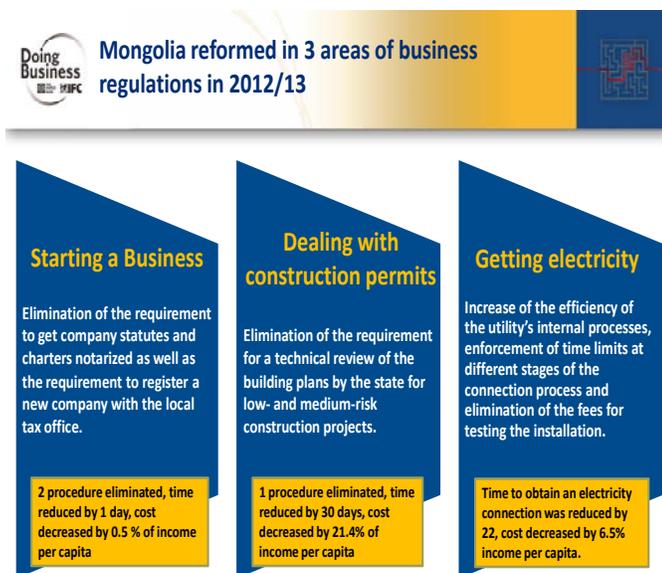
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## EXECUTIVE SUMMARY

The USAID-funded Mongolia Business Plus Initiative (BPI) project supports the Government of Mongolia's (GOM) reform efforts to establish an enabling business environment conducive to diversified economic growth and create improved economic opportunities for the people of Mongolia. The BPI project is ensuring the participation of Mongolia's private sector in a structured and productive dialogue with government so that business enabling environment reforms are adequately informed by the private sector appropriately address bottlenecks to country competitiveness. Over the reporting period, the BPI project continues to be recognized as the main partner to the GOM and Mongolian private sector in fostering these reforms. This report is the Business Plus Initiative (BPI) project Quarterly Report and describes project activity from October 2013 through December 2013.

An important indicator of business environment improvement is the World Bank Doing Business report. The Doing Business 2014 report was released in October 2013, showing positive results



for Mongolia. While there was significant effort on the GOM's part to improve business enabling environment in all six areas, the 2014 Doing Business report recognized improvements in three reform areas: starting a business (+11 positions), dealing with construction permits (+25 positions) and getting electricity (+7 positions). Overall, Mongolia improved four positions, moving from 80th to 76th out of 189 economies. While hard work and past improvements are important and worth recognizing, much remains to be done.

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*On October 29, the World Bank released the 2014 Doing Business report. Mongolia ranked 76 out of 189 economies, an improvement of 4 spots from 2013.*

This quarter, BPI facilitated vibrant "Year Two Business Enabling Environment Road Map" PPD activities, in a joint effort with the Government of Mongolia, represented by the Office of the Prime Minister, Cabinet Secretariat and three counterpart agencies, and key private sector representatives from the National Council for Private Sector Support (NCPSS), the Mongolian National Chamber of Commerce and Industry (MNCCI), and the CEO Club, among other private sector organizations. The Year Two reform road map addresses regulatory bottlenecks in six of the ten areas covered by the World Bank Doing Business report, and will be presented to the Prime Minister early next quarter.

The Ministry of Construction and Urban Development (MCUD) continues to draft transformational construction reform, receiving an official mandate from the Minister of Finance to accelerate the submission of the draft law to Parliament. BPI is supporting the MCUD in finalizing and reviewing the legal package. The General Authority for State Registration (GASR) is ready to launch the new Online Company Registration system, already reporting significant improvements in data management. BPI supported development of an online and publicly accessible portal for businesses and citizens to register their companies. The MOJ reviewed company registration legal package before proceeding to its official submission to Parliament for

final approval which is expected to happen early next quarter. With the e-tax system now complete and commitment from the General Department of Taxation (GDT) to launch the system nearly next quarter, BPI is working with a local subcontractor to develop the electronic, e-payment module. BPI also supported regional workshops throughout the country to help familiarize local tax inspectors and taxpayers with the application of the new system. The e-payment module is expected to be fully functional in early April 2014.

As a critical trade facilitation tool, the CGA has doubled down on its commitment to strengthening the Post Clearance Audit (PCA) at the Customs General Authority. The CGA was restructuring this quarter, and plans to double the PCA department by mid next quarter. BPI continued to support capacity building for the PCA to carry out risk management techniques.

### **A. Significant Accomplishments**

This section of the quarterly progress report describes key activities and significant accomplishments organized by project intermediate result (PIR).

#### **PIR I: Business enabling environment, governance, and country competitiveness policies and practices improved:**

Throughout this reporting period, the GOM continued to make significant progress with technical support from USAID's BPI project to improve the country's business enabling environment. Building on existing relationships with the GOM and relationships with new government authorities, BPI focused on four reform areas and provided deep and dynamic support to the ministries and agencies involved in each reform. Tangible results of the GOM's reform efforts are already visible in several areas:

- *Starting a business:* The General Authority for State Registration (GASR) with assistance from BPI drafted a new legal package on company registration that amends the current company registration law and 30 additional pieces of legislation, and also developed a new Online Company Registration System (OCRS). During the reporting quarter, GASR finalized testing of the new system and initiated a training program for GASR personnel with BPI support. The draft legal package was reviewed by the Cabinet and will be submitted for Parliament's approval next quarter, January 2014. The new online system will be fully operational by the end of the first quarter of 2014.
- *Managing construction permits:* With BPI support and private sector participation, the Ministry of Construction and Urban Development (a) drafted Government Resolution #151, enacted in December 2012, which incorporates risk categories for construction projects and streamlined permit procedures; and (b) drafted a construction law to provide a new legal framework for the development of the construction industry. The draft law is expected to be approved by the second quarter of 2014. Further, the Ulaanbaatar Municipality established a municipal one-stop-shop to provide construction permit services as well as other municipal services.
- *Trading across borders:* With BPI support, the Customs General Authority (CGA) (a) amended the Customs Law to improve border inspection and reduce the number of documents required for import and export in January 2013 and (b) strengthened CGA risk management and post clearance audit systems as part of the overall trade facilitation system. During the reporting quarter,
- *Paying taxes:* The General Department of Taxation (GDT) developed a new tax e-Filing system, which reduces the time and cost for taxpayers to comply with paying taxes. With BPI assistance, GDT improved taxpayer services and is now engaged in the development of a new e-Payment system that will connect GDT with commercial banks. Through an interface with the e-tax system, the E-Payment Module will make available an electronic service which taxpayers can access from anywhere in order to pay their taxes. During the reporting quarter, BPI facilitated fruitful public-private dialogue on paying taxes which resulted in a concrete

action plan, completed the e-tax information training nationwide benefitting 3,347 taxpayers and 505 tax inspectors in 20 provinces, and subcontracted a local IT firm to develop the e-payment module for paying taxes. The new e-Payment system will be completed by the second quarter of 2014. To complement the new system, GDT is implementing an intensive public awareness campaign to familiarize their staff and taxpayers with the new system with BPI support.

## **PIR 2: Private sector capacity and competitiveness strengthened:**

During this quarter QSDC achieved important milestones in both of their components –Supplier Development Program and Quality Management Program – and has progressed rapidly on several initiatives, key to the centers institutional strengthening and sustainability.

The period from October to December marked the second full quarter of QSDC operations and the center has worked effectively to expand their client rosters, strengthen their institutional capacity, and develop a locally-driven training program. A key effort for the QSDC during this period has been to include new actors and activities and to broaden the beneficiaries of both the supplier development and quality management components. Furthermore, the QSDC has more aggressively pursued opportunities to support local suppliers and identify potential buyers from different sectors to change the misconception that the project focuses on larger mining-related enterprises.

With a new executive director at the helm, the QSDC has continued to provide support to its initial clients, while identifying opportunities in new sectors including construction, urban design



*QSDC signed their first Supplier Development Plan with a local female-owned metal mesh supplier, Bitube LLC.*

consulting services, food processing, packaging, and biofuel. Notably, the QSDC signed their first Supplier Development Plan (SDP) with BiTube, a female owned wire mesh supplier in October. The QSDC has not only worked to develop relationships with buyers and suppliers, but has also established contacts with organizations and businesses concerned with SME development including the GoM SME Development Agency, World Bank,

Business Council of Mongolia, and AmCham. Activities during the next quarter will turn the contacts with new clients into concrete business opportunities. The three SDP's planned for next quarter will help client firms increase their sales by more than 2 billion MNT in 2014.

During this reporting period, QSDC delivered three trainings: Competitiveness Building, Six Sigma and Food Safety/HACCP for 47 participants. In order to provide access to internationally accredited trainings at a lower cost and in the Mongolian language and context, the QSDC supported the international accreditation of one local trainer and plans to accredit a second local trainer in the next quarter.

In October, QSDC also signed a three-way Memorandum of Understanding (MOU) agreement with USAID and Wagner Asia LLC. Under the agreement, the three parties will collaborate to promote the competitiveness of Mongolia's private sector by bringing capacity building, access to markets, and resources to the country's local suppliers.

## **PIR 3: National dialogue on business enabling environment, governance, and competitiveness strengthened:**

The BPI project’s strategic communications team continued to reach out to the public, helping to educate the population about the government’s reform plans and Mongolian competitiveness issues, as well as engaging the private sector in the project’s competitiveness efforts through a series of events attended by 4,100 participants a total of 2,655 person/days of training as shown in the table below. BPI recognizes that Mongolia requires an ongoing public-private dialogue to accelerate and deepen Mongolia’s business enabling reforms.

Date	Event Name/Topic	Participants	No. Male	No. Fem.	No. of Attend.	Event Host	Location	Duration (hours)	Person/ days
Nov 22-26, 2013	TOT training on E-filing system on Tax in UB	Tax inspectors	19	29	48	GDT/ BPI	GDT in UB	40	240.0
Oct 27- Nov 30	Training on E-filing system on Tax in provinces	Tax inspectors	234	235	457	GDT/BPI	GDT in provinces	8	457
Oct 27- Nov 30	Training on E-filing system on Tax in provinces	Taxpayers	400	2935	3335	GDT/BPI	GDT in provinces	4.5	1876
30/Oct/ 13	QSDC start-up event	Private sector representatives	69	41	110	QSDC/BPI/ MNCCI	MNCCI	2	27.5
8/Nov/1 4	Breakfast meeting on PPD	private sector representatives	9	0	9	BPI/Government	Government Guest House 30	2	2.3
14/Nov/ 13	BEE Reform - PPD	Public and private sector representatives	34	23	57	BPI and Government	Government House	4	28.5
2/Dec/1 3	PPD on Dealing with construction permits	Public and private sector representatives	22	8	30	UB Municipality /Ministry of Construction/BPI	UB Municipality	2	7.5
12/18/1 3	PPD on paying taxes	Public and private sector representatives	16	26	42	GDT/BPI	GDT	2	10.5
<b>TOTAL</b>			<b>638</b>	<b>3462</b>	<b>4100</b>			<b>76</b>	<b>2,655</b>

Since the summer of 2012, the project has fostered public-private dialogue (PPD) in order to further business enabling environment reforms that (a) are achievable within a relatively short timeframe; (b) do not require significant public investment for implementation; and (c) have a significant impact in lowering the time and cost of doing business in Mongolia.



Above, Chief of Cabinet Secretariat and Minister Ch. Saikhanbileg, Frank Donovan, USAID Representative to Mongolia, and Tuyen D. Nguyen, IFC Resident Representative to Mongolia make opening remarks at the “Year Two Business Enabling Environment Road Map Initiative” roundtable discussion.

In order to continue and build on last year’s successful “Year One Business Enabling Environment Road Map” PPD activities, the BPI project in a joint effort with the Government of Mongolia, represented by the Office of the Prime Minister, Cabinet

Secretariat and three counterpart agencies hosted a second series of PPD events this quarter to further discuss current and proposed legal and regulatory changes in Mongolia. The reform action plans in six World Bank Doing Business areas, jointly developed by the public and private sector representatives that participated in the November – December 2013 PPD events will be presented to the Prime Minister in January 2014.

## B. Salient Programmatic Trends and Ongoing Performance Constraints

Per Section F.8 of the BPI project contract, this section discusses salient programmatic trends observed from major activities in process or recently completed. It also highlights unresolved or ongoing administrative constraints to the contractor's optimal performance.

### Salient Programmatic Trends:

- *Continuing collaboration with GOM.* The BPI project has continued to work closely with the Cabinet Secretary, the government's reform working group and the five agency-level working groups for the doing business reform areas supported by the project. Currently, BPI is working closely with the Cabinet Secretariat, the Ministry of Construction and Urban Development (MCUD), the General Authority for State Registration (GASR), the General Department of Taxation (GDT), the Customs General Authority (CGA), the Ulaanbaatar Municipality, and the Energy Regulatory Commission (ERC). BPI also worked closely with the Asian Development Bank (ADB), International Finance Corporation (IFC), the Mongolia National Chamber of Commerce and Industry (MNCCI) and the National Council for Private Sector Support (NCPSS) to organize the "Working Together for Reforms" public-private dialogue series. Next quarter, BPI will work closely with the Ministry of Justice (MoJ) on arbitration reform.
- *Donor coordination:* During the reporting period the BPI project has been actively collaborating with other donors to support both business enabling environment reform and private sector development. In October, BPI worked closely with the European Bank for Reconstruction and Development (EBRD) to develop training-of-trainers (TOT) course using the BPI Proposal Development Toolkit as a basis. This quarter, to ensure that BPI developed toolkits do not sit on a shelf, BPI also provided training to a local organization's staff, The Silk Road Foundation on the Corporate Governance Toolkit, and the organization is now actively promoting the toolkit in their public education activities and has distributed 500 toolkits to local businesses. BPI also worked closely with the Asian Development Bank (ADB), International Finance Corporation (IFC), the Mongolia National Chamber of Commerce and Industry (MNCCI) and the National Council for Private Sector Support (NCPSS) to organize the "Working Together for Reforms" public-private dialogue series.
- *Collaboration with private sector.* The private sector is also increasingly interested in meaningful collaboration with the BPI project, particularly through the QSDC. QSDC is also focused on forging new and strengthening current partnerships to leverage resources and facilitate collaboration in its efforts to bolster supplier development. For instance, international partner



BPI facilitates collaboration with the private sector. Pictured above: USAID Representative to Mongolia Francis Donovan, Managing Director of Wagner Asia LLC, Steve Potter, and Executive Director of QSDC, Bayarmagnai J.

Wagner Asia LLC continued to provide Six Sigma Black Belt trainers to execute QSDC's quarterly Six Sigma Green Belt trainings, free of charge. QSDC also signed a formal MOU with Wagner Asia and USAID in October. In addition, QSDC accelerated buyer-led supplier development work through a series of productive meetings and informational public events including an official launch of the Supplier Development Program and TAF. In the coming quarter, the BPI project will continue to support QSDC as it identifies opportunities for local purchasing, negotiates purchase intents, implements SDPs enabled with TAF funds, and stewards local supplier improvements.

**Ongoing Performance Constraints:**

- BPI recognizes that earning trust and buy-in with counterpart authorities is a key element for ensuring the success of reforms to streamline procedures. Over the last quarter the BPI project has been active in strengthening relationships with authorities at the working groups' level. BPI successfully collaborated with working groups' in the six reform areas throughout the PPD series implemented this quarter. BPI maintains regular briefings with authorities on the status of reforms and communicated the significance of continuing reform implementation, which was particularly well received by the Cabinet Secretariat who spearheaded the PPD's. Nevertheless, building strong relationships with these partners is limited by BPI's ability to respond to additional technical assistance requests given the availability of project resources. Continued success in reform areas will require BPI to be able to provide select technical assistance on an ongoing basis aimed at deepening the reforms and achieving even greater results during 2014. BPI has initiated discussions with USAID for additional funding and plans to add activities in new areas, including arbitration if the request for additional funding is approved in the next quarter.
- At the end of last quarter, USAID approved a revolving Technical Assistance Fund (TAF) to allocate resources to the QSDC to finance negotiated supplier development plans with local SMEs in order to address specific gaps limiting SMEs ability to fulfill buyer demands. BPI anticipated more rapid progress this quarter on QSDC transactions, however due to the winter season slow-down in multiple sectors including agriculture, mining, and construction, QSDC faced delays in executing SDP's. To address this constraint, BPI supported QSDC in aggressive public awareness campaign to raise awareness of the Supplier Development Program through EJC events, promotional videos, trade fairs, business matchmaking events, and an official QSDC launch event in October. Furthermore, the QSDC sought clients in sectors that are not affected by seasonality, for example biofuel.
- This quarter QSDC had difficulties delivering training programs for the Quality Training Component due to (1) a lack of local internationally certified trainers and (2) an insufficient promotion strategy. To address this constraint, QSDC supported the registration process of one Mongolian training expert and will continue to support additional international training accreditation for local QSDC trainers in the areas of Food & Safety and Health & Environment with the Chartered Institute of Environmental Health (CIEH) next quarter. Additionally, QSDC will continue its current partnership with Wagner Asia to leverage WAE LLC Six Sigma trainers to deliver public trainings for the benefit of Mongolian firms. The BPI strategic communications team worked closely with the QSDC to prepare marketing materials including brochures, social media promotions, and advertisements among others in order to reach more potential training participants.

This quarterly progress report is organized as follows: Section I details work plan implementation for the quarter, organized by PIR; Section II describes project management and administration activities, current personnel, deployment of short-term expatriate technical assistance, as well as project and contract management actions for the next quarter; Annex A describes current long-term project staff and details of short-term expatriate technical assignments; finally Annex B

includes reporting of results for the quarter against the BPI project's draft performance monitoring plan.



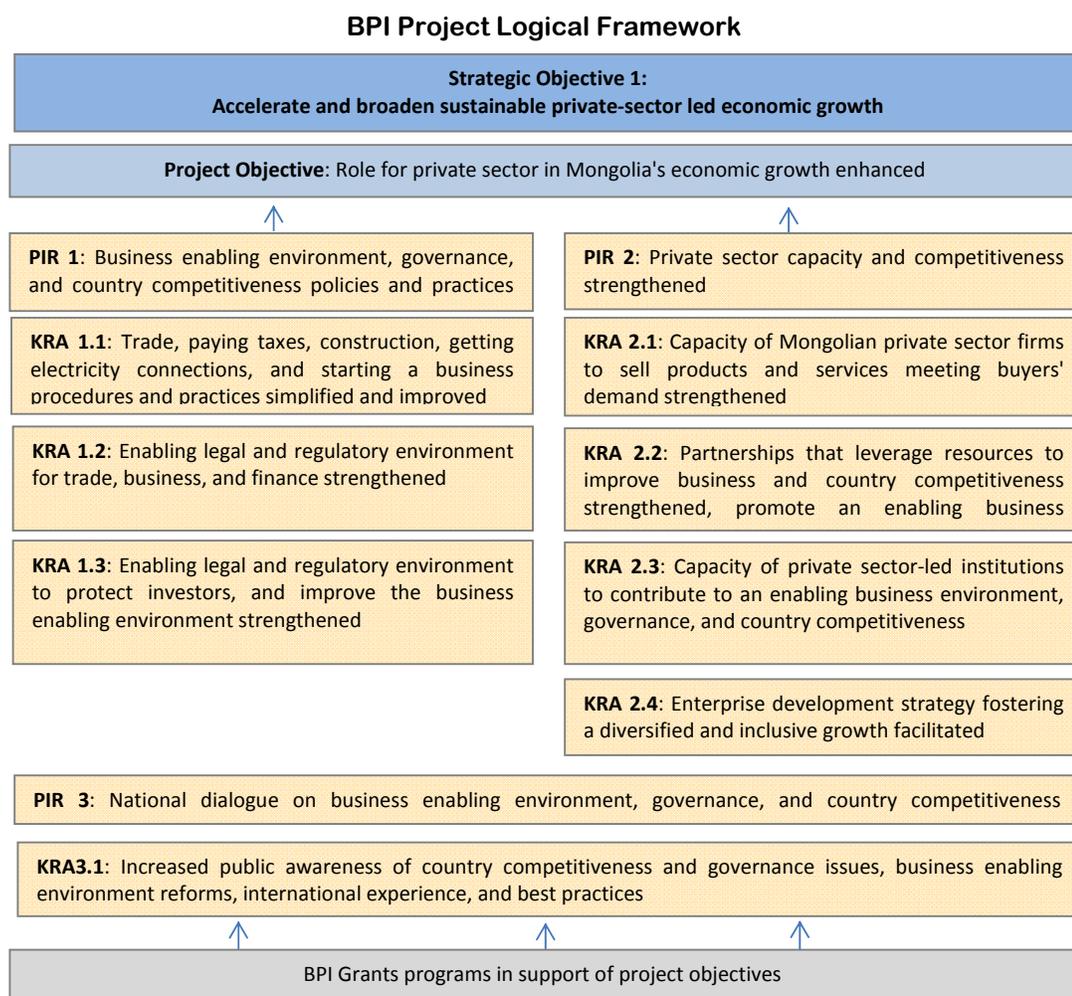
## SECTION I: WORK PLAN IMPLEMENTATION

### A. Introduction

This Section details the status of project implementation as of the end of the quarter. Below in Part B, we present the framework of the work plan for the three project components included in the submitted Year Three Annual Work Plan: business enabling environment, governance, and country competitiveness policies and practices improved; private sector capacity and competitiveness strengthened; and national dialogue on business enabling environment, governance, and competitiveness strengthened. Part C of this section contains detailed implementation status by project component. PIR 1 and 2 activities are described in the text, with selected PIR 3 cross-cutting national dialogue activities highlighted in text boxes in each section.

### B. Work Plan Framework

This quarterly progress report is organized around the three PIRs with corresponding Key Result Areas (KRAs) proposed in the Year 3 Annual Work Plan:



PIR: Project Intermediate Result  
KRA: Key Result Area

Rev: 5-Nov-13

**C. Work plan implementation.**

**PIR 1: Business enabling environment, governance, and country competitiveness policies and practices improved**

The current reporting period represents the fourth quarter of implementation for several reforms adopted by the GOM in the areas of starting a business, trading across borders, paying taxes, dealing with construction permits, and getting electricity.

Following the release of the World Bank’s 2014 Doing Business report on October 29, 2013, BPI developed detailed analyses of Mongolia’s performance across all five reform areas of the BPI’s sub-indicators. The report recognized improvements in three of the five reform areas that the project works: starting a business (+11 positions), dealing with construction permits (+25 positions) and getting electricity (+9 positions). Overall, Mongolia improved four positions, moving from 80th to 76th out of 189 economies.

While the Doing Business 2014 results for Mongolia represent a positive step toward continued development, much work remains to be done. As a mechanism to incentivize future initiatives and leverage the current reform momentum, BPI facilitated a vibrant public-private dialogue series in six Doing Business reform areas this quarter that was well-received by the Mongolian government and private sector participants. BPI has received request already received requests for additional PPD’s from three counterpart agencies. As the focus of the outreach, the PPD events highlighted a number of recent successes, including streamlined business registration, reduced costs and time for obtaining technical requirement for electricity and construction permits as well as areas for improvement which the project consolidated into concise Year Two Action Plans that will be presented to the Prime Minister by the private sector and government working groups next quarter.

The section PIR 3., KIR 3.1 on National Dialogue below provides a more detailed narrative on the public-private dialogue series.

Doing Business Indicator	DB 2014 Rank Improvement	Contributing Reforms
Starting a Business	+11	Reduction of the cost to register a business by 37.5 and number of procedures from 7 to 5 bringing total down to 11 days to register a business
Dealing with Construction Permits	+25	Reduction of 30 days for obtaining a construction permit as a result of eliminating the requirements for state expertise for low- and medium-risk buildings
Getting Electricity	+9	Expedited clearance and inspection procedures, in part by merging procedures and reducing the time it takes to obtain technical conditions along with internet-based UBEDN system.

**KRA 1.1: Trade, paying taxes, getting new electricity connections, construction, and company registration procedures simplified:**

**Starting a Business:**

To reduce barriers to registering business, the General Authority for State Registration (GASR) with BPI support, drafted amendments to the legal entity registration law. Additionally, the project is supporting a new Online Company Registration System (OCRS).

This quarter, GASR submitted the legal package to the Ministry of Justice (MOJ) working group, as well as the State Secretary of MoJ for comments. In addition, the legal package was also circulated to other relevant agencies as the new legislative changes to legal entity registration affects over 30 laws in Mongolia.

The legal package was approved with minor comments including incorporating more specific clauses legal entity names, by the Cabinet Secretariat on December 28, 2013. The package is expected to be submitted to Parliament in the next quarter.

Principal features of the draft include the following:

- Online process for new and post-registration with only one visit to the registration office for the purpose of identification and submission of documents of which original copies are required by law. This one-time visit is required until the government implements digital signature.
- Online payment for registration-related fees: this will eliminate separate visits to banks and GASR by applicants and business owners.
- Electronic certificate for legal entity registration: when needed, business owners would be able to print registration certificates from anywhere from their online account. Smart kiosks, GOM initiated project, would be connected to the online system to enable business owners to print their certificates from kiosks located around Ulaanbaatar.
- Publicity of non-classified information on legal entities: it should assist government agencies and banks, for example, quickly obtain registration information online by replacing the current lengthy process that requires paper requests submitted to GASR and wait for the response.
- Electronic data exchange with government agencies on registration issues: registration data between GASR and GDT and potentially with other government agencies will be online to replace the current practice of paper-based information exchange.
- Reduction in days from 5 to 3 working days to register entities or reject application: business registration will faster than before with simplified processes, saving time and costs for businesses and applicants.
- Reduction of GASR internal approval layers from 3 to 1: this concept is included in the GASR draft procedure that will become effective at the approval of the draft law.

*Online Company Registration System.* Throughout the quarter, BPI supported the General Authority for State Registration (GASR) to conduct independent user acceptance testing (UAT) for all modules of the OCRS, including the key components of the system - e-filer and registrar, as well as statistics and report. BPI planned to conduct a second round of UAT in October, however due to a heavy workload, GASR was unable to dedicate adequate staff during this period. Beginning in mid-November, Alfa XP, the project's international subcontractor for this activity incorporated comments to the system based on GASR's feedback. In December, Alfa XP finalized all modules of the system and deployed it to the GASR server. Final testing is scheduled over the next quarter. The OCRS, once completed, will contain all company information; and be electronic, searchable and publicly accessible.

#### **Dealing with Construction permits:**

The Ministry of Construction and Urban Development (MCUD) continued to work on the draft Law on Construction. Further, in October the MCUD received a direct mandate from the Prime Minister to submit the draft law to Parliament. However, the MCUD is experiencing delays due to the draft law on urban planning which they planned to submit together with the draft construction law as the two laws are complimentary in many aspects of urban planning, zoning, regulating construction activities, roles and responsibilities of government bodies, among others. There are two working groups inside the MCUD tasked with drafting the two laws: the Deputy

Minister of Construction and Urban Development heads the working group on the urban development law, while the MCUD State Secretary is in charge of drafting the construction law.

In October, BPI accompanied USAID to a meeting with the MCUD State Secretary to obtain his commitment to finalize the draft construction law and provided the recommendation to avoid sidelining the process by introducing reformative actions in the construction sector at this time.

To further streamline construction permitting and ensure proper compliance review with the Construction Code, BPI is assisting MCUD to finalize the draft construction law along with amendments to relevant laws and Parliament resolutions. The project subcontracted a local legal firm in December with extensive prior experience assisting the Cabinet Secretariat with legislative drafting and review. The draft law is expected to be submitted to Parliament next quarter. This law will establish efficient, reasonable, and consistent processes for submitting and reviewing applications for terms of construction and construction permits. Following adoption, BPI will support MCUD's training of internal staff to then train municipalities on issuing construction permit permits.

Given the lengthy drafting process of the construction law, a critical part of the abovementioned plan is Cabinet Resolution #151 approved in December 2012 to serve as bridge legislation until the new construction law is approved. During the November 14 PPD, the private sector recommended amending the resolution. In response on December 2, BPI and the Ulaanbaatar Municipality hosted a meeting on construction permitting attended by the heads of utilities companies, private sector representatives, and government officials including the Mayor of Ulaanbaatar, Head of the Governor's Office, Chief Architect of Ulaanbaatar and Director of Municipal Master Planning Agency. The meeting was intended for private sector feedback on the construction permitting reforms in 2013 and their recommendations for 2014, including amendments to Resolution #151. Due to the long presentations and briefings from the municipality, the discussion session did not provide adequate time to address all of the private sector's comments. Thus, it was agreed to set up a joint effort between the respective municipality agencies, BPI, and the private sector to draft amendments to the Resolution #151. BPI will continue to facilitate additional construction related PPD's in the next quarter.

### **Paying Taxes:**

To enable electronic tax filing services, the General Department of Taxation (GDT) prepared to launch the new e-tax information system. The new system is more sophisticated than the earlier version and GDT can now receive all 19 types of tax returns, 72 financial reports and 29 financial appendixes online without any additional paper requirements. GDT expects to officially launch the new e-Tax system in January 2014. Once implemented, the new system will drastically reduce the time and expense for Mongolian businesses to comply with tax reporting requirements, while simultaneously improving its ability to detect tax evasion and better deal with the issue of Mongolia's shadow economy.

The system also has many helpful functions allowing taxpayers to:

- Process all tax returns by high speed internet
- Obtain tax compliance certificate online
- View tax payable, a balance, paid tax and a filing history
- Communicate directly with GDT online and receive necessary information promptly
- Pay taxes electronically
- Use a digital signature

*Preparing to Launch E-Tax System.* To properly implement the new e-tax system, BPI supported the GDT in conducting comprehensive training for tax inspectors and taxpayers as users of the new system. From October 22-26, the project also provided a TOT Training to introduce tax



Between October 27 and November 30, BPI supported GDT e-filing training nearly four thousand total participants over twenty-two sessions across 20 provinces and 2 distant districts of Ulaanbaatar.

inspectors to the new e-filing system and prepared them as instructors to provide training to provinces nationwide. The tax inspectors were introduced to the features of the new system, practiced applying the system, and mastered their

administrator roles in receiving and approving tax returns. Between October 27 and November 30, BPI supported GDT in training nearly four thousand total participants over twenty-two sessions across 20 provinces and 2 distant districts of Ulaanbaatar. Users expressed positive feedback across all surveyed aspects, including, among other things, appearance, use, and functionality.

The GDT held several public outreach events to promote the new electronic system and solicit comments from users. For example, in Dornod province, the tax office and the local branch of the State Treasury organized a conference, “Implementation of Electronic Tax Information System” for taxpayers. With participation from D. Bayaraa, Head of Taxpayer Service Department, GDT, L. Tsevelsuren, Dornod Tax Office Director, and N. Bazarragchaa, Director of the local State Treasury the event was very well attended and received by the public. BPI is also supporting the GDT with their awareness campaign through developing video tutorials on e-tax, instructional handouts, and media coverage via highly publicized EJC events.

*A live demonstration of the e-tax system for EJC.* On December 10, BPI and local partner, The Press Institute of Mongolia hosted an event on “Tax reform and the Advantages of an Online Tax System” with the participation of the Economic Journalists Club (EJC). At the event, Mr. Z.Ganbold, Taxpayer Service officer and Mr. H.Batbayar, Head of IT department at GTD conducted a live demonstration of the new e-Tax system. GDT officers also presented a new phone application known as the “MTA” tax program. As a result, 15 journalists learned how to use the new system and the demonstration was widely aired through 24 local and national media and print outlets following the event.

*New initiatives to reduce the burden on taxpayers:* In Mongolia, it was difficult for businesses and citizens to obtain their tax certificates. They often had to visit the capital Ulaanbaatar to physically request their certificate, and sometimes only receive it days later. GDT worked with the Information Technology, Post and Telecommunication Authority (ITPTA) to include tax certificates to their new government service vending machines among a growing list of services. To date, the government service vending machines issued 64 tax compliance certificates.

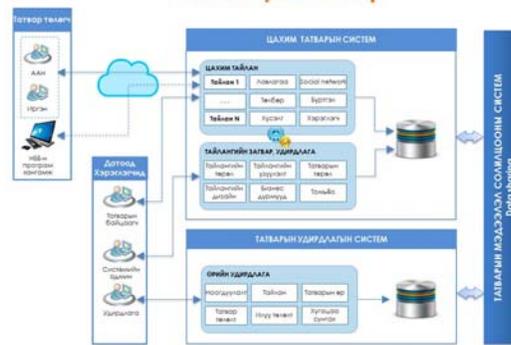
While these vending machines are more convenient than previous physical visits to the tax office, beginning in January, using GDT’s new e-tax information system, taxpayers will have instant access to their certificates online.

*Introducing e-payment options.* E-payment is an integral part of the GDT’s comprehensive e-filing system to facilitate tax payments online. There is an immediate need to make the e-payment module as part of the e-filing system so that Mongolia’s ranking in Doing Business for paying taxes will dramatically increase in 2015 report.

The project in December 2013 selected a local subcontractor, Infinite Solutions, to begin procurement of the necessary equipment and development of the software for the e-payment module.

It is the case now, that taxpayers banking with Golomt bank have the ability to submit payments electronically to GDT. However, the current solution does not facilitate data exchange between the bank and GDT, thus taxpayers must manually type in the due tax amounts on the Golomt website, creating the potential for human error and limiting online payments to Golomt customers. The subcontractor presented three technical solutions to link GDT with banks to process e-payment and facilitate data exchange between the stakeholders. Seven of the largest commercial banks operating in Mongolia participated in the discussions and opted for a technical solution that operates through existing card payment terminals. All participating banks are now able to process card payments through major terminals at four banks – Golomt, Khaan, Trade and Development, and State. This solution does not require any additional investment and the coding for GDT and bank systems can be completed within a relatively short time frame. At the end of the quarter, the subcontractor initiated coding from GDT end. Early next quarter, the subcontractor will begin working with commercial banks on coding.

**Цахим татварын системийн  
концептуаль загвар**



Once completed E-filing and E-payment reforms will dramatically reduce the time and expense for Mongolian businesses.

The e-payment module, once completed, will be the first-ever of its kind in Mongolia; connecting the e-filing system to e-payment; and being electronic, searchable and publicly accessible with all local commercial banks. In combination with the E-Tax system improving tax filing, the e-payment software will provide full access to businesses and citizens to pay taxes electronically and ensure secure data protection.

As a result, Mongolia’s ranking on “paying taxes” is expected to improve significantly in 2015 as shown in the following two exhibits:

Tax type	Number of payments per year “Tax Payments” indicator - /number per year/		
	Doing business 2014		DB 2014 perspective
✓ CIT	12		1*
✓ VAT	12		1*
✓ Social Insurance contribution	12		12
✓ Immovable property tax	1		1
✓ Vehicle tax	4		4
✓ <b>TOTAL</b>	<b>41</b>		<b>19</b>

\*In 2014 with the new e-tax information system CIT and VAT will be received electronically therefore it will be counted as paid once a year regardless of its payment frequency according to the World Bank methodology.

**“Time” indicator –/hours per year/**

Filing process /hours per year/	Doing business 2014			DB 2014 perspective		
	CIT	Social Insurance Contribution, Employee withholding	VAT	CIT	Social Insurance Contribution, Employee withholding	VAT
✓ Prepare	31	40	34	31	40	34
✓ Filing	14	12	28	8	6	9
✓ Pay	12	11	10	4	11	6
<b>Total</b>	<b>57</b>	<b>63</b>	<b>72</b>	<b>43</b>	<b>57</b>	<b>49</b>
	<b><u>192</u></b>			<b><u>149</u></b>		

**KRA 1.2: Enabling legal and regulatory environment for trade, business, and finance strengthened**

In addition to the working group level reforms, this quarterly reporting period the BPI project continued providing on-going technical assistance on trade facilitation as follows:

**Improving Mongolian Customs’ Post Clearance Control Capacity**

In response to a request for technical assistance, BPI has been continuing to support the Post Clearance Audit (PCA) department.

*Support to Customs General Authority.* Over the past several months BPI delivered a capacity building trainings on various specialized areas including customs valuation; post clearance audit and compliance; interview techniques; tax planning, tax avoidance and fraud; and transfer pricing for the Post Clearance Audit (PCA) department. As a result, through simplified procedures, shifting from close examination of every declaration to risk-based examination of customs declarations and proper use of PCA techniques, CGA has increased duty collection and decreased the time. The hands-on training was so effective that during the past year, CGA increased collection by more than four times by using the correct application of GATT and the number of audited companies in the second half of 2013 grew more than two times compared with the first quarter. In addition, the amount disputed by traders and transferred to courts reduced by 60%, resulting in a win-win outcome for both parties who avoided costly and lengthily legal disputes.

In November, BPI supported a study tour for the CGA Director to the 2013 WCO Technology and Innovation Forum in Buenos Aires, Argentina that brings together representatives of border and enforcement agencies from around the world to engage in dialogue and cooperation between the public and private sector in border management.

Also this quarter, the Minister of Finance issued a decree to enhance the post clearance audit capacity of Mongolian customs. As a result, the CGA began restructuring the PCA department this quarter and plans

“The WCO Forum provided me with many new ideas on how Mongolia can adapt new technologies and innovations to tackle the challenges we face in customs border and inspection areas, and the best part was engaging with my colleagues from around the world and learning from their successful customs reforms!”  
– CGA Director General, Mr Ganbat Osor

to double the size of the current staff to 50 in the next quarter. To support the transition, BPI worked closely this quarter with CGA to develop a six-day Financial Audit for Mining Companies training scheduled for next quarter.

The table below summarizes the impact of the PCA capacity building efforts in 2013.

Period	Audited Firms	Imposed Revenues, MNT million	Collected through PCA, MNT million	Transferred to court/police
Jan-June 2013	51	12,274	709	11,550
Jul-Dec 2013 (after PCA training)	102	8,263	2,763	4,246
Total 2013	170	20,537	3,472	15,796

**PIR 2. Private sector capacity and competitiveness strengthened**

**KRA 2.1: Capacity of Mongolian private sector firms to sell products and services meeting buyers’ demand strengthened**

The Quality Supplier Development Center (QSDC) is the primary mechanism through which BPI seeks to increase private sector capacity. The QSDC Supplier Development Program consists of: (i) helping local products and services meet market requirements, i.e. requirements of buyers in and outside the country; (ii) improving the efficiency of productive and commercial processes, and (iii) linking suppliers to new markets. The fundamental objective of the QSDC is to promote economic development based on generating increased sales for local suppliers.

*Identifying and assessing new clients.* During this reporting period, QSDC revamped its strategy to identify new business opportunities and aggressively promoted their programs to the private

sector via individual and collective meetings, public presentations, outsourcing, and widely advertised solicitations for expressions of interest. As a result of public events and solicitations via media outlets, QSDC has been contacted by more than two dozen companies this quarter, as compared to one last quarter.

On October 30th, QSDC, in collaboration with the Mongolian National Chamber of Commerce and Industry (MNCCI), hosted a supplier development event. The event brought together a diverse group of 130 entrepreneurs and business leaders from multiple industries, including construction, financial, mining, and other sectors. At this informational networking event the QSDC revealed their innovative buyer-led approach and introduced an array of services and resources QSDC provides for the benefit of local SMEs. During the event, Mongolian small business owners and large buyers shared their first-hand experience working with the QSDC supplier development program over the past several months and



*On October 30, the QSDC hosted a supplier development event for more than 130 entrepreneurs to promote awareness of their innovative buyer-led approach and introduce an array of services and resources for local SMEs.*

USAID confirmed its commitment to building long-term and win-win relationships and partnerships with local and international firms and organizations in Mongolia to support SME

development. The event was well received and several companies including General Electric contacted QSDC for follow-up meetings.

On December 9, QSDC Executive Director presented QSDC’s mission and its value added services for the business community in Mongolia at the Business Council of Mongolia (BCM) monthly meeting and networking event, where over 80 people, representatives of both international and Mongolian business communities attended. Business Council of Mongolia is one of the leading membership based business communities in Mongolia, which involves representatives of multinational corporations, diplomatic communities and Mongolian businesses.

As a result QSDC staff has met with more than ten large buyers in the sectors of construction, mining, energy; food and beverage manufacturing, wholesaling, etc. Seven of them provided QSDC with a list of nine products for which they are seeking high quality local suppliers. Based on these product requirements and as part of QSDC’s effort to increase its supplier portfolio, QSDC met with 39 potential local suppliers to assess their capacity to meet the needs of the identified demand.



QSDC visits on average ten potential clients a week in different sectors including salvaging, leather, and packaging among others to identify opportunities

Summary Table: Potential Buyers and Suppliers	
Buyers	
<b>Buyers:</b> <ol style="list-style-type: none"> <li>1. Wagner Asia</li> <li>2. Premium Concrete</li> <li>3. Unegt Uul</li> <li>4. Mongolian Star Melchers</li> <li>5. UFC</li> <li>6. Menkhen Tahilga</li> <li>7. Green Mount</li> <li>8. Tsengeldekh Supermarket</li> <li>9. Five LLC</li> </ol>	<b>Buyer specification for:</b> <ul style="list-style-type: none"> <li>• Biodiesel</li> <li>• Catering Service</li> <li>• Off road tire repair</li> <li>• Truck body assembly</li> <li>• Paper packaging</li> <li>• Geophysical research</li> <li>• Inner and outside decoration service</li> <li>• Frozen dumpling and buuz</li> </ul>
Selected Suppliers	
<b>Suppliers:</b> <ol style="list-style-type: none"> <li>1. Mongol Market</li> <li>2. Clean Fuel</li> <li>3. SCG</li> <li>4. Megaton Minerals</li> <li>5. Get Generous</li> <li>6. Bodi Mur International</li> <li>7. Ask Eba</li> <li>8. Mon Tsakhim</li> <li>9. Ijii Gurvan Saikhan</li> <li>10. TCNTs</li> <li>11. Mon Egg</li> </ol>	<b>Potential product offerings:</b> <ul style="list-style-type: none"> <li>• Geophysical research</li> <li>• Construction decoration</li> <li>• Catering service</li> <li>• Electrical engine repair service</li> <li>• Off road tire repair</li> <li>• Inner and outside decoration service</li> <li>• Decoration stone</li> <li>• Bag for transporting copper concentrate</li> <li>• Winter boot</li> <li>• Chicken manure</li> </ul>

*Supplier Development Plans (SDPs)/* This quarter QSDC signed two SDP's and services agreements.



QSDC works closely with client Geomash, pictured above to bring the business to the next level

**Bitube:** Over the past few months, QSDC has been working closely with this local female-owned metal mesh supplier Bitube to facilitate transactions with potential buyers and fulfill new purchase orders. In order to take advantage of the new purchase orders, QSDC is providing support to Bitube from the QSDC Technical Assistance Fund supported by grant funding from the USAID BPI project. The amount of the assistance is 30 million MNT and as a direct result of this assistance Bitube expects 250 million MNT.

**Nomin Uguuj:** The client is a bakery that provides bread to Bayan Airag Exploration's (BAE) catering supplier. The demand from the catering company exceeds Nomin Uguuj's production capacity and is expected to grow quickly with the expansion of BAE operations. In order to take advantage of the increased demand, Nomin Uguuj needed to purchase an additional oven to increase production. QSDC is providing support from the QSDC Technical Assistance Fund supported by grant funding from the USAID BPI project.

The amount of the assistance is 3.5 million MNT and as a direct result of this assistance Nomin Uguuj expects to increase its sales ten times, resulting in 35 million MNT in incremental sales in the first year.

*SDPs in the pipeline.* During this reporting period, QSDC worked to conduct extensive due diligence and develop SDPs for the new clients below. These SDPs will be finalized early next quarter.

**Clean Fuel:** The core business is the production and commercialization of biodiesel from waste vegetable oil or animal fat and blends (biodiesel and petroleum diesel). Additionally the client sells imported petroleum diesel. An analysis made by QSDC revealed that the production and commercialization of pure biodiesel - B-100 – is the most profitable product for this company. QSDC advised Clean Fuel to streamline its product offerings and focus on B-100 fuel. QSDC identified a solid market for ten times the amount of Clean Fuel's current production of B-100 fuel. QSDC will assist Clean Fuel with operational costs to increase production. An SDP for 38.5 million MNT and expected increase in sales of 271 million MNT, will be finalized next quarter.

**The Standard Consulting Group (Holding) LLC:** Provides professional technical and management consulting services for energy, urban planning, transportation, environment, infrastructure and IT. Although engineering design is a relatively well developed service in Mongolia, Building Information Modeling (BIM) is a new service for engineering design and its demand is growing fast due to growth of construction sector. SCG has already identified buyer demand; however SCG needs assistance in order to purchase the licenses and hardware necessary to incorporate this new service. An SDP for 29.4 million MNT and expected increase in sales of 353 million MNT, will be finalized next quarter.

**Ariun Galil LLC:** A bag supplier for transporting copper concentrate from local suppliers. The client is in the final stages of an Oyu Tolgoi (OT) bid, likely to be selected a supplier for OT. OT's daily need is 51,840 bags and annual need is 622,080 bags. The client can currently supply 8% of the demand. QSDC assessed that the client requires specialized technical training

and machinery. The expected sales assistance totals 26 million MNT and the expected sales 1.5 billion MNT.

Overall, the five SDPs mentioned previously represent the disbursement of approximately 127 million MNT, or 30% of total TAF.

*Other potential businesses evaluated by QSDC.*

**Salvage assembly and metal piece repair:** Based on the success thus far with Geomash and Wagner Asia., QSDC is working closely with both companies to identify potential investment that can boost Geomash sales based on providing new services to WAE and other companies in the same sector.



*QSDC visits a potential tire repair supplier in Ulaanbaatar.*

**Tire Repair:** The absence of companies providing tire repair service (for large trucks) in Mongolia is causing huge financial losses for companies, in particular mining companies that have to scrap tires without significant damages. QSDC identified a potential supplier and plans to define the investment required, expected sales and potential partnership with this business.

**Diagnosis and prevention services:** General Electric sought a supplier for diagnosis and prevention services for their equipment and QSDC identified two local companies. Next quarter QSDC and GE will define the viability of working with these suppliers as well as the assistance required to develop the suppliers' capacity for these services.

**Diagnosis and**

**KRA 2.2: Partnerships that leverage resources to improve business and country competitiveness, promote an enabling business environment and good governance facilitated**

**Putting Capacity Building Tools to Work for SMEs**



*Above, BPI Chief of Party introduces the Proposal Development Toolkit developed by the BPI project at a three-day ToT training course in collaboration with the EBRD.*

In Mongolia, large companies, donor community, and government are increasingly issuing open tenders to identify firms and individuals with the right mix of skills, services, and products to meet their

procurement needs. However, many Mongolian companies and consultants are inexperienced with proposal development. To address this issue, in the spring of 2012 the BPI project introduced a proposal development tool designed to demystify the process. The tool uses examples and descriptions to explain how to write a technical volume and how to think through preparing a cost proposal.

The demand for these trainings has led BPI and the European Bank for Reconstruction and Development (EBRD) to collaborate on the development of a training of trainers (ToT) course for proposal development.

During October 24-26 EBRD hosted a three-day ToT training course based on the BPI developed proposal development toolkit for over 20 companies. By enhancing these trainers' technical skills, the trainees themselves now have the tools to engage with other proposal developers directly. The graduates of the course have committed to hold one training, at minimum, per quarter. This creates an opportunity for consultants to generate service fees while also strengthening the organizations they work with and the tendering process in general. To support this process, BPI will continue to ensure that their partners also have access to the toolkit. As a result, the BPI project has trained more than 70 Mongolian businesses on the use of the tool.

As reported in the previous quarter, the Corporate Governance Diagnostic Toolkit was officially launched at the fifth Corporate Governance Forum in May 2013. BPI recognizes the importance of ensuring the toolkit continues to be utilized and widely distributed. During the quarter, a local organization, Silk Road Foundation expressed interest in incorporating the CG toolkit in their activities. BPI worked closely to train their staff on the application of the CG toolkit. As a result, BPI in coordination with the Silk Road Foundation and CGDC disseminated 500 toolkits to private companies.

### **KRA 2.3 Capacity of private sector-led institutions to contribute to an enabling business environment, governance, and country competitiveness strengthened**

QSDC Delivers Successful Training Courses Utilizing Mongolian Trainers. During this quarter, QSDC successfully registered a local trainer for international accreditation with the London based Chartered Institute for Environmental Health (CIEH). As a result, the local trainer is now able to deliver internationally certified training on Food Safety and HACCP Levels I and II. During January QSDC expects to complete registration of another local trainer in the area of Occupational Health and Safety (OHS). By utilizing local trainers QSDC helps create local capacity while increasing the sustainability of its Quality Assurance training component.

This quarter, QSDC organized three quality management trainings: Competitiveness Building, Six Sigma Green Belt (in collaboration with WAE LLC) and HACCP. QSDC delivered the training courses through local trainers, making a successful transition from expat trainers to Mongolian trainers. As a result, 47 private sector participants increased their capacity in areas critical to increasing competitiveness.



October 22-23, QSDC trained 19 participants on business and marketing strategies.

**Competitiveness Building Training:** On October 22-23, QSDC Executive Director introduced strategies for sound business models, developing branding and marketing strategy and improving product and service design. The training was attended by

19 participants. In response to popular demand, QSDC is planning to organize a similar training in February 2014.

**Six Sigma Training:** On December 3-5, QSDC, leveraging Wagner Asia Equipment corporate social responsibility program, QSDC gained access to four Mongolian Six Sigma Black Belt trainers who delivered a second successful Six Sigma Green Belt training course. The training was attended by 13 participants from eight organizations including Trade and Development Bank, Oyu tolgoi LLC, Darkhan Geomach, and the Institute of Finance and Economics. Training participants enjoyed the interactive and engaging training format, practical skill development, and



*Six Sigma Green Belt training participants apply course knowledge to practical problems.*

knowledge sharing opportunity with other participants from leading firms in Mongolia. As a result, the newly certified green belts will be able to analyze and solve issues related to quality management by using Six Sigma methodologies. Further, training participants can now apply their green belt skills on quality improvement projects and increase their competitiveness in the marketplace.

**HACCP training:** During December 10-12 QSDC delivered three-day training on food safety and hygiene and hazard analysis of critical control points (HACCP) for 16 professionals from the food service and processing industries. This was QSDC's first subject training utilizing a



*QSDC training participants receive internationally recognized HACCP certificates*

Mongolian trainer who is registered at the London based Chartered Institute for Environmental Health (CIEH). The CIEH is one of the most reputable training and certification institutions worldwide. Participants attended an interactive classroom training, which included

analyzing practical case studies on food safety, food processing flow chart, good hygiene practice, group discussion and team activities. After the training, each participant completed an official examination, which will be reviewed by the CIEH and participants who pass the test will be issued internationally recognized HACCP certificates.

**QSDC Signs MOU with USAID and Wagner Asia.** On November 1, 2013, USAID Representative to Mongolia Francis Donovan, Managing Director of Wagner Asia LLC, Steve Potter, and Executive Director of QSDC, Bayarmagnai J. signed a memorandum of understanding (MoU) between the United States Agency for International Development



USAID Representative to Mongolia Francis Donovan, Managing Director of Wagner Asia LLC, Steve Potter, and Executive Director of QSDC, Bayarmagnai J. signed a memorandum of understanding aimed at increasing the opportunities for

(USAID), Wagner Asia, and the Quality Supplier Development Center (QSDC). The MOU confirms the cooperation of the three parties to work together to promote the competitiveness of Mongolia's private sector by bringing capacity building, access to markets, and resources to the country's local suppliers. The collaboration is designed to

increase the opportunities for local suppliers that can generate new income and jobs, in addition to increased sales for client firms through a new model for development that harnesses partnership and innovation to advance sustainable solutions.

### **PIR3. National dialogue on business enabling environment, governance, and competitiveness strengthened**

This component is responsive to PIR 3, National dialogue on business enabling environment, governance, and competitiveness strengthened. Per the BPI logical framework, there is only one KRA under this PIR, KRA 3.1: Increased public awareness of country competitiveness and governance issues, business enabling environment reforms, international experiences, and best practices. PIR 3 and KRA 3.1 are cross-cutting, and some of the BPI activities within this component are discussed in the above sections. Additional activities are described below.

#### **KRA 3.1: Increased public awareness of country competitiveness and governance issues, business enabling environment reforms, international experiences, and best practices**



November 14, 2013, BPI facilitates Year Two Reform Road Map PPD to Improve Mongolian Business Enabling Environment

In order for legal and regulatory business reforms to succeed and “take root” in society, it is important that the public embrace them. This requires that people be informed about the reforms and understand why they are necessary. To involve private sector stakeholders in project reforms and increase their capacity to influence the reform process, BPI continues to utilize the public-private dialogue (PPD) format.

In support of PIR I, the strategic communications team supported the Government of Mongolia in communicating the legal and regulatory changes to the private sector.

## Fostering Public-Private Dialogue on Mongolian Business Enabling Environment

Deepening business enabling environment reforms in Mongolia requires an ongoing public-private dialogue. In order to facilitate a vibrant dialogue between the public and private sector, ensuring the Mongolian private sector actively participated in both the formulation and implementation of the reforms, the project worked with the Cabinet Secretary and three counterpart agencies to host PPD events to further discuss current and proposed legal and regulatory changes in the Mongolia.



*Government officials and private sector representatives engaged in lively discussion on six reform areas supported by BPI.*

On November 14, 2013 BPI and the Cabinet Secretariat facilitated a PPD event at the Government House where public and private sector representatives from the areas of starting a business, dealing with construction permits, getting electricity, paying taxes, trading across borders and registering property meet together to highlight key priorities and opportunities to continue to improve the business enabling environment in 2014. Following this successful event, BPI developed a list of comments and drafted action plans for each reform area. The action plans were circulated back to the working groups and private sector representatives who participated in the PPD to incorporate their comments where appropriate. As a result, the action plans will be presented to the Prime Minister next quarter. The Exhibit below includes a brief summary of actions included in the Year Two Road Map.

### *SUMMARY: Year Two Reform Road Map to Improve Mongolian Business Enabling Environment*

**Starting a Business:** Two key reforms should boost Mongolia's ranking on "Starting a Business" indicator: (a) the approval and implementation of the draft Legal Entities Registration legal package submitted for Cabinet revision by MOJ in December 2013; and (b) implementation of the new Online Company Registration System (OCRS) with streamlined registration procedures, recently developed by GASR and USAID BPI project. These two reforms would decrease the time and procedures to register businesses and should bring Mongolia to the top 30 positions for this indicator in the 2015 *Doing Business* rankings.

**Dealing with Construction Permits:** Two key reforms in this area should boost Mongolia's ranking in this indicator: (a) immediately amend current Government Resolution #151 to further streamline dealing with construction permitting in Mongolia; and (b) approve new construction law expected to be submitted by the Ministry of Construction and Urban Development to Parliament by March 2014 providing a permanent improved framework for the sector. While Mongolia witnesses a 25 positions improvement in the 2014 *Doing Business* report, these two reforms would continue to significantly improve the legal and regulatory framework for dealing with construction permits in Mongolia.

**Getting Electricity:** The main two priorities identified under this indicator include: (a) facilitation of the request for getting electricity technical conditions through the UBM one-stop-shop; and (b) strengthen information exchange channels among UBEDN, ERC, MOE and the public aimed at communicating reforms, taking opportunities to continue to streamline connection procedures and incorporating public feedback on proposed reform efforts.

**Paying Taxes:** Successful roll-out of new GDT e-filing system and successful development of the e-payment module would ensure bringing Mongolia to the top 20 best countries in the world in the *Doing Business* 2015 rankings. Perhaps even more importantly, these reforms would reduce the compliance obligations businesses bear by about 77% which in turns would increase government revenues through increase compliance. Key actions include: (a) roll-out new e-filing system; (b) develop and roll-out new e-payment module; (c) improve coordination on financial reporting requirements among government agencies; (d) improve GDT electronic communication with taxpayer community.

**Trading Across Borders:** Mongolia remains at the bottom of the list in position 181 out of 189 countries in the *Doing Business* ranking. The laws on customs and state inspections provide discretion to reduce documentary burdens, require joint inspections and introduce risk management. By focusing on: (a) fully enforcing last year amendment on the customs law which reduced the number of documents required to imports and exports; (b) adopting additional regulatory changes to facilitate trade including risk management and PCA; (c) implementing a single window for trade; and (d) improve electronic communication between government agencies such as CGA an GASI and the trading community; Mongolia can reduce the time and cost to export and import while protecting the collection of public revenues.

**Registering Property:** Last year GASR undertook several reforms in the area of property registration. GASR needs to work with private sector organizations to better educate the public on these reforms. Other actions needed include: (a) hold periodic PPD events on property registration to incorporate private sector feedback on any proposed reform; and (b) ensure new ePRS is functioning as expected and that the public can fully utilize this online system.

Inspired by the fruitful dialogue with the private sector, the Ulaanbaatar Municipality and the General Department of Taxation hosted individual PPD events to continue the November 14th discussions.

### PPD on Dealing with Construction Permits

On December 2, in partnership with BPI, the Ulaanbaatar Municipality (UBM) hosted a briefing meeting for the private sector to report their 2013 activities to improve construction permitting process and plans for further reforms in 2014. The event included 64 participants representing local and national government organizations, private construction firms and mass media organizations.



USAID BPI project support Mongolian Government's efforts to promote Public Private Dialogue

Following the November 14th PPD event, a joint working group with representatives from the Ministry of Construction and the UB Municipality was established to follow-up on recommendations to amend the Resolution 151 on construction permitting, providing an improved transitory regulatory framework for construction permitting while the draft construction law becomes effective later in the year.

### PPD on Paying Taxes

Tax Commissioner Mr. Batmagnai, with BPI support, hosted a PPD event on “Paying Taxes” on December 18th, 2013. At the event, senior GDT officers made presentations on the proposed amendments to tax laws, the new e-Tax system, the BPI supported e-Payment system, and a new GDT Hotline and email address where taxpayers can provide comments on ongoing reforms and any tax related issue. More than 40 representatives from large and medium firms attended



GDT Tax officers and Taxpayers representing large and medium firms participating in a PPD event on “Paying Taxes”

the PPD event which included remarks and presentations from the Tax Commissioner, Acting USAID representative, the heads of GDT’s legal, IT and taxpayer services departments.

The PPD event culminated with a vibrant 90 minute dialogue where private sector representatives were able to raise important issues related to VAT law, current problems including the shadow economy, ambiguous provisions of tax laws and regulations with relation to taxes on export activities and allowable deductible expenses, among other issues. Taxpayers also suggested the need for stronger data exchange between the tax office and the customs department to address unfair competition on the part of informal and small traders who do not comply with the existing tax regulations. GDT Deputy Mr. Jigji led the responses on the part of GDT. Participating taxpayers suggested organizing these kinds of discussions on a periodic basis as a way to improve communications between the tax department and the taxpayers. For issues that could not be fully addressed at the PPD event, GDT official promised a prompt response to taxpayers.

In support of PIR 2, the strategic communications team provided significant assistance to the QSDC this quarter. Given that market demand is the starting point for every QSDC transaction with suppliers, QSDC solutions rely heavily on relationship building, improved marketing and communication strategies, and organizational development. This included development of informational marketing materials highlighting QSDC's services to share with potential clients and partners, producing videos demonstrating successful QSDC case studies, providing editorial and graphic support for quality training advertisements, providing review of requests for proposal (RFPs), facilitating partnerships with buyers, and organizing events related to supplier development to raise awareness of the importance of building the capacity of local firms and connecting them to large buyers.

The BPI project continued to actively collaborate with subcontract partner, the Press Institute (TPI) of Mongolia and their Economic Journalists Club (EJC). During this reporting period, the BPI project held four events for EJC members: two roundtables on monetized benefits and "getting electricity", one training to build the capacity of journalists reporting on the new e-tax system and the Second Annual Media Mangers' Forum described in detail in this section. The broadening of EJC collaboration with government agencies through the BPI facilitated events is an important milestone as EJC develops into a more vibrant and important voice in Mongolia.

### **Economic Journalism Club Hosts Third Annual Award Ceremony**

Founded in April 2009 by The Press Institute and USAID with the cooperation of international and local organizations that included the Ministry of Finance, the World Bank, the International Monetary Fund, the Open Society Forum, the International Finance Corporation, the Institute of Finance and Economics, and the Young Journalists Club, the Economic Journalists Club (EJC) is developing into a dynamic organization where young journalists hone their skills in economics and contribute to the public debate on economic policy issues facing Mongolia.

On October 4, 2013 the Economic Journalism Club (EJC) held the third annual award ceremony for the best economic news article and television story of the year, thirty two EJC member journalists and reporters competed for the award.



*On October 4, the Economic Journalism Club (EJC) awarded the top economic news article and television story of the year.*



*EJC First place Winners: Mr. T. Enkhbat and Mr. Ts. Ganzorig.*

The club hosted the ceremony following the Second National Forum of Media Managers with support from the Press Institute, the World Bank, Oyu Tolgoi, World Economic Forum, and BPI project. The forum brought together top media managers to discuss issues of common interest and demonstrate their commitment to taking a more active role to promote the development of the media sector.

**Economic Journalists Club: Economic Events October-December 2013**

Topic of Discussion per Event	Date
1. Second Managers' Forum+ Third Award Ceremony	Oct 4, 2013
2. EJC annual meeting	Oct 5, 2013
3. European Union visit	Oct 6-11, 2013
4. Monetizing the Benefits of Mongolian Regulatory Reforms roundtable	Oct 16, 2013
5. Mining Transparency training	Oct 18, 2013
6. Mining Site Visit	Oct 22-23, 2013
7. Independency, Trade and foreign investment training	Nov 22, 2013 Nov 26, 2013
8. Mongolia's energy shortage and 5th power station roundtable	Nov 29, 2013
9. Mongolia's real estate market training	Dec 10, 2013
10. Tax reform and advantages of the online tax system	Dec 26, 2013
11. Erdenes MGL Stocks training	

**Calculating the Heavy Costs of Regulatory Inefficiency.** On October 16, BPI and local partner, The Press Institute, hosted the "Monetizing the Benefits of Mongolian Business Regulatory Reforms" workshop. Inefficient trade regulation of imports and exports—"red tape"—imposes staggering costs to Mongolian consumers, businesses, and the economy. To deepen support for simple yet high-impact reforms, BPI introduced an innovative method to estimate the cost to the economy of inefficient regulations and showed the EJC members how to apply this tool. The BPI methodology is currently being used by government officials interested in reducing inefficiency. For instance, the General Department of Taxation (GDT) is using the methodology to quantify the costs to businesses and the economy of complying with procedures for paying taxes and using the tool to promote the potential benefits anticipated with the new e-filing and e-payment service the agency is introducing over the next several months.



On October 16, BPI and partner The Press Institute hosted the "Monetizing the Benefits of Mongolian Business Regulatory Reforms" workshop.

During the workshop Head of Taxpayer Service Department, GDT, Mr. D. Bayaraa used the tool to demonstrate to the journalists that eliminating paper returns for filing corporate income tax could save taxpayers upwards of 4.7 billion MNT annually.

### Hot Topics in Energy.

With Mongolia's sharp economic growth, rapid urbanization and mining development in recent years, the demand for energy has increased significantly. Despite its rich coal and mineral resources, Mongolia's current supply and outdated heating and power plant facilities from

the socialist era are unable to meet the growing demand resulting in frequent outages and delays in construction. Studies indicate that Mongolia will not be able to meet capacity as early as 2017, and dependency on Russia and China undermines Mongolia's positioning in the international arena.

On November 26, BPI hosted a roundtable discussion "Mongolia's Energy Shortage and New Power Station No 5" with local partner, The Press Institute of Mongolia and the Economic Journalists Club (EJC). An energy advisor on the panel, R. Ganjuur, pointed out that Mongolia is currently in the midst of its third energy crisis and that the Mongolian public highly undervalues the energy sector as demonstrated by the Government's low priority on energy issues and efficiency and the extremely low cost of energy in Mongolia as compared to developing countries. As a result, the roundtable discussion provided an opportunity for 24 EJC members to discuss energy developments with senior-level energy sector specialists and private energy sector representatives, including hot topics such as energy price regulation, alternative energy, and the Power Station No 5 project. The event was widely publicized on 26 television and print media outlets.

### Success Story: E-Tax to Reduce Compliance Costs for Taxpayers

I. Dorjderem has worked as an accountant since 1985. At the age of 66 Mr. Dorjderem admits he is not too comfortable with the use of computers or the internet. Yet, when he found out about



*I. Dorjderem pictured above and other local business representatives attended GDT's training on the new e-Tax system in the Dornogovi province.*

the training that the General Department of Taxation (GDT) was organizing on the new e-Tax system in the Dornogovi province, he did not hesitate traveling 136KM to attend the training. Mr. Dorjderem who works for Dund Joloo LLC, a small veterinarian service company in the Delgerekh soum, was positively surprised after attending an all-day long training on the new system. "The e-tax information system saves time, money and gasoline for businesses. One doesn't need to physically go to the tax office or the bank anymore" he stated. Even though he doesn't know much about computers, Mr. Dorjderem is eager to learn and use this useful system. "I have a computer teacher, he will help me file tax returns electronically, but I want to do it by myself at some point." In a country where small and medium business owners have to take several trips to their

local tax office in order to file and pay their taxes, taxpayers such as Mr. Dorjderem, are eager to climb the digital divide when it comes to filing and paying taxes electronically. In anticipation of the national roll-out of the new system by January 2014, USAID BPI project supported GDT



*November 26, 2013- Economic Journalists Club members discussed energy developments with senior-level energy sector specialists and private energy sector representatives at the collaboration with the public and private sectors at the "Mongolia's Energy Shortage and New Power Station No 5" event co-hosted by BPI and local partner TPI.*

efforts to carry out a nationwide training program on the new system. From October 22 to November 30, 505 tax inspectors and 3,347 taxpayers in 20 provinces and two distant districts of Ulaanbaatar were trained on how to use the new system. Of the participants, 79 percent were female and 21 percent were male. Local tax officers and taxpayers such as Mr. Dorjderem received training on how to file their tax returns, edit tax returns, get refunds, get tax compliance certificates, update taxpayer's personal information on the system, receive notifications, and get registered as an individual taxpayer, electronically.

Utilizing a training-of-trainers approach – which starts by training instructors who then travel to the countryside to conduct additional trainings – BPI continues to develop institutional capacity within GDT. Earlier this year, BPI used a similar approach to improve GDT's taxpayer services.

#### **D. BPI Activities by the Numbers**

During the last reporting period, the BPI project submitted Year 3 Annual Work Plan and is reporting against those revised targets beginning this quarter. Annex B to this quarterly performance report includes the submitted indicators and targets presented in the revised performance monitoring plan, and reports against targets for this quarter.

#### **E. Next Steps for the Coming Quarter**

Major activities or key actions projected for the next quarters, by project component, are detailed below.

#### **PIR I: Business enabling environment, governance, and country competitiveness policies and practices improved**

This quarter represents the second quarter for BPI Annual Work Plan Year 3. Given the natural slow down of project activity during this winter period, BPI will focus on accelerating implementation during the next quarter in all three of the project's components. Below are anticipated and/or potential tasks for the coming quarter which will focus primarily on six tasks: (1) consolidating QSDC organizational and institutional capacity; (2) completing supplier development plans for local suppliers in the sectors of construction, electrical repair/prevention for wind turbine and heavy equipment, biofuel, food production and food processing, metal products production for mining companies, among others; (3) completing the technical implementation of the Online Company Registration System which supports the reform of Starting a Business; and (4) continuing the process of documenting the positive impact of reforms on private sector development in Mongolia. (5) Completion of the e-payment module (6) Continuing PPDs

**Trading Across Borders:** Over the next quarter BPI will provide financial audit training to the CGA PCA department in order to strengthen the PCA system, which will result in a higher proportion of cargo cleared through the “green” and “yellow” channels under the CGA risk management system, and will help to increase cost and labor efficiency. In the next quarter BPI will provide an international expert to provide technical assistance support to the CGA Risk Management department. Finally, BPI will continue to work with the Mongolia National Chamber of Commerce and Industry (MNCCI), Customs and the Cabinet Secretariat to organize a public-private dialogue on how the TAB reforms are being implemented from the private sector point of view, paying a particular attention to the number of documents required for export and import. In addition, BPI will consider providing technical assistance to CGA and GDT in terms of data mining/exchange aimed at reducing tax evasions and enhancing the efficiency of post clearance audit of CGA.

**Dealing with Construction Permits:** BPI will finalize the draft construction law in coordination with the MCUD and BPI subcontractor. BPI will facilitate public-private dialogue to obtain consensus from private sector stakeholders before submitting the final draft to the Ministry of

Justice. BPI will also ensure that appropriate amendments to the Cabinet Resolution #151 are approved by the Cabinet and will assist the Municipal Master Planning Agency and one-stop shop in implementation and public education for the changes.

**Starting a Business:** BPI plans to hand over of the system to GASR in the next quarter and will continue supporting GASR in the post-implementation phase. The project will continue its support to GASR in responding to parliament inquiries on the draft legal entity registration package. Pending approval of the law, BPI will provide support to strengthen GASR's internal procedures and support GASR's awareness campaign to make transparent the procedures for businesses and citizens.

**Paying Taxes:** BPI will complete the e-payment module in the next quarter and will continue supporting GDT in the post-implementation phase of the complete e-tax system. The project will continue its support to GDT's customer service training and awareness campaign to complement the reforms in paying taxes.

## **PIR 2: Private sector capacity and competitiveness strengthened**

In addition to the specific activities related to its two main programs – Supplier Development Program and Quality Management Program – QSDC will work intensively during the next quarter on institutional strengthening. Key actions for next quarter include:

- Hiring of an accountant
- Development of QSDC Monitoring and Evaluation system
- Acquisition of its own domain and development of QSDC website.
- Launch of QSDC membership program that will offer additional services and discounts for companies interested in either of QSDC programs.

### **Capacity of Mongolian Private Sector firms to sell products and services meeting buyer's and market demand strengthened**

QSDC will focus on three main activities in the upcoming quarter: (1) identification of new business opportunities; (2) consolidation of the potential business linkages made in the previous months; (3) follow up on the implementation of the current SDPs (technical/financial assistance, client's production, client's sales report, M&E and repayment).

**New business identification:** increasing its business portfolio is still one of QSDC's main challenges. Therefore, QSDC staff will keep focused on new business screening and identification. In this regard, QSDC will continue with the following strategies:

- Dissemination events with Associations, banks SME officers and MNCCI
- Individual meetings with both large companies (from high-value sectors such as mining, construction and energy) and medium/small companies as potential suppliers.
- Outsourcing in the identification of business opportunities, through Development Solutions and independent professionals.
- Finally QSDC will keep calling for Expressions of Interest through its web page and Associations.

**Consolidating current businesses opportunities:** by the end of next quarter QSDC plans to have eight SDPs signed. This includes three abovementioned SDP's which the QSDC started this quarter (Clean Fuel, SCG and Ijii Gurvan Saikhan LLC) and an additional five including Geomash, a potential supplier for off road tire repair service and a potential supplier for engine diagnosis and prevention service.

**Follow up of the implementation of SDP:** by the end of next quarter QSDC expects to have at least six SDPs reporting results and in their repayment period. QSDC will develop its Monitoring and Evaluation system and meet with clients regularly to monitor and report accurately on progress.

### **Capacity of private sector-led institutions to contribute to an enabling business environment, governance, and country competitiveness strengthened**

In the first quarter of 2014, QSDC is planning to work in the delivery of trainings, the registration of new trainers with CIEH and the development of its new Suppliers Briefing Session material.

QSDC will organize three Quality Management Trainings next quarter, for approximately 90 participants: 1) “Building Competitiveness”: 2) Food Safety and HACCP and 3) Six Sigma training.

Additionally, QSDC plans to register at minimum one additional Health and Safety trainer with CIEH.

QSDC will develop –under its Membership Program- different Suppliers’ Briefing sessions. These will be held biweekly and its purpose is to help QSDC’s members get a better understanding of the content of the quality management trainings, as well as to identify areas for improvement that can be addressed by QSDC through our Supplier Development Program.

### **PIR 3: National dialogue on business enabling environment, governance, and competitiveness strengthened**

**Continued Cross-Cutting Engagement:** In the coming quarter, the activities of PIR 3 will continue to communicate the work being done in PIR 1 and PIR 2 to the general public and stakeholders, including government and the private sector. Specifically the project’s strategic communications team will focus on increasing PPD activities initiated this quarter. In addition, BPI aims to transfer this process to a local partner in order to institutionalize this process so that public-private dialogue may continue beyond the life of the project.

In the coming quarter, given that several BPI initiatives related to BEE will be finalized, the project strategic communications team will focus on increasing the capacity of targeted GOM entities to communicate reforms and simplified procedures to the public. For example, at the request of GDT, the project strategic communications team will assist the agency with a public education campaign to increase both taxpayers’ and tax officers understanding of the new e-filing and e-payment system. Additionally, the project expects that the law accompanying the OCRS will be finalized in the coming quarter, and BPI will work with GASR to publish the new law on the agency and project website in addition to organizing an official launch for the new system.

Furthermore, the project’s strategic communications team will ramp-up activities related to policy dialogue with the private sector in the coming quarter to ensure increased public awareness and understanding of BEE reforms and facilitate national dialogue on competitiveness. For example, the project will continue the discussion started during this quarter’s, “Year Two Business Enabling Environment Road Map Initiative” between GoM reform teams and private sector representatives. This is particularly important because Mongolia’s Doing Business 2014 ranking remained stagnant, despite significant improvement in 3/6 reform areas: “getting electricity”, “dealing with construction” and “starting a business” indicators.

BPI will also continue to provide significant support to the QSDC to ensure that the organization is well positioned to leverage resources from both private sector and other donors in order to maximize assistance to Mongolian SMEs which will allow local suppliers to take advantage of existing market opportunities.

<b>PIR 3: Planned Activities for Next Quarter</b>
<ul style="list-style-type: none"><li>• Continue Year Two Business Enabling Environment Reform Initiative public-private dialogue series.</li><li>• Increase capacity of local media through at least 2 targeted journalism trainings and support for local partner TPI’s program.</li></ul>

- Publish ten to twenty articles by the local media on BPI work and accomplishments.
  - Attract positive publicity and promote awareness and support for USAID development programs through bi-weekly BPI Web site and Facebook updates to share BPI accomplishments, and publish monthly e-newsletter with program updates.
  - At least five EJC workshops on to economic reform issues.
  - At least one public awareness campaign for technical activities such as e-payment.
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## **SECTION II: PROJECT MANAGEMENT AND ADMINISTRATION**

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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 third-country national technical assistance assignments.

### **A. Significant project management and administration activities**

During this quarterly reporting period, BPI project management and administration activities continued to support the delivery of programmatic and technical assistance across the three PIRs areas. Over the last quarter, the efforts of the project management team continued to focus on ensuring the BPI project has the right mix of staff to meet the needs of the project's refocused activities.

### **B. Personnel**

#### **B1. Long-term expatriate personnel**

During this reporting period, the project made one change to expatriate personnel:

- Mauricio Moscoso, Private sector advisor joined the project in October 2013, replacing Antonio Daza, who resigned from the project last quarter.

#### **B2. Long-term local personnel**

Exhibit A-1 in Annex A provides a summary status of local staff as of the end of the reporting period. The following changes were made in local long-term personnel:

- Munkhjargal Demberel, Office manager returned from her maternity leave as of December 1, 2013.

#### **B3. Deployment of short-term technical assistance**

Deployment of short-term expatriate assistance proceeded according to the Submitted Year 3 Annual Work Plan schedule during the quarter. Three (3) project-related technical assignments were completed or initiated during the quarter by a total of 3 short-term expatriates and third country consultants. Exhibit A-2 in Annex A provides details about the purpose of these assignments as well as dates of arrival and departure.

### **C. Status of subcontracts and grants**

During this reporting period, the BPI project continued to work with consortium partners as well as other Mongolian service providers to support the project's initiatives. Specific updates include:

- Under the indefinite quantity subcontract with Economic and Legal Consultancy LLC (ELC), which was signed last year the BPI project issued one additional sub-task order in October 2013:
  - Under sub-task order no. 08 ELC assisted the BPI project and the QSDC to review, revise, and provide appropriate languages to Supplier development plan and Technical and Financial disbursement agreement templates in both Mongolian and English languages that will be utilized to implement the TAF.
- Under a firm fixed price subcontract executed in March 2013 Alfa XP, an international IT firm provided system guides and full users testing of an online company registration system for GASR The subcontract is ongoing and will be completed in the coming quarter.
- In November, 2013 Chemonics released an RFP to identify a vendor to develop the e-payment module for General Department of Taxation (GDT). Local IT Firm, Infinite Solutions LLC was

selected in December 2013 through an open and competitive process. Chemonics has executed a firm fixed price subcontract with Infinite Solutions LLC to develop the e-payment application in close coordination with the GDT.

- In December 2013 Chemonics released the second RFP to identify an audit firm to provide specifically tailored financial audit training for 6 days, consisting of 2 days on introduction to financial audit, 1 day on accounting software and 3 days on simplified cases of financial audit of mining companies. The selection of the audit firm will be made in the next quarter.
- In December 2013 a fixed price subcontract was executed with Solongo and Munkh Partners LLC, the legal firm to assist the BPI project and the Ministry of Urban Development of Mongolia to finalize the legal package with construction law and concept papers for further submission to the Ministry of Justice.
- In October 2013 Chemonics closed the subcontract with Open Society Forum.
- Chemonics closed the in-kind grant agreement with Meat Export LLC In November 2013.

**D. 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:

- Field short-term local and expatriate assistance to complete technical assignments in accordance with the submitted final version of Year 3 Annual Work Plan.
- Close the FFP subcontract with Alfa XP executed to establish an OCRS for GASR.

**ANNEX A: Long-tem local personnel and expatriate short-term assignments**

<b>Exhibit A-1: Local long-term project staff as of the end of October – December 2013 quarter</b>			
<b>Employee name</b>	<b>Position</b>	<b>Start date</b>	<b>Current Contract End date</b>
Uurtsaikh Sangi	Deputy chief of party	Jun 20, 2011	June 19, 2014
Altanzaya Baldan	Accountant	Jun 20, 2011	June 19, 2014
Zul Sabikhan	Operations Manager	Jun 20, 2011	June 19, 2014
Tsolmon Naidandorj	Video and graphics coordinator	Jul 28, 2011	June 30, 2014
Batmunkh Perlii	Driver/Messenger	Aug 22, 2011	June 30, 2014
Myagmar Gombo	Driver/Messenger	Sep 12, 2011	June 30, 2014
Gerelmaa Tumurbaatar	Accounting assistant	Oct 7, 2011	June 30, 2014
Oyunbold Gansukh	IT manager	Oct 7, 2011	June 30, 2014
Amgalan Nordov	Regulatory reform manager	Jan 3, 2012	June 30, 2014
Solongo Samdandovjid	Business environment and competitiveness specialist	Jul 16, 2012	June 30, 2014
Davaakhuu Baatar	Translator/Interpreter	Jul 16, 2012	June 30, 2014
Munkhjargal Demberel	Office manager	Sep 26, 2012	June 30, 2014
Ariuntuya Ayurzana	Public private dialogue specialist (TPI)	Oct 5, 2012	June 30, 2014
Buyankhuu Suran	Translator/interpreter and editor	August 19, 2013	June 30, 2014

**Exhibit A-2: Short-term technical assignments during the January – March 2013 quarter**

<b>Name</b>	<b>Purpose of assignment</b>	<b>Date of arrival</b>	<b>Date of departure</b>
Olin McGill	BEE reforms	September 23, 2013	October 18, 2013
David Escarrega	FACT review	October 24, 2013	October 31, 2013
Amy Patanasinth	Short term consultancy to provide support to the Business Plus Initiative through its grant initiatives with local NGO, the Quality Supplier Development Center (QSDC)	December 16, 2013	December 30, 2013

**ANNEX B: Performance indicators, baseline, targets, and results for Annual Work Plan-3 (June 2013 through September 2014)**

<b>PIR1:Business enabling environment, governance, and country competitiveness policies and practices improved</b>											
<i>KRA 1.1 Trade, paying taxes, getting new electricity connections and construction procedures simplified</i>											
		<i>Baseline Value (DB2013)</i>	<i>AWP-3 Target</i>		<i>Apr-Jun</i>	<i>Jul-Sep (DB2014)</i>	<i>Oct-Dec</i>	<i>Jan-Mar</i>	<i>Apr-Jun</i>	<b><i>AWP-3 Results</i></b>	<b><i>LOP Target</i></b>
<b>1.1.1</b>	<b><i>Time and cost of clearing imports and exports reduced (Baseline DB2013)</i></b>										
1.1.1a	<i>Number of documents required to export/import a shipment</i>	11/13	3/3	<i>Target</i>	<i>n/a</i>	<i>5/5</i>	<i>3/3</i>	<i>3/3</i>	<i>3/3</i>	<i>3/3</i>	<i>3/3</i>
				<i>Actual</i>	<i>n/a</i>	<i>11/13</i>	<i>11/13</i>				
1.1.1b	<i>Number of days required to export/import a shipment</i>	49/50	27/28	<i>Target</i>	<i>n/a</i>	<i>35/36</i>	<i>30/31</i>	<i>27/28</i>	<i>27/28</i>	<i>27/28</i>	<i>27/28</i>
				<i>Actual</i>	<i>n/a</i>	<i>49/50</i>	<i>49/50</i>				
<b>1.1.2</b>	<b><i>Burden of compliance with tax administration procedures reduced (Baseline DB2013)</i></b>										
1.1.2a	<i>Number of payments per year:</i>	41	19	<i>Target</i>	<i>n/a</i>	<i>19</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>		<i>19</i>
				<i>Actual</i>	<i>n/a</i>	<i>41</i>	<i>41</i>				
1.1.2b	<i>Number of hours per year required to comply with paying taxes</i>	192	133	<i>Target</i>	<i>n/a</i>	<i>n/a</i>	<i>133</i>	<i>n/a</i>	<i>n/a</i>		<i>133</i>
				<i>Actual</i>	<i>n/a</i>	<i>192</i>	<i>192</i>				
1.1.2c	<i>Percentage of taxpayers that use e-payment for VAT, CIT and PIT taxes</i>	24.6%	55%	<i>Target</i>	<i>n/a</i>	<i>35%</i>	<i>40%</i>	<i>50%</i>	<i>55%</i>	<i>55%</i>	<i>55%</i>
				<i>Actual</i>	<i>n/a</i>	<i>24.6%</i>	<i>24.6%</i>				
<b>1.1.3</b>	<b><i>Construction permits procedures streamlined (Baseline DB2013)</i></b>										
1.1.3a	<i>Number of procedures to build a warehouse legally</i>	21	13	<i>Target</i>	<i>n/a</i>	<i>18</i>	<i>16</i>	<i>13</i>	<i>13</i>		<i>13</i>
				<i>Actual</i>	<i>n/a</i>	<i>20</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>		

1.1.3b	Number of calendar days required to complete all procedures:	216	120	Target	n/a	130	120				120
				Actual	n/a	186					
<b>1.1.4</b>	<b>Getting new electricity connections processes simplified (Baseline DB2013)</b>										
1.1.4a	Number of procedures to obtain an electricity connection:	8	7	Target	n/a	7	7				7
				Actual	n/a	8	8				
1.1.4b	Number of calendar days required to complete all procedures:	126	102	Target	n/a	102	102				102
				Actual	n/a	104	n/a	n/a	n/a		
<b>1.1.5</b>	<b>Online company registration system established (Baseline DB2013)</b>										
1.1.5a	Number of procedures to start a business:	7	4	Target	n/a	6	4			4	4
				Actual	n/a	5					
1.1.5b	Number of calendar days required to complete all procedures:	12	5	Target	n/a	10	5			5	5
				Actual	n/a	11					
<b>1.2.1</b>	<b>Customs risk management program strengthened (Baseline AWP-2)</b>										
1.2.1a	Percentage of "green and yellow channel" shipments:	32.8%	40%	Target	33%	35%	35%	40%			40%
				Actual	38%	34.4%	22.4%				
<b>1.2.2</b>	<b>Customs post clearance audit program strengthened (Baseline AWP-2)</b>										
1.2.2a	Number of PCA audits conducted with valuation training from BPI	0	50	Target	n/a	10	10	20	10		50
				Actual	n/a	30	89				
1.2.2b	Person/days of training on PCA and other trade facilitation delivered	226	409	Target	94		250	65		409	635
				Actual	248	207	3.1				

<b>1.3</b>	<b>Enabling legal and regulatory environment strengthened (Baseline AWP-2)</b>										
1.3.1	Percentage of progress in facilitating Draft Construction law	55%	100%	Target	55%	75%	100%				100%
				Actual	n/a	75%					
1.3.2	Percentage of progress in facilitating Legal Entities law	55%	100%	Target	55%	75%	100%				100%
				Actual	n/a	75%					
1.3.3	Number of trade related regulatory measures facilitated	0	2	Target			1	1			2
				Actual			0				
1.3.4	Number of regulatory measures facilitated to implement the new Securities Markets law	0	3	Target			1	1	1		3
				Actual							
<p><i>BPI METRICS FOR LAWS &amp; REGULATIONS (Contractor's manageable interest): Concept paper 10%   Working draft 20%   Technical review 25%  Public dialogue 20%   Draft hand-over 25%.</i></p>											
<p><i>PERFORMANCE METRICS FOR LAWS AND REGULATIONS: MoJHA clearance   Cabinet approval   Parliament Standing Committee clearance   Inclusion in Parliament agenda   Parliament approval.</i></p>											
<p><i>CHANGES TO ORIGINAL PMP TABLE: Indicator 1.3.5 Percentage of progress in facilitating draft regulations for VAT law was dropped since the Government decided not to change the VAT law. Baseline data for 5 BEE supported reform areas reflect latest revised data for DB2013 published in the DB2014 report.</i></p>											

<b>PIR2:Private sector capacity and competitiveness strengthened</b>											
<i>KRA 2.1 Capacity of Mongolian private sector firms to sell products and services meeting buyers' and market demand strengthened</i>											
		Baseline Value	AWP-3 Target		Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-May	AWP-3 Results	
<b>2.1.1</b>	<b>Consolidation of QSDC: Buyer-supplier transactions facilitated (Baseline AWP-2)</b>										
2.1.1a	Number of products/services with buyer's specifications:	23	40	Target	20	8	11	10	7	40	63
				Actual	46	9	8				
2.1.1b	Number of due diligence conducted on suppliers:	25	26	Target	15	8	6	5	4	26	51
				Actual	11	4	7				
2.1.1c	Number of TAF contracts to assist potential suppliers:	7	18	Target	9	5	6	2	2	18	24
				Actual	2	1	2				
2.1.1d	Number of purchase orders fulfilled:	1	24	Target	10	8	6	4	3	24	25
				Actual	8	6	4				
2.1.1e	Expected Value of transactions facilitated (million MNT)	n/a	1 billion MNT	Target	200	200	400	100	100	1,000	1 billion MNT
				Actual	197.5	401.3	908.1				
<i>KRA 2.2 Partnerships that leverage resources to improve business and country competitiveness, promote an enabling business environment and good governance facilitated</i>											
<b>2.2</b>	<b>Capacity of private-led institutions strengthened (Baseline AWP-2)</b>										
2.2.1	Number of person/days of training delivered on BPI's developed toolkits	86	50	Target		10	20	20		50	136
				Actual		6	60				
2.2.2	Number of cost-sharing agreements and/or subcontracts with local partner institutions to work on BEE issues:	9	5	Target	0	1	2	1	1	5	14
				Actual		1	2				

<i>KRA 2.3 Capacity of private sector-led institutions to contribute to an enabling business environment, governance, and country competitiveness strengthened</i>											
<b>2.3</b>	<b>Consolidation of the QSDC: Quality assurance training program (Baseline AWP-2)</b>										
2.3.1	<i>Number of trainings on quality assurance related topics delivered</i>	6	12	Target	1	3	3	3	2	12	18
				Actual		0	3				
2.3.2	<i>Number of person/days of training delivered on quality assurance related topics</i>	538	720	Target	60	180	180	180	120	720	1,258
				Actual		0	122				
<b>PIR3: National private sector driven and supported dialogue on business enabling environment, governance, and competitiveness strengthened</b>											
<i>KRA 3.1 Increased public awareness of country competitiveness and governance issues, business enabling environment reforms, international experiences, and best practices</i>											
		Baseline Value	AWP-3 Target		Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	AWP-3 Results	LOP Target
<b>3.1</b>	<b>Increased public awareness of BEE and competitiveness issues (Baseline AWP-2)</b>										
3.1.1	<i>Number of public events held on BEE or competitiveness issues:</i>	56	50	Target	10	10	15	15	7	50	106
				Actual	39	7	12				
3.1.2	<i>Number of person/days of attendance at public events:</i>	1,575	2,500	Target	1,500	200	300	300	200	2,000	4,075
				Actual	2,268	225	2,665				
3.1.3	<i>Number of workshops held for journalists:</i>	28	20	Target	2	3	5	5	5	20	48
				Actual	11	5	11				