



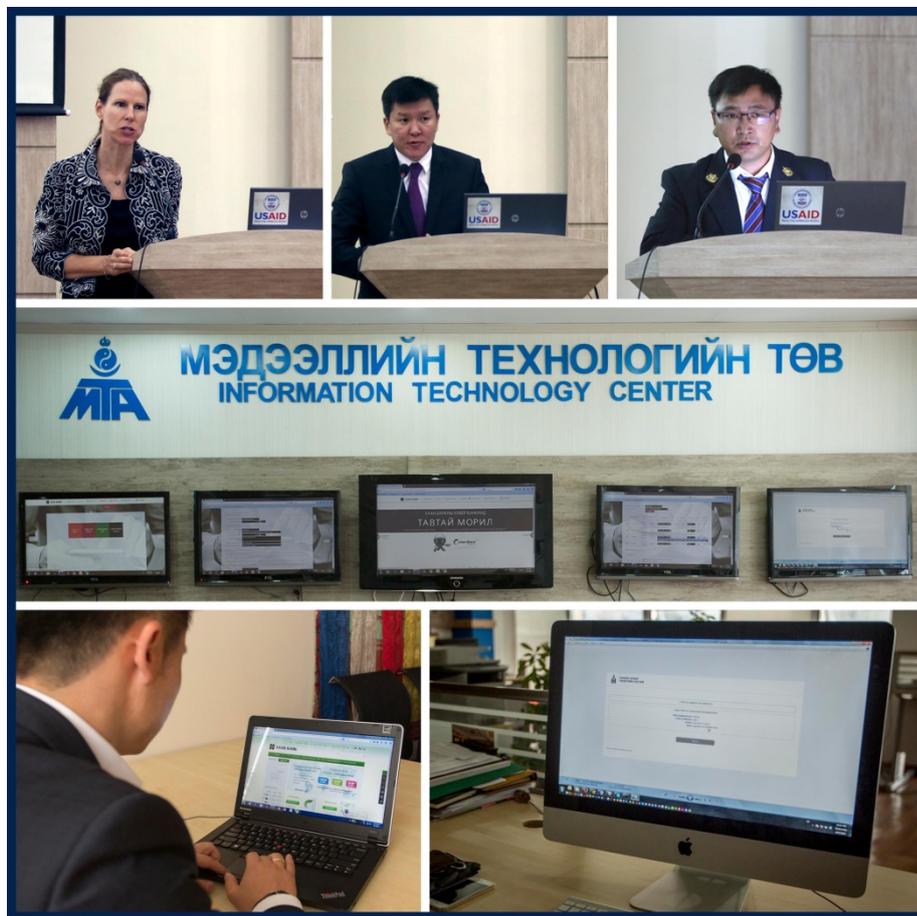
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Business Plus Initiative
USAID funded project implemented by Chemonics International

QUARTERLY PERFORMANCE REPORT (July-September 2014)

MONGOLIANS GAIN ACCESS TO ELECTRONIC TAX PAYING SERVICES



During this quarter, with support from the USAID-funded Business Plus Initiative Project (BPI), the General Department of Taxation (GDT) introduced its new E-Payment System on August 8, 2014. E-payment will make paying taxes easier, cheaper, safer and faster by connecting GDT and banks electronically with just a few clicks, eliminating physical visits to banks and the tax office.

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ABBREVIATIONS AND ACRONYMS

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
MINAC	Mongolian International and National Arbitration Center
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
PPP	Public-Private Partnership
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

Business Plus Initiative Project

FOG
TAF

Fixed Obligation Grant
Technical Assistance Fund

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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 addressing bottlenecks to country competitiveness. Over the reporting period, the BPI continued to address the project's newest reform area, commercial arbitration, working closely with the Ministry of Justice (MOJ) working group, and local partner the Mongolian Bar Association (MBA), international law firms, and the International Chamber of Commerce (ICC). This report is the Business Plus Initiative (BPI) project Thirteenth Quarterly Report and describes project activity from July through September 2014.

Over the course of the year, BPI worked closely with the MOJ Working Group to bolster reforms in the area of commercial arbitration. At the beginning of the reporting period, BPI partnered with MBA and Gibson Dunn & Crutcher LLP to complete a five-day workshop series "International Arbitration: Introduction to Law & Practice". At the end of the reporting period, BPI hosted the "International Commercial Arbitration and Investment Treaty Arbitration under ICC rules: A Demonstration", a two-day event that illustrated the practical aspects of arbitrating commercial and investment treaty disputes.

During the reporting period, BPI formalized planned technical assistance with the Customs General Authority (CGA) and the General Department of Taxation (GDT) by signing MOUs outlining goals for collaboration and technical assistance over the next year. This quarter, BPI activities with CGA focused on continued information technology capacity development on the customs valuation module. This quarter, BPI activities with GDT focused on the August 28 launch of the tax e-payment system. Developed with BPI assistance to complement the tax-e-filing system, the e-payment system allows taxpayers to pay their current tax arrears, current dues, and advanced payments through online credit/debit card payments or using commercial bank internet banking services. BPI is facilitating public awareness campaigns to spread knowledge on this new user-friendly tool.

During the reporting period, BPI made efforts to resolve challenges in launching the online company registration system (OCRS). BPI engaged an IT expert to assess options in moving forward with the implementation of the OCRS in support of the General Authority on State Registration (GASR). The consultant developed detailed pros and cons for each assessed option. BPI collaborated closely with USAID and GASR in reviewing the options and the conditions under which BPI could continue to provide support in this area. BPI expects to conclude discussions in the next quarter.

As of the end of the reporting period, QSDC has provided TAF assistance to 20 SME clients. As a result of TAF assistance, client firms have accomplished actual increased sales of 4 billion MNT, four times higher than the initial LOP target. QSDC has also made significant strides in the TAF repayment schedule, with 18 clients in the repayment period, and only four experiencing repayment challenges.

During the reporting period, BPI continued to host round table discussions as a key mechanism to foster awareness on BEE improvements in Mongolia. On September 30, BPI in partnership with The Press Institute, implemented a roundtable on the hot topic of Occupational Health and Safety, especially relevant in light of recent high-profile construction related accidents in the country.

A. Significant Accomplishments

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

PIR 1: 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 Business Plus Initiative (BPI) project to improve the country's business enabling environment in three areas, outlined below:

- Trading across borders:* On August 27, 2014, Director General O. Ganbat and Acting USAID Representative to Mongolia Richard X. Chen signed a memorandum of understanding (MOU) between the Customs General Administration (CGA) and USAID. The MOU confirms commitment to work together to improve trade facilitation in Mongolia. The collaboration is designed to increase CGA opportunities to reduce the burden on traders and build the capacity of Mongolian customs in the areas of post-clearance audit, risk management (RM), and information technology. Among the activities outlined in the MOU, through BPI intervention, CGA and USAID will continue to develop the Customs Automated Information System (CAIS), launch the customs valuation information module, enhance the new risk management system, and provide technical assistance and specialized training to the PCA, RM, and IT departments of CGA. In addition, CGA and USAID through the BPI project will facilitate public private dialogue forums to continuously engage with the private sector as trade reforms progress.
- Paying taxes:* On September 17, 2014, Commissioner T. Batmagnai, General Department of Taxation (GDT) and Acting USAID Representative to Mongolia Richard X. Chen signed a MOU between the GDT and USAID. The MOU confirms commitment to work together to facilitate paying taxes in Mongolia by increasing GDT opportunities to reduce the burden on taxpayers, implementing electronic options for tax compliance, and improving the capacity of Mongolia's tax administration in risk management (RM) and information technology (IT).



Acting USAID/Mongolia Country Representative, Richard X. Chen and GDT Commissioner, T. Batmagnai, sign an MOU committing to continued collaboration on "Paying Taxes" activities over the next year

Activities outlined in the MOU also include USAID/BPI support to GDT in the following areas:

- assist in connecting additional commercial banks and carrying out a public awareness and education campaigns for the recently launched E-Payment System;
- support in the development of an Electronic Invoice System for value-added tax (VAT);
- facilitate improvements in taxpayer customer services through a new website;
- enhance risk management and audit processes; and,
- provide technical assistance and specialized training to GDT officers.

In addition, GDT and USAID, through the BPI project, will facilitate public private dialogue forums to engage continuously the private sector as progress toward tax reforms continue.

- Arbitration Reform:* This reporting period saw significant progress in BPI's facilitation of commercial arbitration legal reform in Mongolia. At the beginning of the reporting period, BPI in partnership with the Mongolian Bar Association (MBA) and Gibson, Dunn & Crutcher LLP (Gibson Dunn) completed a five day workshop series "International Arbitration: An Introduction to Law & Practice" benefitting 53 lawyers, practitioners and judges. With the assistance on international law firm Sidley Austin LLP, BPI's



In September, Arbitration experts from South Korea, Singapore, Hong Kong, and Mongolia facilitated a simulation exercise with more than 200 participants on commercial arbitration and investment treaty arbitration under ICC Rules

subcontractor, MDS & KhanLex LLP (MDSKL) drafted a Concept Paper on the new draft Arbitration Law, which was accepted by the Ministry of Justice (MOJ) arbitration working group (WG) in August. With this acceptance, MDSKL is in the process of formally drafting the revised Arbitration Law. On September 8-9, BPI hosted the "International Commercial Arbitration and Investment Treaty Arbitration under ICC Rules: A Demonstration" two-day event organized in partnership with the MOJ, the International Court of Arbitration of the International Chamber of Commerce (ICC Court), and local partner, Mongolian Law Society. This event illustrated the practical aspects of arbitrating commercial and investment treaty disputes.

At the end of the reporting period BPI hosted a retreat for MOJ's working group on Arbitration Law to discuss the draft revised law. WG members representing MOJ, Supreme and appeal court judges, private law partnerships, academic lawyers and court decision enforcement agency had extensive discussions on essential changes to be incorporated in the revised law to facilitate arbitration in Mongolia and make the Mongolian Arbitration Law compliant with the UNCITRAL model law.



Fifty-three lawyers and practitioners received continuing education credit by participating in the "International Arbitration: An Introduction to Law & Practice" workshop series on July 4.

PIR 2: Private sector capacity and competitiveness strengthened:

During this quarter QSDC continued to consolidate gains and advances to the Supplier Development Program and Quality Management Program. The July-September period marked the fifth full quarter of QSDC operations, marking the passage to its second year of activities. The organization continued efforts to effectively expand its client rosters, strengthen their institutional capacity, and develop a locally-driven training program. Notably, QSDC completed three Supplier Development Plans (SDPs) this quarter, which are expected to assist client firms to increase their sales by 1 billion MNT.

During the reporting period, QSDC delivered two trainings: Occupational Health and Safety and Six Sigma Green Belt. These training were attended by 24 participants, representing 13 private sector companies that received a total of 63 person/days of training.

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

During this quarter, BPI was active in elevating the visibility and developing educational programs for increased understanding and awareness of commercial arbitration in Mongolia. BPI, in partnership with the Ministry of Justice (MOJ), the International Court of Arbitration of the International Chamber of Commerce (ICC Court), and the Mongolian Law Society hosted a two-day arbitration demonstration illustrating the practical aspects of arbitrating commercial and investment treaty disputes through the presentation of two mock arbitration cases. International and domestic experts presented the cases for more than 200 participants. In addition, the Arbitration website <http://bpi.mn/arbitrationppd/> developed during March 2014 has continued to evolve into a one-stop portal which houses updates and resources related to BPI's activities in this area.

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.* BPI has continued to work closely with the Cabinet Secretary, the government's reform working group and the six agency-level working groups for the doing business reform areas supported by the project. Currently, BPI technical collaboration with MOJ, Cabinet Secretariat, the Ministry of Construction and Urban Development (MCUD), and the General Authority for State Registration (GASR), GDT, and CGA. BPI also worked closely with such partners as the American Chamber of Commerce of Mongolia (AmCham Mongolia) and the Mongolian Bar Association (MBA).
- *Donor coordination:* During this quarter, BPI coordinated with donors in the development community, including JAICA, ADB, the Asia Foundation on several potential common initiatives, including training for judges and public-private partnerships (PPP).
- *Collaboration with private sector.* The private sector is also increasingly interested in meaningful collaboration with the BPI project, predominantly through the QSDC and arbitration activities. During this quarter, BPI continued to work closely with international law firms who agreed to support arbitration reform efforts on a pro-bono basis and formed a coalition of

local partners to support arbitration reform including the International Chamber of Commerce (ICC), Mongolian Law Society, MINAC, AmCham, MBA, and BCM.

Ongoing Performance Constraints:

- During the reporting period, constraints persisted in the areas of starting a business and dealing with construction permits as reported in the previous quarterly report. The draft law on legal entities registration that was overtaken by other policy priorities before the recess of Parliament spring session is now on the fall agenda. During this quarter, BPI exchanged ideas with GASR management on available solutions to proceed with the soft launch of the online company registration system. Full details are provided in Section I, KRA 1.1. Starting a business.
- MCUD did not make progress in building consensus on the key concepts related to risk categories for construction projects, and the safety and accreditation of construction professionals. The MCUD submitted the Concept Paper to the Cabinet meeting on July 24 and obtained the consent on August 7.

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; Annex B includes reporting of results for the quarter against the BPI project's draft performance monitoring plan; finally Annex C includes the QSDC grantee Quarterly Progress Report.

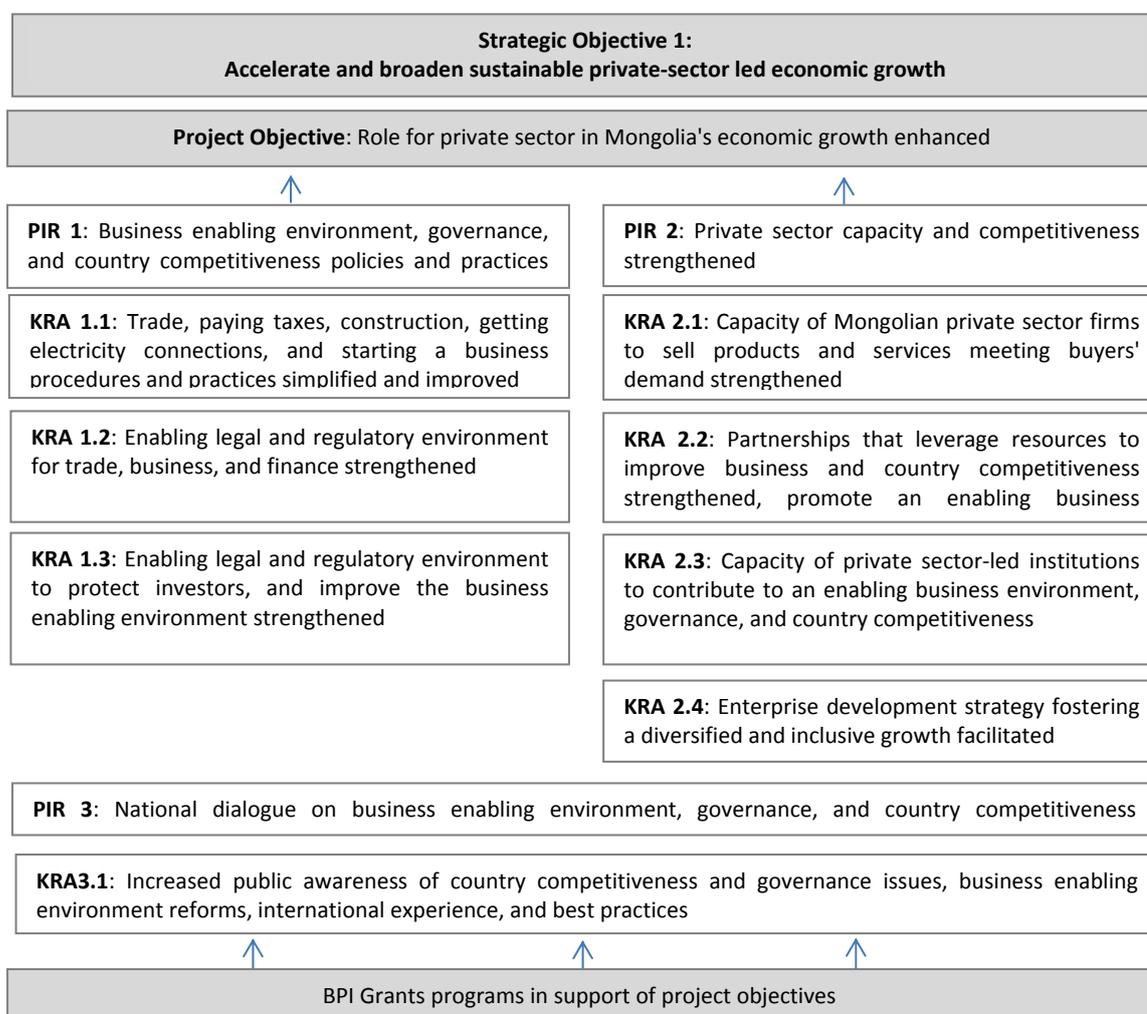
SECTION I: WORK PLAN IMPLEMENTATION

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

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

KRA I.1: Trade, paying taxes, getting new electricity connections, construction, and company registration procedures simplified:

The Doing Business report for 2015 published on October 29, 2014 included a significant change in methodology, which makes it difficult to compare Mongolia's current standings with the previous year's rankings. Mongolia ranks in position 72 out of 189 economies in the Ease of Doing Business ranking (as compared to position 70th in the revised DB2014). Four out of five areas where BPI is providing assistance showed improvements in the rankings. The report shows significant improvements in the Paying Taxes indicator, where Mongolia improved 16 positions in the ranking as compared to 2014.

DB2015 Report: Result for the Five BEE Reform Areas Supported by the BPI			
Project			
Indicator name	DB2014 Revised	DB 2015	Change in rank
Starting a Business			
Rank	38	42	-4
Procedures	5	5	0
Time (days)	11	11	0
Cost (% of income per capita)	1.5	1.2	0.3
Dealing with Construction Permits			
Rank	75	74	+1
Procedures	16	16	0
Time (days)	137	137	0
Cost	0	0	
Getting Electricity			
Rank	143	142	+1
Procedures	8	8	0
Time (days)	79	79	0
Cost (% of income per capita)	719.9	600.6	119.3
Paying Taxes			
Rank	100	84	+16
Payments	41	41	0
Time (hours)	192	148	44
Trading Across Borders			
Rank	175	173	+2
Documents (export/import)	11/12	11/12	0
Days (export/import)	44/45	44/45	0

The Table above also shows minor ranking improvements in the areas of dealing with construction permits, getting electricity and trading across borders; with a minor decrease in

ranking for the starting a business area. The significant improvement in paying taxes is due to a 23 percent reduction in the time required to comply with tax obligations as a result of tax E-filing implementation. BPI estimates that Mongolia will continue to exhibit improvement in this area as Mongolians start paying their taxes electronically through the BPI-supported tax e-payment system.

The decrease in the ranking for the area of starting a business was due to reforms made by other countries. The above table actually shows a decrease in cost for this indicator, as compared to the revised number for 2014. Under the dealing with construction permits the table shows (as BPI told the DB team last year) that the number of procedures and time has decreased significantly as a result of the BPI supported reform that streamlined the permit process. The DB2013 reported 21 procedures and 216 days to obtain construction permits. DB2015 also shows a decrease in the cost for the getting electricity indicator as compared to the revised 2014. On the other hand, the impact in trade facilitation resulting from BPI supported risk management and post clearance audit activities is yet to be recognized by the DB team. BPI upcoming activities to facilitate customs data exchange with neighboring countries as well as the introduction of customs e-payment should result in significant savings in time and cost to the Mongolian trading community.

Trading Across Borders:

Customs Valuation Module: BPI and CGA completed the development of the customs valuation module by the end of this reporting period and the module is now undergoing internal testing by the CGA Risk Management and Valuation department. The purpose of this module is to provide CGA personnel and the trading community with online access to Mongolian trade data as stated on customs declarations, through a user-friendly interface. The system includes a section that can be used to make detailed studies based on a particular HS code, graphically displaying the unit prices declared for a commodity over time. These types of studies are very useful in detecting undervaluation problems. In addition, CGA is evaluating what parts of this data can be made public so that the trading community can get involved in identifying problem areas in trade operations and work jointly with CGA in enforcing compliance. CGA will finalize testing of the valuation module during the next quarter.

Memorandum of Understanding signed. On 27 August 2014, USAID and CGA signed a MOU for trade facilitation activities to be implemented through BPI. As stated in the MOU, BPI will collaborate with CGA to implement the following activities over the next year:

1. Support CGA in organizing public-private dialogue with trade participants to promote education and public awareness;
2. Provide technical assistance to CGA in implementing a customs e-payment system;
3. Enable use of the customs valuation information module by developing user guidelines, conducting training-of-trainers events at CGA, and continued testing and improvement of the module;
4. Develop a web-based service that will facilitate the process for trading companies and individuals to submit customs declarations;
5. Automate the customs clearance process for individuals who declare using the form #21 "Customs Clearance Sheet;"
6. Continue human resource capacity building programs for post clearance audit, risk management division and IT center of CGA; and
7. Provide required technical assistance to CGA to continue implementation of the risk management system.



Acting USAID/Mongolia Country Representative, Richard X. Chen (left) and CGA Director General, O. Ganbat (right) sign an MOU committing to continued collaboration on “Trading Across Borders” activities in the coming year

CGA drafted an Action Plan for implementing these activities, identifying three activities as short term priorities: procurement, installation of and training on IBM MQ WebSphere software for data exchange with customs authorities of neighbor countries; customs tax e-payment system and public dialogue with trade participants on recent activities by CGA to facilitate customs clearance and control. BPI will continue progress toward these activities over the next quarter.

Paying Taxes:

E-payment system launch: Since 2013, BPI has supported the GDT in developing an electronic tax payment system (E-payment) to facilitate payment of taxes by connecting taxpayers, banks, and GDT electronically. Launched on 8 August 2014, BPI is now working closely with the GDT to implement the system and raise awareness of the benefits of E-payment across Mongolia. The new system complements the E-filing system launched in January 2014. With the introduction of E-payment, making tax payments has never been easier. Taxpayers can now pay their tax arrears, current dues, and even make advance payments on their tax account- anytime, from anywhere.



U.S. Ambassador, Ms. Piper Anne Wind Campbell (top left) and GDT Commissioner, Mr. Batmagnai (top right) make opening remarks at the August 8 Tax E-Payment Launch

The tax E-payment system will help consolidate the achievements obtained through the roll-out of digital signature for taxpayers and tax E-filing. By providing options for E-filers to also pay their taxes electronically, Mongolia will continue to move up to the top-tier of countries that facilitate paying taxes. Accordingly, the complete E-tax system is expected to improve Mongolia’s ranking on the “paying taxes” sub-index of the World Bank (WB) doing business survey. GDT’s complementary “E-filing” and “E-payment” systems will improve the efficiency of tax administration for both taxpayers and GDT, decrease the cost of filing and tax collection, expedite transaction processes, strengthen transparency in tax collection, and increase tax payment compliance.

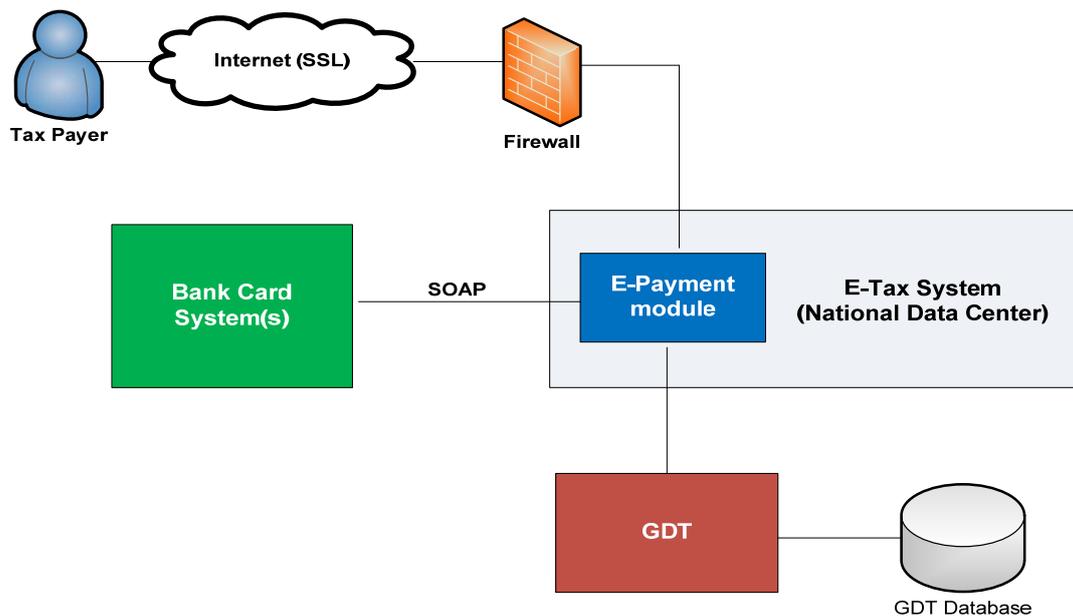
Taxpayers can make payments via two user-friendly options:

OPTION 1: Online Payments Using Credit/Debit Cards (See Exhibit 1)

GDT's E-payment website uses Representational State Transfer (REST) technology to allow taxpayers to make payments to one or more GDT accounts directly to the GDT using debit or credit card. To use this option:

- Taxpayer signs into GDT E-tax system, clicks "Online Payment" and is automatically re-directed to the E-Payment module. The system uses Single-Sign-On (SSO) to ensure a secure connection, without the user having to re-enter login credentials.
- The taxpayer's information is retrieved from the GDT database and made available in the E-Payment module, allowing the taxpayer to select from a list of taxes owed.
- The taxpayer can select specific or all tax payables and clicks "Submit," which then automatically connects to the debit/credit banks' card center to deduct the payment amount and notifies the GDT that the payment has been made.

Exhibit 1: E-Payment module system architecture



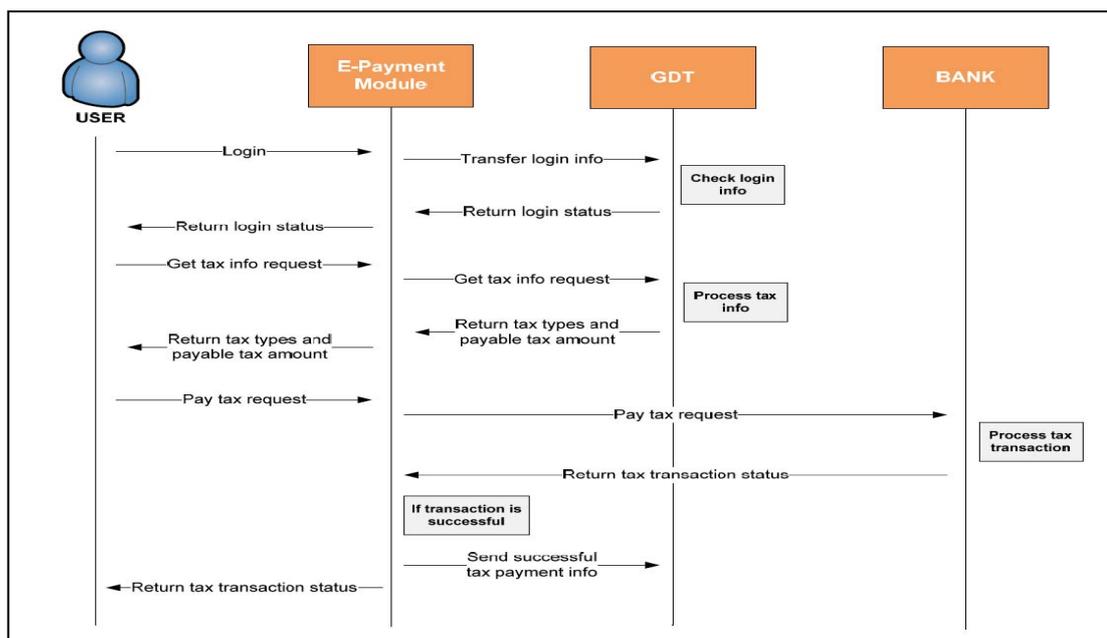
OPTION 2: Online Payments Using Commercial Banks' Internet Banking Services (See Exhibit 2)

Taxpayers can view their tax information and make payments to one or more GDT accounts, in one simple transaction - directly to the GDT from their personal/business online banking system. This option is currently available for taxpayers who have an online banking account at the Khaan Bank, State Bank, and Golomt Bank financial institutions. GDT plans to expand this service via all commercial banks in Mongolia over the coming months.

To use this option:

- Taxpayer signs into the banks' Internet banking using their bank credentials.
- Taxpayer clicks / navigates to "Tax payment" section. Through secure API (interface) provided by E-payment system for commercial banks, banks' internet banking is connected to the GDT database to retrieve the taxpayer information allowing the taxpayer to select from a list of taxes owed
- The taxpayer can select specific or all tax payables as well as bank account from which payment will be made and click "Submit"
- The system automatically deducts the tax payment from the selected bank account and sends status message (successful or unsuccessful) back to GDT server / database using the secure API connection
- Taxpayer using the Commercial Bank's internet banking pay their tax as well as someone else's tax
- NOTE: E-Payment modules API provides an opportunity not for Commercial banks not only integrate to their Internet banking as well as other services such as Mobile / Smartphone Banking, Teller system and etc.

Exhibit 2: Tax E-payment Module, Connecting GDT with Commercial Banks

**Tax E-Payment Results to date:**

- Since January 2014, **91.3%** of total taxpayers, have obtained their digital signature.
- As of June 2014, on average **77.6%** of total taxpayers are already filing their tax returns electronically.
- The time required to file tax returns has **decreased by more than 30%** (hours per year).
- World Bank Doing Business 2014 reported 56 hours/per year spent on filing taxes, since January 2014 **the time required has dropped to 36 hours per year.**

Memorandum of Understanding signed. On 17 September 2014, USAID and GDT signed a MOU for BPI to assist GDT with taxpayer facilitation activities. According to the MOU terms, BPI will collaborate with GDT to:

- Support GDT in organizing public-private dialogue with taxpayers and promoting education and public awareness through taxpayers website creation and content improvement;
- Provide specialized technical assistance to GDT in developing and implementing a VAT e-invoice system;
- Provide specialized technical assistance to support GDT in the development of data mining tools to coordinate risk management with tax audit; and
- Research cost effective options to conduct a pilot program on digitalization of taxpayer documents and carry out a pilot project.

At the end of the reporting period, launched activities by drafting a scope of work for upcoming activities in development a VAT e-invoicing system. In September, short term consultant Jerry Henzel collaborated with GDT officials to develop terms of reference to engage a local firm to carry out this activity. The RFP procurement process will begin in the next quarter.

Starting a Business:

Legal entities registration law. To reduce barriers to registering business, with BPI support, the General Authority for State Registration (GASR) drafted a revised law on legal entity registration. The draft law submitted to Parliament during the first quarter of 2014 had to be withdrawn by MOJ due to the extensive changes (20 conceptual and 55 editorial changes). Although MOJ submitted the second iteration in May 2014, the draft law was not discussed by Parliament due to other high priority issues before the Parliament recess in July. As confirmed by Parliament Speaker Z. Enkhbold during his briefing at the AmCham monthly meeting on September 24, the draft law is now included in the fall session agenda, scheduled to begin early October 2014.

Online Company Registration System. During the reporting period, BPI attempted to address GASR's last minute concerns about OCRS and its request to change the database platform from MS-SQL to Oracle and web server from IIS to Linux as discussed in the previous quarterly report. BPI provided technical answers through a written communication on July 24, which addressed GASR concerns for technological choice, and confirmed the original platform GASR had jointly agreed upon prior to launching the work on the OCRS. BPI had a follow-up meeting on July 31 with USAID presence, where GASR's IT Director presented the following options:

Option 1: Implement OCRS at GASR as originally completed by:

- Implementing a copy of OCRS on National Data Center (NDC) infrastructure that will only use the public facing interface for name search, name reservation, initiating entity amendments, etc.
- Tying the OCRS into the current infrastructure for data sharing

Option 2: Continue using Legal Entity System (LES) by:

- Developing a data entry website on NDC infrastructure that handles entity name search, initiates registration of entities, changes of entities, etc.
- By linking the above data entry website to the existing LES systems via the existing mechanisms that GASR has for data exchange between the NDC and GASR.

BPI obtained GASR's "no objection" to engaged a high level IT expert to assess the above options and seek other alternatives and on September 4 engaged Mr. Jerry Henzel, an IT expert with particular specialization on Oracle and other platforms.

At the end of his two-week assessment, Mr. Henzel presented his recommendations to GASR Director General Ts. Purevdorj and IT Director M. Altanzurkh on September 19. In addition to BPI, USAID Acting Representative Richard Chen participated in the meeting.

Mr. Henzel's recommendations include:

- Option 1 proposed by GASR – OCRS Expansion with Oracle Database: This option presents technical difficulties and requires substantial additional investment in hardware and time before it could be implemented. As such it is viewed as an impractical option.
- Option 2 proposed by GASR – LES with Front-end E-Filing Developed on the National Data Center: The consultant concluded that ability to definitively assess the scope of development and costs for this option, would require full and unfettered access to the source code and inner details of LES systems. Given GASR misgivings in permitting full access to LES source code and inner details by BPI consultants, perhaps the only way to adequately implement this option is by utilizing the same contractor that developed the LES system in the first place. Implementation of this option could take up to one year with an estimated budget of up to \$157,000 in direct costs.
- Option 3 presented by the IT consultant – Improved OCRS: this option implies taking the current OCRS system to final production. It is estimated that this can be done in 30-50 days and requires an additional investment under \$10,000 in direct costs. However, in order to

successfully implement this option, senior GASR management must make a strategic decision on OCRS as the system of record.

In the meeting, Mr. Henzel provided GASR with the pros and cons for each option, accompanied by costs for hardware, software, labor and expected time to put the system into production. On September 25, 2014, GASR IT Director M. Altanzurkh communicated GASR's decision to pursue Option 2. BPI will consult with USAID on response to GASR in the upcoming quarter.

Dealing with Construction Permits:

As in the previous quarter, during the reporting period, the MCUD team did not make progress on building consensus on the pending issues a) definition of parameters for risk categories; b) professional levels and certifications; c) expertise requirement based on risk categories, and d) licensing requirements for businesses to build higher risk buildings.

Despite these continued delays, MCUD submitted the concept paper to the Cabinet meeting on July 24 and obtained the consent on August 7. MCUD plans submitting it to the MOJ for approval in the next quarter.

KRA 1.3: Enabling legal and regulatory environment to protect investors, enforce contracts

Commercial Arbitration facilitated. BPI in partnership with the Mongolian Bar Association (MBA) and Gibson, Dunn & Crutcher LLP (Gibson Dunn) completed a five-day workshop series "International Arbitration: An Introduction to Law & Practice" on July 4, benefitting 53 lawyers, practitioners and judges. The workshop aimed to increase the knowledge of international arbitration practices and raise awareness of the opportunity of using commercial arbitration as an alternative dispute resolution mechanism to foster inclusive economic growth in Mongolia. Gibson Dunn developed the training curriculum and conducted the training as part of the firm's commitment to corporate social responsibility.

Training topics ranged from basic arbitration principles and proceedings to negotiating and drafting arbitration clauses in investment contracts. The MBA accredited the course, enabling the 39 lawyers that completed the workshop to earn one continuing legal education credit towards the four credits required annually. In response to high demand, BPI and partners are organizing a second workshop from November 10-14. Further, BPI, Gibson, Dunn and MBA also collaborated to develop a technical arbitration glossary. To date, BPI has distributed 200 copies and plans to distribute more than 200 more copies during upcoming events.



International arbitration lawyers from Gibson Dunn, Cyrus Benson and Victoria Orłowski (pictured left) share international best practices on including arbitration clauses in contracts with workshop participants during the June Arbitration Training

In June, BPI's subcontractor, MDS&Khan Lex (MDSKL) in collaboration with Sidley Austin drafted the Concept Paper on Revising the Arbitration Law and a Policy Paper on establishment of a new arbitration institution in Mongolia for discussion with MOJ's WG on Arbitration Law. The draft Concept Paper proposed key changes aimed at facilitating arbitration development in Mongolia and upgrading arbitration legislation in compliance with the UNCITRAL model law. After getting comments from WG, a team of MDSKL and Sidley Austin finalized the draft Concept Paper that was accepted on 11 August allowing them to begin drafting the revised Arbitration Law.

On September 8-9, BPI hosted the “International Commercial Arbitration and Investment Treaty Arbitration under ICC Rules: A Demonstration”, a two-day event organized in partnership with MOJ, the International Court of Arbitration of the International Chamber of Commerce (ICC Court), and local partner, Mongolian Law Society, that illustrated the practical aspects of arbitrating commercial and investment treaty disputes, through the presentation of two mock arbitration cases by a cast of international and domestic experts. Approximately 220 participants representing both government and private sector representatives attended the event.

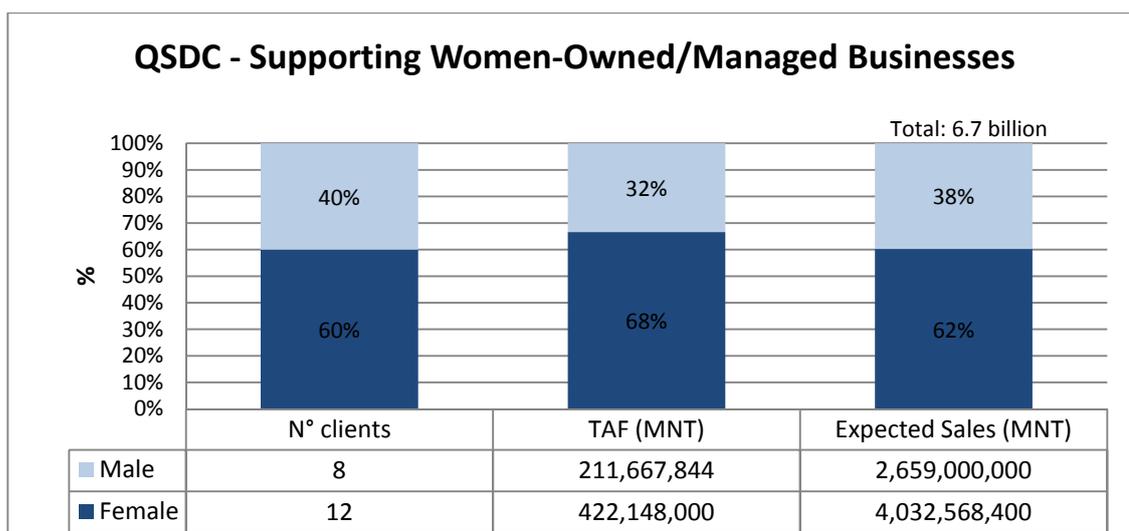
At the end of the reporting period, BPI hosted a retreat for MOJ’s WG on Arbitration Law to discuss the draft revised Arbitration Law. Members of WG representing MOJ, Supreme and appeal court judges, private law partnerships, academic lawyers and court decision enforcement agency had extensive discussions on essential changes to be incorporated in the revised law. WG will continue discussion in early October to finalize its comments to the draft law. The draft law with incorporated comments from WG will be posted on the MOJ and other stakeholders’ websites before a Public Private Dialogue on the draft Arbitration Law to be organized on October 14, 2014.

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 the USAID Business Plus Initiative (BPI) seeks to increase private sector capacity and competitiveness. The QSDC supports Mongolian firms under its supplier development and quality assurance training programs.

The supplier development program utilizes a USAID-funded revolving Technical Assistance Fund (TAF) aimed at: (i) helping local products and services meet domestic and international market requirements; (ii) improving production and commercial process efficiency, and (iii) linking suppliers to new markets. QSDC’s fundamental objective is to promote economic development based on generating increased sales for local suppliers. At the conclusion of its first year of implementation, QSDC has demonstrated its capability to continue the selection and investment process for TAF implementation, effectively laying the groundwork for consolidating and advancing gains for the organization’s second year of operation. As of this end of the quarter, QSDC is providing TAF assistance to 20 SME clients with the investment amount of 633,815,844 MNT. As a result of QSDC TAF assistance, client firms’ actual increased sales have reached 4 billion MNT, which is four times higher than the life of project target for this indicator. QSDC continues to work on identifying new client firms that can benefit from TAF assistance. Currently, QSDC is negotiating supplier development plans with one additional potential client to be finalized in October 2014.



Of the 20 SME clients in QSDC's Supplier Development Program portfolio, more than 60% are women-owned/managed businesses.

Repayment of TAF assistance: One important aspect of sustainability is for QSDC to manage timely repayment of the TAF. As of the end of this quarter, 18 clients are in their repayment period, with a total of 152,281,305 MNT recovered to date. Of these clients, four are in delinquent status due to varying challenges, including a slowdown in the construction sector, challenges in obtaining raw materials, and challenges in obtaining payment from buyers, all of which impact SME ability to repay the TAF investment as originally scheduled. BPI continues to engage closely with QSDC as the organization develops and implements strategies to mitigate the outstanding delinquent client TAF repayments.

Identifying and assessing new clients. During this reporting period, QSDC worked to identify new business opportunities and aggressively promoted their programs to the private sector via individual and collective meetings, public presentations, and outsourcing. During the quarter, QSDC staff worked closely with companies to analyze cash flows and collect purchase orders and signed **three** SDPs and services agreements.



Duuren Amuu is now supplying bread and bakery items to the soums surrounding Uvs aimag.

Duuren Amuu LLC, is a local bread and confectionary producer from Uvs Aimag with seven employees. The client has the opportunity to supply surrounding soums, however, in order to expand the distribution area and fulfill the large order requested by the distributor of the surrounding soums, Durem Amuu needs to purchase a small truck to transport production. QSDC is providing cost-sharing assistance for the truck, which is expected to triple their sales in the next year.



Floss LLC supplies snacks to high-end supermarkets in Ulaanbaatar.

FLOS LLC, is a women-owned company with ten employees that has been supplying up-scale supermarkets with ready-made snacks and salads over the last three years. This new offering in Mongolia has been very successful, prompting the Orgil chain of supermarkets to demand a 300% increase in both the volume and variety of Floss's products. The client was not eligible for bank loans given that the banks require companies to be on the market for more than three years. QSDC stepped in to provide financial assistance, enabling the client to purchase the equipment needed to expand the production line, as well as double the size of the staff. As a result, Floss's sales are projected to triple in the next year.

For a more detailed overview of the QSDC Client Portfolio during this reporting period, please see Annex C: QSDC Grantee Quarterly Progress Report.

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

Ongoing Partnership with GoM. This quarter BPI renewed ongoing partnerships with key government counterparts, the CGA and GDT through MOUs with the agencies that outline the next year's collaboration. Please see Section PIR I above for more detail of the content of the MOU's.

Leveraging Private Sector Resources for Development. In addition, this quarter BPI continued to work with private sector partners to enhance the project's commercial arbitration reform activities. Specifically, BPI partnered with the International Chamber of Commerce (ICC) International Court of Arbitration and local organization, the Mongolian Legal Society to host a two-day commercial and investment treaty arbitration demonstration under ICC rules. BPI calculated that the travel and lodging costs leveraged by the for the six international arbitration experts from Hong Kong, Korea, and Singapore alone surpassed \$23,000 USD; without enumerating the costs of LOE; which was also provided on a pro-bono basis.

This quarter, BPI continued ongoing partnerships with two international law firms. On a pro-bono basis, Sidley Austin LLP provided some 105 hours of a leading international arbitration expert to support the development of the draft arbitration law. Gibson, Dunn & Crutcher LLP devoted two lawyers and 124 hours from their international arbitration practice in London and New York to lead BPI's week-long workshop on *International Arbitration Law and Practice*. Through these pro-bono engagement Gibson Dunn and Sidley Austin have provided some 229 hours of technical assistance with an equivalent commercial valued at more than \$201,000 to support BPI efforts to increase capacity for Mongolian arbitration practitioners and ensure arbitration reform in Mongolia is in line with international best practices in arbitration.

Finally via the partnership with MBA and Gibson, Dunn, BPI distributed more than 250 commercial arbitration technical glossaries to the arbitration workshop and ICC Demonstration participants this quarter. Through this user-friendly handbook, businesses, lawyers, judges and other public and private stakeholders will have access to professional and internationally recognized terminology practical for the field of commercial arbitration.

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

For Mongolians to compete and succeed in today's global market, traders, producers and suppliers must not only find a buyer, but they must also ensure that their products and services meet international quality and safety requirements, as well as the customers' expectations.

During this quarter, QSDC organized two quality management trainings delivered by local trainers, Occupational Health and Safety (OHS) and Six Sigma Green Belt. As a result, 14 private sector participants from 13 SMEs increased their capacity in areas critical to increasing competitiveness through a total of 63 person-days of training.

For more detailed overview of the QSDC Training Program activities during this quarter, please see Annex C: QSDC Grantee Quarterly Progress Report.

Exhibit 3. Quality Supplier Development Center Trainings

Training Name	Date	Participants	Number of person-days of training	Number of companies
OHS training	26-28 August 2014	10	26	7
Six Sigma Green Belt	23-25 September 2014	14	37	6
Total		24	63	13

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

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. PIR III provides integral support of PIR I and PIR II, and activities including events, trainings, PPDs that support public awareness and promotion of international best practices are discussed in detail under the first two components.

BPI continued to actively collaborate with subcontract partner, the Press Institute of Mongolia (TPI) and their Economic Journalists Club (EJC). During this reporting period, BPI supported a roundtable on the hot topic of Occupational Health and Safety and two trainings on economic and trade issues to build the capacity of journalists. The broadening of EJC collaboration with government agencies and private sector through the BPI facilitated events is an important milestone as EJC develops into a more vibrant and important voice in Mongolia.

Economic Journalists Club: Economic Events July- September 2014

Topic of Discussion per Event	Date
1. “Adding Value to Business Stories” training	July 31, 2014
2. Statistical Department Training: Gross Domestic Product	Sep 24, 2014
3. “Ensuring OHS for Construction Companies Can Save Lives” panel discussion	Sep 30, 2014

EJC Training: *Adding Value to Business Stories.* On July 30, BPI and its local partner The Press Institute (TPI) hosted a training workshop “Adding Value to Business Stories” for 22 participants. The training, conducted by Australian journalist expert, Amy Wilson-Chapman, aimed to improve public information standards and methods by introducing journalists to international best practices utilized in writing newsworthy articles, techniques for analyzing and verifying press releases, and using excel spreadsheets to examine data for reporting. This training used an interactive approach based on practical Mongolian cases.

EJC Event: *Occupational, Health and Safety: A Growing Concern in Mongolia.* On September 30, BPI and TPI hosted a roundtable discussion “Ensuring Occupational Health and Safety (OHS) Standards for Construction Companies Can Save Lives” for more than 30 journalists from TV/print/radio media outlets. The panel included of representatives from the

Ministry of Labor, Construction and Urban Development Ministry, General Authority of Special Inspection, Trade Union for Construction, Quality Supplier Development Center, Wagner Asia, Mongolian Construction Association, and the Mongolian Builders Association.

In recent years, the Mongolian construction industry has grown at a tremendous pace, as evidenced by the sprouting of many new buildings, both in Ulaanbaatar and surrounding aimags. While the media coverage focuses on construction-related accidents and deaths, there is a lack of reporting and awareness on prevention, in particular the importance of Occupational Health and Safety (OHS). The purpose of the discussion was to address this growing concern and promote OHS awareness among the stakeholders in the construction sector. OHS trainer Mrs. T. Dolgor pointed out that “OHS standards are included in local legislation, however many construction companies, especially smaller contractors do not properly train their employees, which has led to an epidemic of safety related accidents/deaths in Mongolia.”

During the event, public officials from the General Authority of Special Inspection (GASI) shared the alarming statistics so far this year (2014), “out of 205 construction related accidents nationwide, 183 people temporarily lost their ability to work, 16 of them became handicapped and 23 resulted in death.” Ms. Ch. Bolortuya, a journalist from Today’s daily newspaper stated that “now is the time to pay greater attention to the safety standards in the construction sector and more importantly to the implementation and enforcement of OHS.” Recognizing these concerns, BPI, through The Quality Supply and Development Center (QSDC), in partnership with Wagner Asia Equipment LLC continues to conduct regular OHS workshops for participants from various sectors including construction, manufacturing, and government agencies.

D. BPI Activities by the Numbers

BPI reports against revised targets indicated in the Year 3 Annual Work Plan. 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 1: Business enabling environment, governance, and country competitiveness policies and practices improved

This current quarter represents the fourth quarter for BPI Annual Work Plan Year 3. Given the natural slow-down of project activity during this winter period, BPI will focus in the next quarter on accelerating implementation during the project extension in all three of the project’s components. Anticipated and/or potential activities for the coming quarter will focus primarily on six tasks:

- (1) accelerating QSDC SDP and quality training programs;
- (2) building on the momentum of the International Conference on Commercial Arbitration to draft a new legal framework and increase the visibility of arbitration as an alternative dispute resolution;
- (3) completing the technical implementation of the Online Company Registration System which supports the reform of Starting a Business;
- (4) continuing the public-private dialogue format to spur private sector development in Mongolia;
- (5) initiating the implementation of the MOUs signed with GDT and CGA; and,
- (6) exploring innovative strategies to leverage resources.

Trading Across Borders: Over the next quarter BPI will review and implement priority activities proposed by CGA under the signed MOU between USAID and CGA. These are: procurement, installation of and training on IBM MQ Web-sphere software for data exchange with customs authorities of neighbor countries; customs tax e-payment system and public dialogue with trade participants on recent activities by CGA to facilitate customs cleanse and control. .

In addition, next quarter, BPI will assist the CGA in enabling the new Customs Valuation Information Module throughout the country.

Dealing with Construction Permits: BPI will follow-up with the MCUD to finalize pending concepts on parameters for risk categories, professional levels, and expertise. Upon completion, the MCUD is expected to submit the concept paper to the Cabinet and MOJ for review and approval. Given the reality that the draft law will not be submitted to Parliament in the fall session, BPI will aggressively push for the amendments to Resolution #151 through engaging the MPA.

Starting a Business: BPI will resolve the technical issue to change the database and operating platform with GASR. The draft law on legal entity registration is suspended until the Parliament fall session. In parallel, BPI will work with GASR on how to improve internal processes that do not require legislative changes.

Paying Taxes: For implementation of the signed MOU, BPI will finalize SOW on VAT e-invoice system and announce RFP among local IT firms, evaluate bids, select and sign a sub-contract with a winner. In addition, BPI will collaborate with GDT on other activities stated in the MOU.

Arbitration: BPI will organize a public private dialogue on the draft revised Arbitration Law; reflect comments and conclusion of the event in the next draft revised Arbitration Law and its Concept Paper. BPI also expects that WG will present the draft law and concept paper to Justice Minister for review, distribution to various ministries and legal system agencies for comments. After incorporating comments MOJ will present to the Cabinet for discussion and submission to the Parliament.

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 additional business analyst.
- Development of QSDC Monitoring and Evaluation Plan
- Upgrading QSDC website.
- Promotion of QSDC membership program that will offer additional services and discounts for companies interested in either of QSDC programs.
- Development of robust training program promotion strategy.

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

QSDC will continue to 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 independent professionals.
- Innovative approaches to leverage resources; i.e. study tours in partnership with international embassies

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

In the next quarter, QSDC plans to work in accelerating the number and variety of trainings.

QSDC will organize three Quality Management Trainings for approximately 60 participants: 1) “Building Competitiveness”: 2) Food Safety and HACCP and 3) Six Sigma training.

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 accelerating PPD activities through a grant with AmCham in order to institutionalize the process through a local partner 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 with a public education campaign to increase both taxpayers’ and tax officers understanding of the new e-filing and e-payment system through a new taxpayer website, promotion to commercial banks to launch e-payment, among others. Additionally, the project expects that the arbitration law will be finalized in the coming quarter, and the GDT VAT E-Invoice System and Customs E-Payment will be launched. BPI will organize public launch events and design awareness campaigns in coordination with the related GOM agencies. BPI is planning several outreach events in coordination with the EJC on relevant hot topics, including Occupational, Health, and Safety (OHS).

Exhibit 4. PIR 3 Activities for Next Quarter

PIR 3: Planned Activities for Next Quarter

- Continue public-private dialogue series for six reform areas in collaboration with GoM counterparts.
- Conduct at minimum three public awareness campaigns for technical activities including new arbitration law and VAT E-Invoice and customs e-payment launches.
- Increase capacity of local media through at least 2 targeted journalism trainings and support for local partner TPI’s program.
- Publish at minimum twenty articles by the local media on BPI reform areas and accomplishments.
- Promote awareness for USAID development activities through NewsPlus, BPI social media outlets, and success stories.
- Organize at minimum five EJC workshops on economic reform issues.

SECTION II: PROJECT MANAGEMENT AND ADMINISTRATION

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.

The Modification no. 10 to Mongolia BPI contract was fully executed on July 9, 2014 for term extension and increased obligation for option year.

B. Personnel

B1. Long-term expatriate personnel

During this reporting period, the project did not make any changes to the long-term expatriate personnel.

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. All local long-term personnel remain the same as in the previous quarter. The following changes were made in local long-term personnel:

- Uranzaya Erdenebold, M&E and Administrative Office joined the project as of July 16, 2014.
- In September the BPI posted the ad for an open IT specialist position, local professional and started recruiting CVs. The recruitment process will be finalized in the coming quarter.

B3. Deployment of short-term technical assistance

Deployment of short-term expatriate assistance proceeded according to the Year 3 Annual Work Plan schedule. Four (4) technical assignments were completed or initiated during the quarter by a total of ten (10) short-term expatriates and third country consultants on billable and pro-bono basis. 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:

- In September 2014, sub-task order no. 04 was issued to ITZone LLC under the IQS to work closely with GASR and to accompany Jerry Henzel, IT consultant during his short-term assignment at GASR;
- In September 2014, BPI project issued sub-task order no. 11 to Economic and Legal Consultancy LLP (ELC) under IQS, to assist the BPI project in reviewing BPI's residential lease agreement template and providing legal guidance on the local legal requirements as to the controlling language of the residential lease.
- In September 2014, the BPI project executed a Memorandum of Understanding (MOU) with Mongolian Law Society, local NGO to co-organize the "International Commercial and Investment Treaty Arbitration under ICC rules: A Demonstration" workshop.

- In August 2014, the USAID/Mongolia and CGA signed an MOU for BPI project to improve trade facilitation in Mongolia by achieving more meaningful results in reducing the burden on traders and enhancing customs human resource capacity to strengthen post clearance audit and facilitate information technology for customs operations.
- In September 2014, the USAID/Mongolia and GDT signed an MOU for BPI project to facilitate tax filing and payment in Mongolia by achieving more meaningful results in reducing the burden on tax payers.

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 Year 4 Annual Work Plan.
- Continue working with existing local subcontractors and grantee.
- Issue Request for Proposal (RFP) to select the subcontractor to provide IT Services for VAT E-Invoice System for Mongolian General Department of Taxation (GDT)
- Finalize the IT specialist recruitment for local professional staff.

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

Exhibit A-1: Local long-term project staff as of the end of July – September 2014 quarter			
Employee name	Position	Start date	Current Contract End date
Uurtsaikh Sangi	Deputy chief of party	Jun 20, 2011	June 19, 2015
Altanzaya Baldan	Accountant	Jun 20, 2011	June 19, 2015
Zul Sabikhan	Operations Manager	Jun 20, 2011	June 19, 2015
Tsolmon Naidandorj	Video and graphics coordinator	Jul 28, 2011	Sept 30, 2015
Batmunkh Perlii	Driver/Messenger	Aug 22, 2011	Sept 30, 2015
Myagmar Gombo	Driver/Messenger	Sep 12, 2011	Sept 30, 2015
Gerelmaa Tumurbaatar	Accounting assistant	Oct 7, 2011	Sept 30, 2015
Amgalan Nordov	Regulatory reform manager	Jan 3, 2012	Sept 30, 2015
Solongo Samdandovjid	Business environment and competitiveness specialist	Jul 16, 2012	Dec 31, 2014
Davaakhuu Baatar	Translator/Interpreter	Jul 16, 2012	Sept 30, 2015
Munkhjargal Demberel	Office manager	Sep 26, 2012	Sept 30, 2015
Ariuntuya Ayurzana	Public private dialogue specialist (TPI)	Oct 5, 2012	Sept 30, 2015
Buyankhuu Suran	Translator/interpreter and editor	August 19, 2013	June 30, 2015
Uranzaya Erdenebold	M&E and administrative office	July 16, 2014	June 30, 2015

Exhibit A-2: Short-term technical assignments during the July – September 2014 quarter

Name	Purpose of assignment	Date of arrival	Date of departure
Jerry Henzel	Information system specialist for GASR on OCRS and GDT on e-voucher system	September 8, 2014	September 21, 2014
Victoria Orlowski	Gibson, Dunn & Crutcher, a law firm to conduct an arbitration workshop on International Best Practices on Arbitration on a pro-bono basis	June 29, 2014	July 5, 2014
Benson Cyrus	Gibson, Dunn & Crutcher, a law firm to conduct an arbitration workshop on International Best Practices on Arbitration on a pro-bono basis	June 29, 2014	July 5, 2014
David Roney	Sidley Austin, a law firm to prepare the draft new Arbitration law on a pro-bono basis	June, 2014	October 2014
Silvia Tee	Director, ICC Arbitration & ADR, Asia from Singapore to conduct the Demonstration on International Commercial Arbitration and Investment Treaty Arbitration under ICC Rules on a pro-bono basis	September 7, 2014	September 10, 2014
Rooney KIM	Barrister & Arbitrator, Gilt Chambers from Hong Kong to conduct the Demonstration on International Commercial Arbitration and Investment Treaty Arbitration under ICC Rules on a pro-bono basis	September 7, 2014	September 10, 2014
Simon CHAPMAN	Partner, Herbert Smith Freehills from Hong Kong to conduct the Demonstration on International Commercial Arbitration and Investment Treaty Arbitration under ICC Rules on a pro-bono basis	September 7, 2014	September 10, 2014
Byung Chol YOON	Partner, Kim & Chang; Member of ICC Court from Korea to conduct the Demonstration on International Commercial Arbitration and Investment Treaty Arbitration under ICC Rules on a pro-bono basis	September 6, 2014	September 10, 2014
Romesh Weeramantry	Foreign Legal Consultant, Clifford Chance from Hong Kong to conduct the Demonstration on International Commercial Arbitration and Investment Treaty Arbitration under ICC Rules on a pro-bono basis	September 13, 2014	September 20, 2014
Simon Milnes	Barrister & Arbitrator, 20 Essex Street from Singapore to conduct the Demonstration on International Commercial Arbitration and Investment Treaty Arbitration under ICC Rules on a pro-bono basis	September 7, 2014	September 10, 2014

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

PIR1:Business enabling environment, governance, and country competitiveness policies and practices improved												
<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>	<i>Jul-Sep (DB2015)*</i>	<i>AWP-3 Results</i>	<i>LOP Target</i>
1.1.1	<i>Time and cost of clearing imports and exports reduced (Baseline DB2013)</i>											
1.1.1a	<i>Number of documents required to export/import a shipment</i>	11/13	3/3	<i>Target</i>	6/6	5/5	3/3	3/3	3/3	3/3		3/3
				<i>Actual</i>	6/6	11/13	11/13	11/13	11/13	11/12	11/12	
1.1.1b	<i>Number of days required to export/import a shipment</i>	49/50	27/28	<i>Target</i>	39/40	35/36	30/31	27/28	27/28	27/28		27/28
				<i>Actual</i>	39/40	49/50	49/50	49/50	49/50	44/45	44/45	
1.1.2	<i>Burden of compliance with tax administration procedures reduced (Baseline DB2013)</i>											
1.1.2a	<i>Number of payments per year:</i>	41	19	<i>Target</i>	41	19	19	19	19	19		19
				<i>Actual</i>	41	41	41	41	41	41	41	
1.1.2b	<i>Number of hours per year required to comply with paying taxes</i>	192	133	<i>Target</i>	160	n/a	133	n/a	n/a	133		133
				<i>Actual</i>	160	192	192	176	176	148	148	
1.1.2c	<i>Percentage of taxpayers that use e-payment for VAT, CIT and PIT taxes</i>	24.6%	55%	<i>Target</i>	30%	35%	40%	50%	55%	55%		55%
				<i>Actual</i>	29%	24.6%	24.6%	24.6%	24.6%	28%	28%	
1.1.3	<i>Construction permits procedures streamlined (Baseline DB2013)</i>											
1.1.3a	<i>Number of procedures to build a warehouse legally</i>	21	13	<i>Target</i>	18	18	16	13	13	13		13
				<i>Actual</i>	16	20	n/a	n/a	n/a	16	16	
1.1.3b	<i>Number of calendar days required to complete all procedures</i>	216	120	<i>Target</i>	190	130	120	120	120	120		120
				<i>Actual</i>	190	186	186	186	186	137	137	

*July-Sept. indicators reflect DB 2015

		Baseline Value (DB2013)	AWP-3 Target		Apr-Jun	Jul-Sep (DB2014)	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep (DB2015)*	AWP-3 Results	LOP Target	
1.1.4	Getting new electricity connections processes simplified (Baseline DB2013)												
1.1.4a	Number of procedures to obtain an electricity connection	8	7	Target	7	7	7	7	7	7		7	
				Actual	7	8	8	8	8	8	8		
1.1.4b	Number of calendar days required to complete all procedures	126	102	Target	116	102	102	102	102	102		102	
				Actual	116	104	104	104	104	79	79		
1.1.5	Online company registration system established (Baseline DB2013)												
1.1.5a	Number of procedures to start a business	7	4	Target	7	6	4	4	4	4		4	
				Actual	6	5	5	5	5	5	5		
1.1.5b	Number of calendar days required to complete all procedures	12	5	Target	12	10	5	5	5	5		5	
				Actual	10	11	11	11	11	11	11		
KRA 1.2 Customs risk management and post clearance audit programs strengthened													
1.2.1	Customs risk management program strengthened (Baseline AWP-2)												
1.2.1a	Percentage of "green and yellow channel" shipments	32.8%	40%	Target	33%	35%	35%	40%	40%	40%		40%	
				Actual	33.4%	36.4%	22.1%	22.1%	27.3%	35.6%	35.6%		
1.2.2	Customs post clearance audit program strengthened (Baseline AWP-2)												
1.2.2a	Number of PCA audits conducted with valuation training from BPI	0	60	Target	0	10	10	20	10	10		60	
				Actual	0	30	89	61	61	55	296		
1.2.2b	Person/days of training on PCA and other trade facilitation delivered	226	409	Target	94	0	250	65	0	0		635	
				Actual	248	207	3.1	156	56	0	670.1		

<i>KRA 1.3 Enabling legal and regulatory environment for trade, paying taxes and commercial arbitration strengthened</i>												
		<i>Baseline Value (DB2013)</i>	<i>AWP-3 Target</i>		<i>Apr-Jun</i>	<i>Jul-Sep</i>	<i>Oct-Dec</i>	<i>Jan-Mar</i>	<i>Apr-Jun</i>	<i>Jul-Sep</i>	<i>AWP-3 Results</i>	<i>LOP Target</i>
1.3	<i>Enabling legal and regulatory environment strengthened (Baseline AWP-2)</i>											
1.3.1	Percentage of progress in facilitating Draft Construction law	55%	100%	<i>Target</i>	55%	75%	100%	100%	100%	100%		100%
				<i>Actual</i>	n/a	75%	75%	75%	75%	75%	75%	
1.3.2	Percentage of progress in facilitating Legal Entities law	55%	100%	<i>Target</i>	55%	75%	100%	100%	100%	100%		100%
				<i>Actual</i>	n/a	75%	75%	100%	100%	100%	100%	100%
1.3.3	Percentage of progress in facilitating Arbitration law	0	55%	<i>Target</i>	n/a	n/a	n/a	n/a	10%	30%		100%
				<i>Actual</i>	n/a	n/a	n/a	n/a	0	55%	55%	
1.3.4	Number of trade related regulatory measures facilitated	0	2	<i>Target</i>			1	1	0	0		2
				<i>Actual</i>			0	1	0	0	1	
<i>BPI METRICS FOR LAWS & REGULATIONS (Contractor's manageable interest): Concept paper 10% Working draft 20% Technical review 25% Public dialogue 20% Draft hand-over 25%.</i>												
<i>PERFORMANCE METRICS FOR LAWS AND REGULATIONS: MoJHA clearance Cabinet approval Parliament Standing Committee clearance Inclusion in Parliament agenda Parliament approval.</i>												
<i>CHANGES TO ORIGINAL PMP TABLE: Indicator 1.3.4 Number of regulatory measures facilitated to implement the new Securities Markets law was dropped as this area was not included in the final work plan agreed upon with USIAD. 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>												

PIR2: Private sector capacity and competitiveness strengthened												
<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-Jun	Jul-Sep	AWP-3 Results	LOP Target
2.1.1	Consolidation of QSDC: Buyer-supplier transactions facilitated (Baseline AWP-2)											
2.1.1a	Number of products/services with buyer's specifications	23	64	Target	20	8	11	10	7	8		87
				Actual	46	9	8	8	10	11	92	
2.1.1b	Number of due diligence conducted on suppliers	25	46	Target	15	8	6	5	4	8		71
				Actual	11	4	7	12	9	4	47	
2.1.1c	Number of TAF contracts to assist potential suppliers	7	29	Target	9	5	6	2	2	5		36
				Actual	2	1	2	3	9	3	20	
2.1.1d	Number of purchase orders fulfilled	1	39	Target	10	8	6	4	3	8		40
				Actual	8	0	4	0	8	32	52	
2.1.1e	Expected Value of transactions facilitated (million MNT)	n/a	1.2 billion MNT	Target	200	200	400	100	100	200		1.2 billion MNT
				Actual	265.3	731.3	802.6	912.3	775.3	398.7	3.89 billion MNT	
<i>KRA 2.2 Partnerships that leverage resources to improve business and country competitiveness, promote an enabling business environment and good governance facilitated</i>												
2.2	Capacity of private-led institutions strengthened (Baseline AWP-2)											
2.2.1	Number of person/days of training delivered on BPI's developed toolkits	86	60	Target		10	20	20		10		146
				Actual		6	60	0	0	0	66	
2.2.2	Number of cost-sharing agreements and/or subcontracts with local partner institutions to work on BEE issues	9	6	Target	0	1	2	1	1	1		15
				Actual	5	1	2	5	7	4	24	

<i>KRA 2.3 Capacity of private sector-led institutions to contribute to an enabling business environment, governance, and country competitiveness strengthened</i>												
		<i>Baseline Value</i>	<i>AWP-3 Target</i>		<i>Apr-Jun</i>	<i>Jul-Sep</i>	<i>Oct-Dec</i>	<i>Jan-Mar</i>	<i>Apr-Jun</i>	<i>Jul-Sep</i>	<i>AWP-3 Results</i>	<i>LOP Target</i>
2.3	<i>Consolidation of the QSDC: Quality assurance training program (Baseline AWP-2)</i>											
2.3.1	Number of trainings on quality assurance related topics delivered	6	15	<i>Target</i>	1	3	3	3	2	3		21
				<i>Actual</i>	2	0	3	3	3	2	13	
2.3.1a	Number of private sector firms/organizations supported with improved management			<i>Actual</i>	16	0	32	66	22	13	149	
2.3.2	Number of person/days of training delivered on quality assurance related topics	538	900	<i>Target</i>	60	180	180	180	120	180		1,438
				<i>Actual</i>	93	0	112	170	92	63	530	
<i>PIR3: National private sector driven and supported dialogue on business enabling environment, governance, and competitiveness strengthened</i>												
<i>KRA 3.1 Increased public awareness of country competitiveness and governance issues, business enabling environment reforms, international experiences, and best practices</i>												
		<i>Baseline Value</i>	<i>AWP-3 Target</i>		<i>Apr-Jun</i>	<i>Jul-Sep</i>	<i>Oct-Dec</i>	<i>Jan-Mar</i>	<i>Apr-Jun</i>	<i>Jul-Sep</i>	<i>AWP-3 Results</i>	<i>LOP Target</i>
3.1	<i>Increased public awareness of BEE and competitiveness issues (Baseline AWP-2)</i>											
3.1.1	Number of public events held on BEE or competitiveness issues	56	67	<i>Target</i>	10	10	15	15	7	10		123
				<i>Actual</i>	39	7	12	12	3	5	78	
3.1.2	Number of person/days of attendance at public events and BPI trainings	1,575	2,700	<i>Target</i>	1,500	200	300	300	200	200		4,275
				<i>Actual</i>	2,518	256	2,580	750	309	406	6,819	
3.1.2a	Number of person-days of training for government officials			<i>Actual</i>	2,415	207	864	279	69	15	3,849	
3.1.2b	Number of person-days of training for private sector representatives			<i>Actual</i>	93	0	1,619	170	190	327	2,399	
3.1.2c	Number of person-days of attendance to EJC and other public event			<i>Actual</i>	10	49	97	301	49	64	570	
3.1.3	Number of workshops held for journalists	28	23	<i>Target</i>	2	3	5	5	5	3		51
				<i>Actual</i>	11	5	11	6	6	3	42	