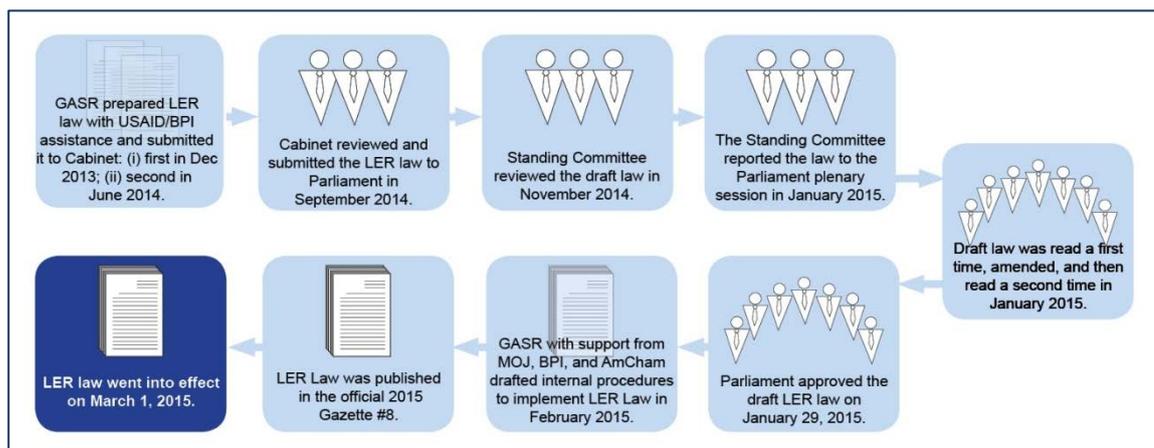


QUARTERLY PERFORMANCE REPORT (January-March 2015)

Mongolia Passes Legal Entity Registration Law



Since 2013, USAID through its Business Plus Initiative has assisted the Ministry of Justice (MOJ) and the General Authority for State Registration (GASR) to pass the Legal Entity Registration Law that provides a clear, efficient, and transparent legal entity registration framework that will reduce administrative burdens and costs, critical for Mongolia's rapidly growing market-economy.

Project: Mongolia Business Plus Initiative Project (BPI)
Report Title: Quarterly Performance Report (January-March 2015)
Contract No. 438-C-11-00001
Submitted by: BPI Project/Chemonics International Inc., Express Tower, 12th
Floor, Chingeltei District, Ulaanbaatar, Mongolia
Telephone and fax: (976) 11 32 13 75 Fax: (976) 11 32 78 25
Contact: Efrain Laureano, Chief of Party
E-mail address: elaureano@bpi-chemonics.biz

ABBREVIATIONS AND ACRONYMS

AmCham	The American Chamber in Mongolia
BAR	Mongolian BAR Association
BPI	Business Plus Initiative
CGA	Customs General Administration
EJC	Economic Journalists Club
ELC	Economic and Legal Consultancy
FOG	Fixed Obligation Grant
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
OSS	One-Stop Shop
PCA	Post Clearance Audit
PIR	Project Intermediate Result
PMP	Project Monitoring Plan
PPD	Public-Private Dialogue
PPP	Public-Private Partnership
QSDC	Quality Supplier Development Center
SGS	Société Générale de Surveillance
SDP	Supplier Development Plan
SME	Small and Medium Enterprises
TAB	Trading Across Borders
TDB	Trade Development Bank
TOT	Training-of-Trainers
TAF	Technical Assistance Fund
TPI	The Press Institute of Mongolia
UBM	Ulaanbaatar Municipality
USAID	United States Agency for International Development
VAT	Value Added Tax
WB	World Bank

TABLE OF CONTENTS

ABBREVIATIONS AND ACRONYMS	i
TABLE OF CONTENTS	ii
EXECUTIVE SUMMARY	
A. Significant Accomplishments.....	
PIR 1: Business enabling environment, governance, and country competitiveness policies and practices improved:.....	
PIR 2: Private sector capacity and competitiveness strengthened:.....	i
PIR 3: National dialogue on business enabling environment and country competitiveness strengthened:	i
B. Salient Programmatic Trends and Ongoing Performance Constraints.....	i
SECTION I: WORK PLAN IMPLEMENTATION.....	1
A. Work Plan Framework.....	1
B. Work plan implementation.	2
PIR 1: Business enabling environment, governance, and country competitiveness policies and practices improved.....	2
PIR 2: Private sector capacity and competitiveness strengthened.....	10
PIR 3: National dialogue on business enabling environment and country competitiveness strengthened	16
E. Next Steps for the Coming Quarter.....	19
PIR 1: Business enabling environment, governance, and country competitiveness policies and practices improved.....	19
PIR 2: Private sector capacity and competitiveness strengthened.....	19
PIR 3: National dialogue on business enabling environment and country competitiveness strengthened	20
SECTION II: PROJECT MANAGEMENT AND ADMINISTRATION	21
A. Significant project management and administration activities	21
B. Personnel.....	21
B1. Long-term expatriate personnel.....	21
During this reporting period, the project did not make any changes to the long-term expatriate personnel.	21
B2. Long-term local personnel.....	21
B3. Deployment of short-term technical assistance.....	21
C. Status of subcontracts and grants	21
D. Project and contract management actions expected for the next quarter.....	22
ANNEX A: Long-term local personnel and expatriate short-term assignments.....	23
ANNEX B: Performance indicators, baseline, targets, and results for Annual Work Plan-4 (January through March 2015).....	25

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. This report is the Business Plus Initiative (BPI) project's Fifteenth Quarterly Report and describes project activity from January through March 2015.

During the reporting period, BPI continued implementing the technical assistance activities laid out in the MOUs with the Customs General Authority (CGA) and the General Department of Taxation (GDT) signed in 2014. BPI activities with CGA focused on completing the development on the customs valuation module, building the customs e-payment system and facilitating CGA in electronic data interchange (EDI) with customs of neighboring countries. BPI activities with GDT focused on continuing to connect banks to the GDT's e-payment system and developing a VAT e-invoicing system which will be launched during the coming quarter. Further, during this quarter, BPI-supported Law on Legal Entities Registration was passed by Parliament and made effective as of March 1, 2015.

As of the end of the reporting period, QSDC is providing assistance to 26 SME clients under its supplier development program. Furthermore, client firms have accomplished actual increased sales of 5.6 billion MNT, more than five times higher than the initial LOP target. Through QSDC, BPI trained 52 participants from 29 companies in quality management issues during the quarter. BPI continued to work closely with QSDC and USAID on organizational development efforts in preparation for its new assistance framework based on providing technical assistance and facilitating access to finance to SMEs within priority sectors.

During the reporting period, BPI worked closely with AmCham Mongolia to organize two successful public-private dialogue (PPD) events, aimed at strengthening the local advocacy institution to sustain the public-private dialogue approach spearheaded by BPI. BPI also provided in-depth training to the Economic Journalism Club to strengthen journalists reporting on important economic issues.

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:

- *Starting a business:* The BPI-supported Legal Entity Registration Law was passed by Parliament and made effective on March 1, 2015.
- *Trading across borders:* At the request of CGA, BPI supported the development of an Electronic Data Exchange system to facilitate information sharing with neighboring countries. Advances in the implementation of the customs risk management system continued during the reporting quarter, with the green and orange channels that do not require physical inspections averaging 47% of all shipments during the quarter, and surpassing 50% in January and March 2015.

- *Paying taxes:* BPI initiated the development of a VAT e-invoicing system for GDT, aimed at reforming the current system by transferring paper-based VAT invoices to electronic VAT invoices.

PIR 2: Private sector capacity and competitiveness strengthened:

During this quarter, QSDC formalized a key partnership through signing a Memorandum of Understanding with GSB Capital non-banking financial institution (NBFI), aimed at strengthening the QSDC Supplier Development Program through increasing access to finance for SMEs by leveraging financial resources and risk-sharing. Two QSDC clients were assisted through this partnership, leveraging an additional 80 million MNT during this quarter.

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

Over the span of the BPI project, GOM has increasingly embraced public-private dialogue for implementing business enabling environment reforms. As part of the grant agreement to institutionalize the BPI-championed public private dialogue (PPD) mechanism at a local institution, AmCham Mongolia organized two PPD events during the quarter. As a result, AmCham presented a 2015 business enabling roadmap to the new Prime Minister and submitted private sector recommendations to GASR that were largely incorporated in the new procedures accompanying the recently passed Legal Entity Registration Law.

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 government shake up during the last quarter resulted in the appointment of new leadership to BPI's longstanding key counterpart, the Director Customs General Authority in February. Accordingly, to ensure the continuous implementation of legal and regulatory activities, BPI worked to establish a productive relationship with the new CGA Director as well as the new Minister of Justice and the new Tax Commissioner appointed during the previous quarter.
- *Collaboration with private sector.* The private sector is increasingly interested in meaningful collaboration with the BPI project, predominantly through the QSDC and arbitration activities. During the reporting quarter, BPI continued to work closely with international law firms who agreed to support arbitration reform efforts on a pro-bono basis. BPI also continued to work closely with local partners including the American Chamber of Commerce (AmCham Mongolia) and the Mongolian Bar Association (MBA).

Ongoing Performance Constraints:

- During the last reporting period, the Cabinet collapsed and a new Prime Minister of Mongolia was appointed. The new political reality slowed down the fast-advancing areas including the arbitration draft law at the MOJ and draft construction law at the MCUD. This quarter BPI met with the newly appointed ministers of justice and construction and urban development, tax commissioner, and customs director to provide an overview of BPI's ongoing work and to petition support for uninterrupted transition in the reform areas, particularly for the Tax E-Invoice System and Customs E-Payment which were initiated during the former administration.

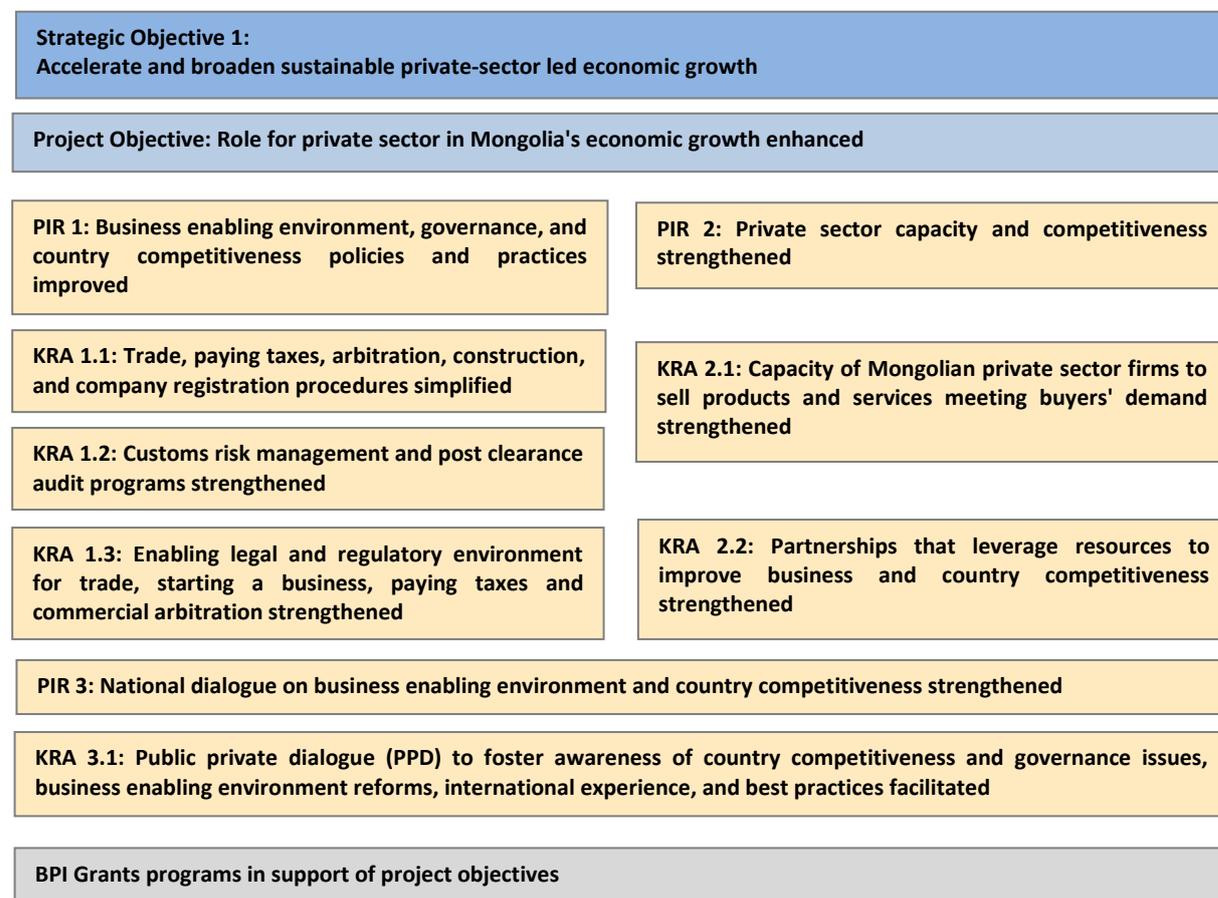
SECTION I: WORK PLAN IMPLEMENTATION

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.

A. Work Plan Framework

This quarterly progress report is organized around the three PIRs with corresponding Key Result Areas (KRAs) proposed in the Year 4 Annual Work Plan:

BPI Project Logical Framework



PIR: Project Intermediate Result
KRA: Key Result Area

Rev: 24-Sept-14

B. Work plan implementation.

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

KRA 1.1: Trade, paying taxes, arbitration, construction, and company registration procedures simplified

Trading Across Borders:

During the reporting period, BPI continued implementing the activities that contribute to KRA1.1 and KRA1.2, as outlined in the memorandum of understanding (MOU) signed in August 2014 between the Customs General Administration (CGA) and USAID.

Streamlining of Customs Clearance Process. During his January 2015 visit to Mongolia, customs expert Jorge Montoya accessed the new clearance process established during the previous quarter. Mr. Montoya followed-up on previous responses to an informal BPI survey to assess the effectiveness of the new procedures. Traders stated that now that the new procedures have been in place for several months, they can attest to the effectiveness of the new procedures which have resulted in the streamlining of the clearance process and a corresponding reduction in clearance time. Mr. Montoya provided recommendations on continued improvement, particularly on enhancing the role of a newly established customs offense team. The offense team reports directly to the central office at CGA and assesses customs declarations independently with the possibility of selecting shipments for re-inspection. Mr. Montoya also assessed the current status of automating the declaration for small traders who clear their goods using form #2, and provided recommendations to CGA. BPI will continue to work with CGA over the next quarter to ensure a transparent and efficient customs clearance process.

Customs Tax E-Payment Module: In the reporting quarter, BPI local subcontractor, Infinite Solutions (IS) continued developing an e-payment module for Mongolian Customs. The module will allow traders to review customs duties and taxes and complete payments electronically, eliminating physical visits to banks and enabling CGA and customs offices throughout the country to receive payment confirmation in real-time, resulting in significant time and cost savings during the

clearance process. The module will also eliminate one document, the payment receipt, from the list of documents required for customs clearance and control as indicated in the Doing Business 2015 Report. By the end of the quarter, CGA approved BPI's (i) customs e-payment system architecture and design including web-portals and database structure and design, (ii) customer website



60 representatives from commercial banks and customs officers participated in the "Public-Private Dialogue: Customs E-Payment" led by Customs Director O. Ganbat on January 22, 2015 to provide recommendations for the Customs e-Payment module currently under development with support from BPI.

front-end web portal, (ii) customer website front end development or traders; web portal module, (iii) connection to online card transaction system of commercial banks, (iv) web services for the connection between CGA database and the e-payment module, (v) CGA's administrative panel for monitoring, and (vi) test phase planning including a range of tests and expected outcomes. At the end of the reporting period IS completed the unit testing within the CGA environment. Integration testing with commercial banks has commenced and will be completed in early April when key commercial banks including Golomt, TDB, and State Bank complete their tellers' system upgrade. Further usability testing with traders and deployment of the system are expected in the next quarter.

The table below illustrates the current preparedness of major commercial banks to integrate customs e-payment system by the end of the reporting quarter. By 2015, CGA plans to publically launch the teller component of the system for major banks.

CUSTOMS E-PAYMENT BANK SIDE DEVELOPMENT STATUS						
#	PHASES	ACTIONS	Mayor commercial banks			
			Golomt	TDB	State bank	Khan bank
1	Pre-development phase	Agreed with design and documentations	√	√	√	√
2		Discussed the message exchange solutions	√	√	√	
3		Expressed proposals to improve the design and solutions	√	√	√	
4	Development phase: connection to and exchange with a CGA server, development at the bank	Sent own action plans to CGA	√	√	√	
5		Established connections	√	√		
6		Tested primary functions such as getting invoices from a CGA's server and sending payment information	√	√		
7		Upgrade of own teller's system	By April 1, 2015		By April 11, 2015	
8	Connection of card systems	Permit to connect own card system				
9		Testing connection of card systems to e-payment module				
10		Upgrade of card systems at banks				
11	Official launch of the customs e-payment systems as a bank service					

BPI in collaboration with CGA and the Mongolian Bankers Association (MBA) organized a PPD event in January 2015 to discuss the customs e-payment system architecture, design, and requirements for commercial banks in order to connect to the system. More than 50 representatives from commercial banks and customs officers participated in the event. In February, following the event, commercial banks submitted written feedback on the proposed system that was considered during the development of the system. In March 2015, CGA Director General issued an ordinance officially approving CGA's Action Plan on Introducing the Customs E-payment System. The plan identifies key tasks including: revising customs rules and regulations, harmonizing activities of finance/accounting units and upgrading customs systems to facilitate the

e-payment module. The plan assigns responsible units to ensure effective internal collaboration and indicates deadlines for particular tasks.

Customs Electronic Data Interchange with Neighboring Countries:

As a landlocked country, Mongolia is limited in its ability to achieve significant improvement in the area of trading across borders. According to the 2015 World Bank Doing Business report, it takes 44 days to export and 45 days to import in Mongolia. Thirty percent of the time refers to inland transportation and handling, mostly due to the slow movement of Mongolian goods as they travel through neighboring countries.



Mongolian Customs is implementing Electronic Data Interchange (EDI) with neighboring countries to help the movement of goods both within and outside Mongolia.

Developing a robust system for exchanging customs data with neighboring countries is a key activity toward progress in trading across borders indicators under business enabling environment activities. At the request of the Customs General Authority, BPI supported their goal in developing a web-based application solution for Electronic Data Interchange (EDI) to enable cross-border access to information with neighboring countries. BPI assistance included:

- Acquisition of IBM WebSphere MQ licenses
- Installation and customization of IBM WebSphere MQ software at CGA
- Training of CGA technical staff in software administration and software development
- Extensive testing of the installed software



IT personnel from the Customs General Authority learn how to administer the new IBM WebSphere MQ Software, a tool that will facilitate trade and data exchange across borders.

The IBM WebSphere MQ software was integrated with the Mongolian Customs Automated Information System (CAIS), which includes modules for Finance, Clearance, Cargo, Risk Management, and Administration. CAIS interfaces with the

Customs External Portal System (CEPS), which allows the collection of the importer's information. CAIS is deployed in more than 18 customs branches, which are connected through Very Small Aperture Terminal (VSAT) satellite internet to the CAIS central database at the CGA headquarters in Ulaanbaatar. The IBM WebSphere MQ software acts as messaging middleware

that facilitates the integration of data across multiple platforms, in this case the Mongolian Customs Automated Information System (CAIS) and the customs systems of its neighboring countries. EDI will enable different trade stakeholders such as transporters, importers, exporters, customs, and logistics providers to exchange information and communicate seamlessly to facilitate the movement of goods both within and outside of Mongolia, directly resulting in reduced costs and errors, faster processing time, and increased transparency.

CGA is ready to begin customs-to-custom electronic data interchange (EDI) testing with neighboring countries. EDI with Russia is planned to commence as of April 1, 2015 and EDI with China is scheduled to begin as of September 1, 2015.

Customs Valuation Module: Increased access to trade data by the trading community will facilitate discussions between CGA officers and the private sector in the area of customs valuation and at the same time will provide an opportunity for private sector to assist CGA in the detection of illicit trade practices. In the reporting period, BPI completed the upgrade of the customs valuation module known as the Dynamic Trade Data Access Module. The initial module was successfully migrated to a modern system platform allowing for real time updates from the CAIS database. All data from the customs declarations since 2009 were uploaded to the system. Various tests were conducted and the performance of the valuation module with the full data was determined to be highly acceptable. BPI customs expert Jorge Montoya provided internal and public manuals for using the module. Mr. Montoya's recommendations to share the trade data with the trade community were met with some apprehension from CGA.



Customs officers learned how to utilize the upgraded Customs Valuation Module during a workshop led by BPI Customs Expert Jorge Montoya on January 30, 2015.

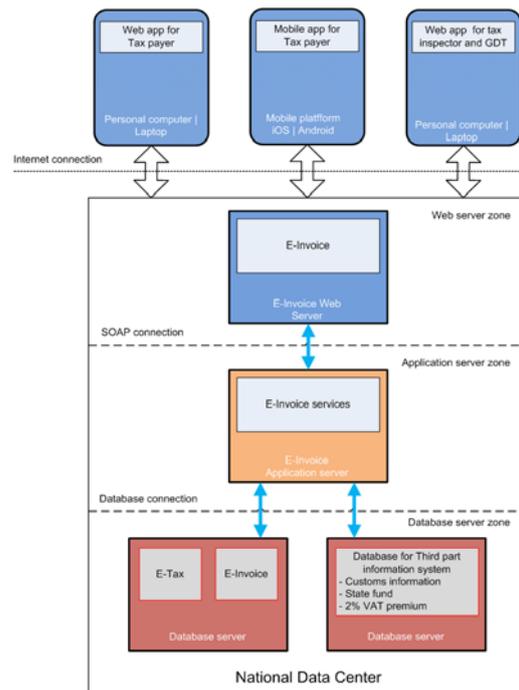
To help CGA reach a level of comfort with Mr. Montoya's findings and recommendations, BPI suggested that the Customs Valuation Module be piloted by granting access under a trial basis to selected sectors such as construction. Thus, the evaluation of the results can help CGA make a final decision. The CGA Valuation and PCA Departments have already started using the module. During next quarter, BPI will continue the dialogue with the Director General and CGA legal department to ensure the module is fully utilized by both CGA and traders, respecting any data confidentiality requirements that CGA might need to follow.

Paying Taxes:

BPI continued to implement activities included in the memorandum of understanding (MOU) signed in September 2014 between the General Department of Taxation (GDT) and USAID.

VAT e-Invoice System: During the reporting quarter, significant progress was achieved in the development of a VAT e-Invoice system for GDT. The new system aims to (i) increase transparency and curb VAT fraud; (ii) simplify the procedure of assigning VAT invoice numbers to private sector firms; (iii) simplify VAT filing, and (iv) expedite legitimate VAT returns.

BPI international IT expert Jerry Henzel guided technical discussions between GDT and BPI local subcontractor Infinite Solutions to ensure a strong architecture for the VAT e-Invoice system. During his two-week assignment in February 2015, Mr. Henzel: (i) prepared the groundwork for the local subcontractor to start coding the web and mobile applications; (ii) reviewed core pieces of the system including the system architecture, database modeling, web service architectures, mobile applications, data integration with GDT's existing systems and third party systems, software and hardware requirements, and project management; and (iii) ensured that the BPI supported system is working within a fully licensed environment to protect the security and effectiveness of the system and mitigate any risk of data loss. Mr. Henzel worked closely with GDT and local subcontractor to incorporate GDT's recommendations and mitigate potential performance issues. The revised architecture includes an applications server tier and uses Java-environment middleware tier rather than introducing a new PHP environment into GDT IT architecture as initially proposed by the subcontractor. The beta version of the web and mobile applications are scheduled for completion during next quarter.



The VAT E-Invoice system architecture shown above was completed in March 2015. As depicted in the first tier, taxpayers will have the option to obtain VAT invoice numbers from tax authority, complete transactions, and report their VAT.

KRA 1.2: Customs risk management and post clearance audit programs strengthened

Customs Risk Management

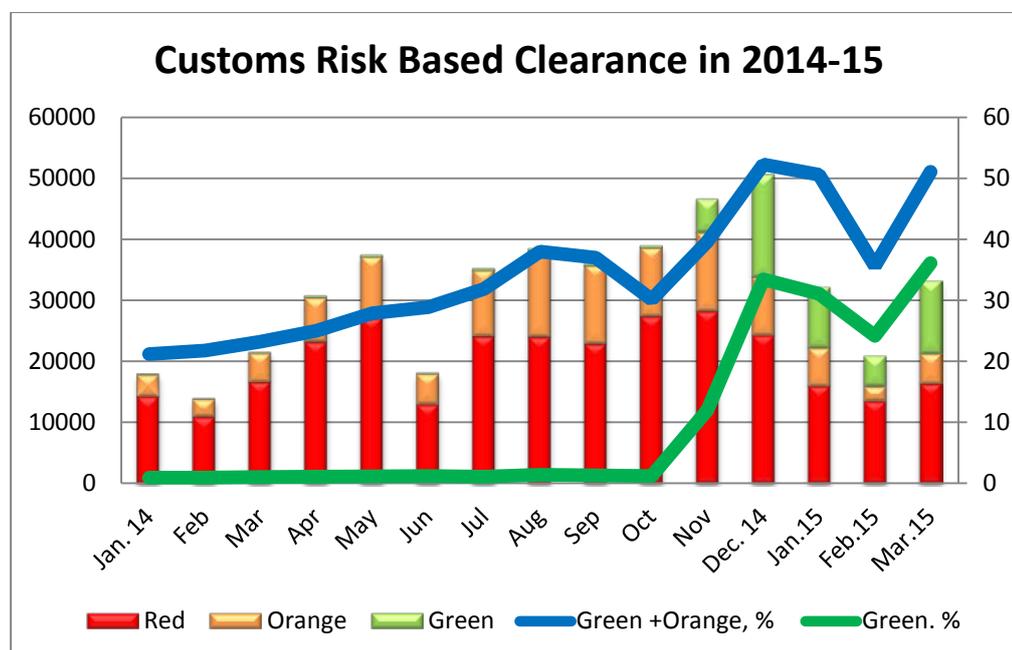
In October 2014 CGA with BPI assistance implemented a new procedure for the customs clearance process to (i) increase transparency in the clearance process, (ii) eliminate opportunities



To further enhance trade facilitation in Mongolia, CGA is planning to extend the activities related to the identification of low-risk traders to the Zamyn Uud border port with China and the UB Air Cargo terminal.

for corruption and discretion on the part of customs officers, and (iii) reduce time and cost to the private sector involved in trading activities.

During the reporting period, CGA continued to use the risk management system as a tool to facilitate trade in the country. High-volume traders with high compliance rates continue to clear their cargo by and large through the green or the orange channels, which do not require physical inspection.



The graph above shows the proportion of cargo cleared through the orange and green channel over 2014 and the first quarter of 2015.

The graph shows the proportion of cargo cleared through red, orange, and green channels during January 2014 through March 2015 period. During the reporting period, the cargo cleared through the green channel – cargo that doesn't require inspections – reached 31.3%. Another 15.8% of the cargo used the orange channel - cargo that only requires documentary inspections. Accordingly, the proportion of cargo that does not require physical inspection accounted for 47.2% during the quarter.

* See Annex D for BPI Success Story: Making Mongolian Borders Faster and Safer

KRA 1.3: Enabling legal and regulatory environment for trade, starting a business, paying taxes and commercial arbitration strengthened

BPI efforts aimed at improving the legal and regulatory environment encountered important successes and challenges during the reporting period. While the legal entities law was successfully passed, Cabinet changes in the Ministry of Justice and the Ministry of Construction and Urban Development during the reporting quarter have introduced additional delays that negatively affected BPI supported legal reform efforts in the areas of commercial arbitration and dealing with construction permits, as explained below.



The Legal Entity Registration Law was approved at the plenary session on January 29, 2015.

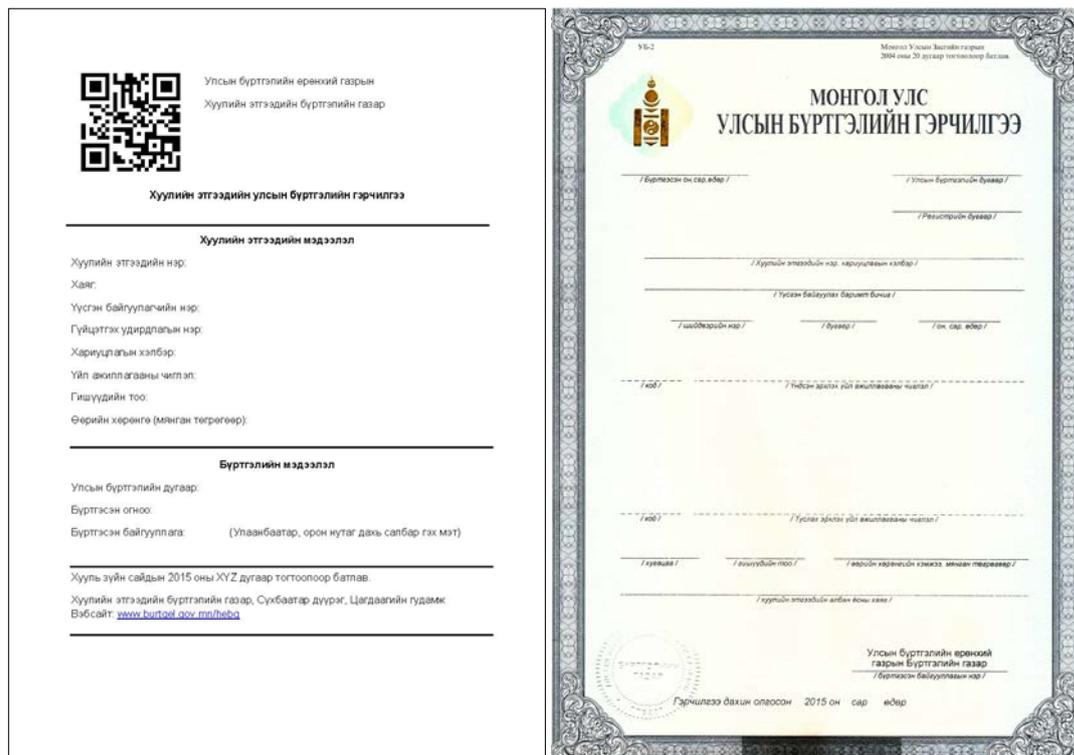
Legal entities registration law.

The BPI supported Legal Entity Registration (LER) Law was approved by Parliament on January 29, 2015 and went into effect on March 1, 2015. The LER Law regulates the state registration of legal entities - specifically local and foreign invested companies, associations, non-government

organizations, or partnerships with the aim of reducing barriers for obtaining state registration to strengthen investment and economic development efforts in the country. As a result of the new law, company registration is faster, requires less documents and time, and clarifies formerly ambiguous procedures.

Key Reforms Included in the Legal Entity Registration Law	
Simplified registration process and forms	Number of documents reduced to 5 and number of days to register reduced to 2
Allow for data exchange between government agencies	Agencies will share documents electronically, eliminating multiple visits to different agencies by applicant
Improve transparency and accessibility of registration information	Electronic access to public registration information
Allow for electronic certificate for registration	Transfer from paper to electronic certificates for business transactions, resulting in lower costs

BPI support to the Ministry of Justice (MOJ) and the General Authority for State Registration (GASR) in developing the new law on legal entity registration since 2013 included (i) legal drafting assistance, (ii) public consultation and research to inform the development of a draft law, and (iii) technical assistance to the Working Group and Parliament Standing Committee on Legal Affairs.



Registration certificates (shown left) are printed on securities paper, which cost 32,500 MNT and require four documents to replace. The new law, effective makes electronic registration certificates (prototype shown right) with barcodes/QR codes mandatory for business transactions, providing significant savings in time and costs for businesses.

During the quarter, BPI also worked with the MOJ and GASR joint working group to finalize three internal procedures that accompany the new law, regarding the 1) request and validation of

legal entity name, 2) new- and post-registration processes and 3) registration of local representative offices for foreign legal entities.

In order to include private sector feedback in the reform process, BPI supported AmCham



Left, Tuvshinzaya Gantulga, Executive Director of AmCham Mongolia introduces the Legal Entity Registration Law PPD. Right, lawyers and business registration specialists discuss international best practices and recommendations for accompanying procedure for the new law.

Mongolia in organizing a PPD on February 24, 2015 attended by more than 30 lawyers and business registration specialists and representatives from the GASR and MOJ working group. As a result, a majority of the recommendations from the PPD were incorporated into the procedures. Key recommendations included: (i) extension of the name reservation period, as well as the period needed to submit original documents for the registration of representative offices for foreign legal entities; (ii) preserving the uniqueness of name registration; (iii) streamlining of the required documents and information, limiting requests to what is outlined in the law; and (iv) avoidance of ambiguous language in the internal registration procedures.

Customs e-payment regulation: CGA Tax & Revenue Division, Customs Control & Clearance, and Legal Division started drafting a new regulation required to implement the new customs e-payment system, as well as amendments to the customs control and clearance procedures in accordance with the CGA Action Plan on Introducing Customs e-Payment adopted by the Director General. The e-payment related regulations will be finalized and adopted in next quarter before the BPI supported system is commissioned.

Commercial Arbitration facilitated.

Although the Concept Paper for the new arbitration law was approved by the MOJ during the last quarter, Mr. D. Dorligjav was named the new Minister of Justice on December 9 and has requested to review the law. BPI met with the new Minister in February to discuss the next steps regarding the draft arbitration law, communicate BPI's arbitration capacity building and public awareness efforts, and ensure



Arbitration experts and public officials debated during the Arbitration Panel at the Mongolian Economic Forum.

buy-in from the new administration. The Minister expressed his intention to include the draft revised Arbitration Law as part of the package of laws related to enforcement agencies during the Spring Session of Parliament in April. BPI will continue to coordinate closely with MOJ and the

Arbitration Working Group providing any needed assistance to facilitate the submission of the draft law to Parliament during the next quarter.

Dealing with construction permits. During the reporting period Dorgiljav Tsogtbaatar was named the new Minister of the Ministry of Construction and Urban Development (MCUD). BPI was informed that the BPI-sponsored draft construction law underwent significant changes under the new leadership including: (i) shifting the permit issuing authority to the General Authority for State Inspection (GASI) and away from the MCUD for the high risk category and UB Municipality for the medium and low risk categories; (ii) extending the requirements for license and expertise to include construction activities classified under risk categories II and III; and (iii) reducing the construction permitting process to a total of 31 days. BPI believes that the proposed changes to the draft law represent a departure from best practices and will result in ambiguity and inefficiency rather than increasing facilitation. For instance, GASI is much less equipped to access permit requests, provide technical conditions, and ultimately provide construction permitting than the UB Municipality. Furthermore, extending license requirements to all risk categories essentially invalidates the benefit of assigning different risk categories to projects based on merit to ensure that the scarce public resources focus on the higher risks projects while added facilitation is given to the lower risk categories. Finally, bringing the timeframe from 137 days as stated in the Doing Business 2015 report to 31 days under the new draft is improbable when taking into account the added bureaucracy and procedures included in the latest revision of the law.

Under the existing legal regime for construction governed by BPI supported Cabinet Resolution #151, Mongolia has significantly lowered the costs and time while improving the efficiency of the construction permitting process. Throughout the quarter, BPI met regularly with the MCUD and the UB Municipality to discuss the project's concern with the new draft. We believe that Cabinet Resolution #151 is more beneficial than the most recent version of the draft law.

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. QSDC supports Mongolian firms under its supplier development and quality assurance training programs.

During this reporting period, in close consultation with USAID and the BPI project, QSDC prepared to phase out its activities focused on providing financial assistance through its revolving Technical Assistance Fund (TAF) by the end of this reporting period and shift to play a new catalytic role, by providing matchmaking, specialized technical assistance and seeking to assist its clients in obtaining access to finance through existing banks. In addition, QSDC worked to expand its individual SME support to include priority sector level interventions.

5.



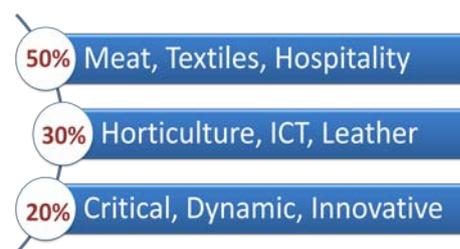
Finance Capacity Development Specialist, Ms. Kristen Hamaoui assisted QSDC in January/February to further develop and refine QSDC's financial and procurement policies and systems.

BPI provided technical assistance to the QSDC to strengthen their organizational capacity building during the reporting quarter including:

- Finance Capacity Development Specialist, Ms. Kristen Hamaoui assisted QSDC in January/February to further develop and refine QSDC's systems and procedures in-line with its next phase of operational and sustainability goals, including: (i) adopting independent accounting and financial systems, (ii) institutionalizing governance of Board of Directors and strengthening organizational governance policies, procedures, and supporting documentation, (iii) strengthening written policies and manuals for relevant financial management internal controls processes, such as procurement, and (iv) strengthening human resources policies, procedures, and practices.
- Grantee Sustainability Consultant, Ms. Tsolmon Finch provided training on project design and proposal preparation to build the capacity of QSDC to respond directly to donor requests. Ms. Finch worked closely with the QSDC local team through a hands-on exercise of proposal development, including program design, budget, and technical approach. The technical assistance also improved QSDC's capacity to review potential SME clients.

In addition to organizational development, BPI assisted the QSDC in realigning its technical approach. As part of this process BPI provided SME Development Expert, Mr. John Magill to further develop and refine QSDC's proposed suite of interconnected services to better facilitate Mongolian SME growth. Mr. Magill supported QSDC in: (i) the identification of priority sectors with high potential growth and (ii) the development of a menu of selected assistance needed to support SME growth within the identified priority sectors, which resulted in:

- **Ranking of Sectors:** After thorough analysis of the different sectors and more than 30 meetings with representatives from the private and public sector, Mr. Magill utilized the "GE McKinsey Matrix" to identify high potential sectors according to the distribution depicted to the right. Accordingly, QSDC will focus its efforts on the first tier which includes meat, textiles, and hospital while remaining flexible to support critical, dynamic, innovative opportunities if necessary.
- **SME Diagnostic Tool:** QSDC's new "Holistic Buyer Led Approach" includes assessing potential SMEs clients in four different competitiveness areas when prescribing an intervention: management, marketing, production process, and access to finance.



Technical Assistance Menu: Based on the client assessment, QSDC will provide technical assistance to firms or sector-level interventions through a set of tools including:

- Mentoring
- Networking
- Quality systems
- Technology improvement
- Access to finance
- Matchmaking

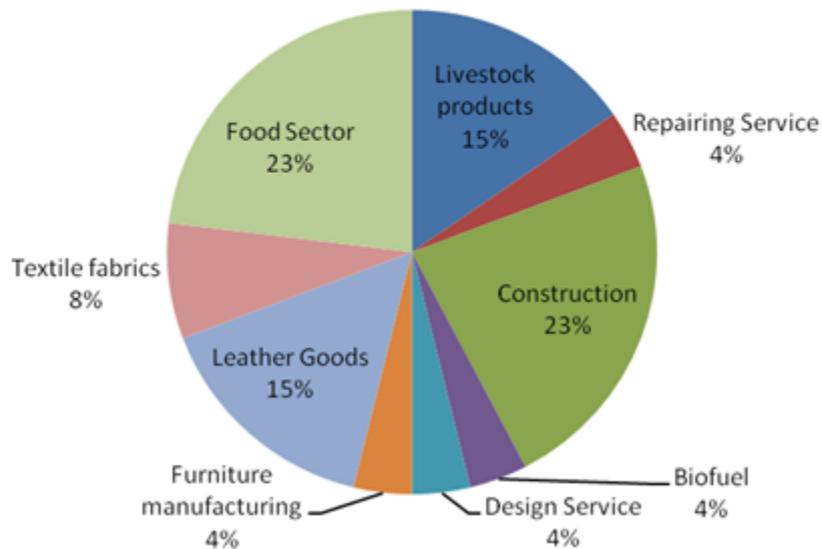


KRA2.1.1 QSDC Supplier Development Program (SDP)

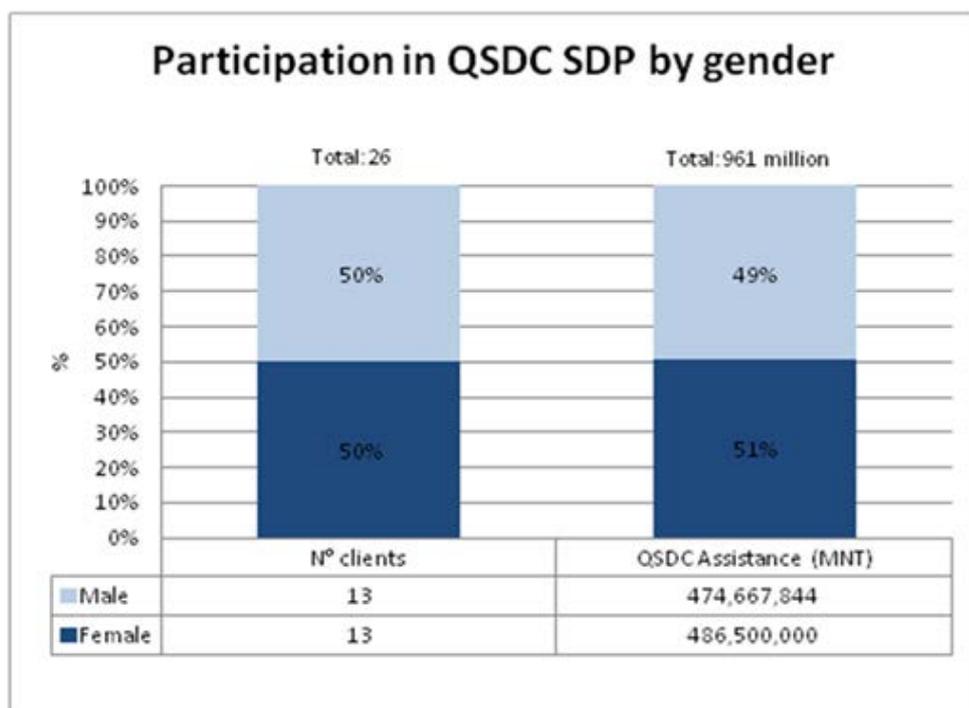
The QSDC supplier development program utilizes a USAID-funded/BPI managed revolving Technical Assistance Fund (TAF) with the goal of: (i) helping local products and services meet domestic and international market requirements; (ii) improving production and commercial

process efficiency, and (iii) linking suppliers to new markets. The current reporting period represents the last quarter for the use of the revolving TAF. QSDC's fundamental objective is to promote economic development based on generating increased sales for local suppliers. As of the end of the reporting quarter, QSDC has provided assistance to a total of 26 SME client firms. Through its TAF program, QSDC has allocated a total investment amount of 961 million MNT. As a result of QSDC TAF assistance, client firms' actual increased sales have reached 5.6 billion MNT, more than five times higher than the life of project target for this indicator.

Participation of Client by Sector



Food industry, leather goods, construction, and livestock are the most active sectors participating in the QSDC TAF program. The above graph shows that these sectors combined account for 76 percent of all QSDC clients. Other sectors represented in the QSDC client portfolio include furniture manufacturing, textile fabrics, repairing services, bio-fuel, and design services.



In terms of client numbers, women owned firms represent 50 percent of QSDC clients. Moreover, these firms represent 51 percent of all the assistance that QSDC has allocated to support its client firms (See graph above).

Repayment of TAF assistance:

Seven of the QSDC SME client firms have successfully completed their assistance program with QSDC, including two SMEs - Meat Export and a small firm working on Camel Milk – that received assistance pre-TAF program and five additional SMEs - Nomin Uguuj, Garden City and a small leather gloves producer, Arvin Suljee and New Value Construction – which completed their TAF repayments. Another 20 SMEs are still participating in the TAF program (including one SME that received two rounds of TAF assistance) with corresponding repayments in progress. By the end of the reporting quarter, QSDC has recovered a total of 315.2 million MNT in TAF repayment plus another 53.9 million MNT in management services from assisted SMEs. Nonetheless, seven clients are currently in delinquent repayment status due to a variety of issues, including a slowdown in the construction sector, availability of raw materials, and challenges in obtaining payment from buyers. 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, networking at public and private sector events, and public presentations. During the quarter, QSDC staff worked closely with 13 potential SME client firms, jointly conducting cash flow sales and market analysis of the proposed activities. As a result, QSDC signed six SDP's and service agreements. During the reporting quarter QSDC also implemented a partnership with a strong NBFi organization which was identified during the previous quarter. The partnership aimed at: (i) leveraging additional financial resources to support QSDC clients, (ii) accelerating the identification of new clients, and (iii) strengthening QSDC's ability to manage TAF repayments and reducing risks associated with potential non-repayments.



Zambalgaramiin Gomyo employees test the company's new equipment which will enable them to produce more quality blankets in less time.

Zambalgaramiin Gomyo LLC, a local woolen blanket producer established in 2010. Over the last four years the client has sold blankets to small shops in the domestic market. Recently, the company's owner Ms. Narantsetseg received a big break into the export market, signing a large purchase order with a Mongolian exporter with shops and buyers in Russia. However, the company could not fulfill the order with their current stock of raw material and largely obsolete manufacturing equipment. QSDC assisted the client to purchase modern equipment and provide maintenance and repair to salvageable existing equipment. This opportunity to upgrade their manufacturing technology will open doors for large new markets; as a result the client is expected to more than double their annual sales in the next year.



Merex JSC employee tests the company's new equipment which will enable them to improve controls for raw material and production quality.

Merex JSC, a local concrete mix producer established in 2012, recently signed large contracts to supply concrete blocks to two construction companies working with the Municipality of Ulaanbaatar City's re-development plan for the Ger districts. QSDC assistance was geared to improve the client's internal operations to reduce waste and improve controls for raw material, strengthen production quality, and improve the efficiency of transport. The client is expected to increase sales by 2 billion MNT in one year



Employee at GUM LLC oversees increased product volumes of yogurt that will supply local kindergartens.

GUM LLC, a local producer of dairy products with growing demand from Mongolian consumers for organic milk products. In September 2014, GUM signed contracts to provide milk and yogurt to 65 kindergartens. However, due to lack of operating capital to procure sufficient raw material, GUM could not fulfill the required product volumes under the new contracts. QSDC provided financial assistance to GUM to enable the client to acquire the raw material (milk) required to fulfill the purchase orders under the new contracts, which will help GUM increase its annual revenue by 145 million MNT.



Agrico LLC prepares freights of jam for distribution points in new markets.

Agrico LLC, a local producer of jam, ketchup, and candies founded in 2011. Traditionally, the company supplied products to rural areas; however after signing a contract with a local distributor the client witnessed a dramatic market increase in Ulaanbaatar. Due to the lack of operating capital to buy frozen fruit inputs, the client was only able to fulfill 70% of the new demand. QSDC's financial assistance is allowing Agrico to increase its production and revenues by more than 500 million MNT over the next 12 months.



Quality Manager at Nogoan Gazar inspects the molds for polystyrene blocks to fulfill new contracts.

Nogoan Gazar LLC, a local construction sector supplier established in 2011 that produces polystyrene concrete blocks, and panels. The client's products are sought after because they are made from polystyrene which is significantly lighter than concrete. The advanced dry technology allows Nogoan Gazar to continue production throughout the winter, unlike traditional concrete production. Over the next six months the client has contracts with four construction companies and purchase intents with another five companies. However, the client can only meet 50% of the required investment in raw material.

QSDC's assistance will help the firm to fulfill these purchase orders and increase its sales by 407 million MNT over the next 12 months.



Arvin Suljee is constructing a new college building which will result in nearly 60% increase in revenues for the firm this year.

Arvin Suljee LLC, a local construction company with 16 years of experience and more than 50 permanent employees. QSDC assisted Arvin Suljee in March 2014 in successfully implementing two large construction projects. During this second phase of assistance QSDC in partnership with GSB Capital is assisting the client to complete a 2.5 billion MNT project for the construction of a new college building which will result in nearly 60% increase in revenues.

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

KRA2.1.2 QSDC Quality Management Program (QMP)

For Mongolians to compete and succeed in today's global market, traders, producers and suppliers must not only find a buyer, but 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 four quality management trainings delivered by local trainers, including one six-sigma green belt training, and three ISO 9001 Awareness trainings. As a result, 52 private sector participants from 29 companies increased their capacity in areas critical to increasing competitiveness through a total of 52 person-days of training.



Six Sigma green-belt trainees simulate a mock delivery service to identify areas to streamline business processes.

Six Sigma – Green Belt Training: From January 27-29, Black Belt trainers from Wagner Asia Equipment LLC delivered QSDC's fifth Green Belt training for 12 quality management professionals from seven large local companies, including APU, Khan Bank and NVT's LLC. The trainees reported that they will use the techniques and tools they gained to improve the quality of outputs and standardize manufacturing and business processes. As a result, their respective employers will benefit from reductions in process cycle time, pollution, costs, and increase customer satisfaction and profits.



QSDC, in partnership with SGS S.A. introduces the benefits and certification process of ISO 9001 quality management for participants from various sectors.

ISO 9001:2008 Awareness. On February 27th QSDC and partner SGS S.A., a leading inspection, verification, testing and certification company conducted an ISO 9001:2008 promotional training for fifteen participants from nine Mongolian companies in sectors such as freight forwarding, catering, and hand-made crafts. Participants gained knowledge of the ISO 9001 certification process and the benefits of quality management accreditation.

Quality Supplier Development Center Trainings

Training Name	Date	Participants	Number of person-days of training	Number of companies
6 sigma Green belt training	27-29 January 2015	12	31.5	7
ISO 9001 Awareness training	27 February, 2015	15	7.5	9
ISO 9001 Awareness training	20 March, 2015	11	5.5	7
ISO 9001 Awareness training	27 March, 2015	14	7	6
Total		52	52	29

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

KRA 2.2 Partnerships that leverage resources to improve business and country competitiveness strengthened

Leveraging Private Sector Resources for Development. This quarter BPI continued to work with private sector partners to enhance the project’s commercial arbitration reform activities. Specifically, BPI has worked closely throughout the reporting period with Mongolian International and National Arbitration Center, AmCham Mongolia, Mongolian Bar Association, Business Council Mongolia, the Singapore International Arbitration Center (SIAC) and newly established UB Chamber of Commerce to organize arbitration events and workshops that will be conducted during the next quarter.

During this quarter alone, through ongoing pro-bono engagements with international law firms, Gibson Dunn and Sidley Austin, BPI has leveraged some 68 hours of technical assistance with an estimated commercial value of more than 67,673 USD to increase capacity for Mongolian arbitration practitioners and ensure arbitration reform in Mongolia is in line with international best practices in arbitration. Arbitration expert, Cyrus Benson, Partner at Gibson Dunn represented BPI during the Arbitration Panel at the Mongolian Economic Forum in March 2015, where he discussed the importance of Mongolia following international best practices in arbitration and supporting the new legal framework with education and awareness.

In support of PIR 2 activities, Wagner Asia Equipment and QSDC renewed their commitment for ongoing collaboration to bring capacity building, access to markets, and resources to Mongolia’s local suppliers under a memorandum of understanding signed January 15, 2015.



On January 15, 2015 USAID Senior Development Advisor Scott Brown, Managing Director of Wagner Asia Equipment LLC, Steve Potter, and Executive Director of QSDC, Tuguldur B. signed a memorandum of understanding (MoU).

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

Per the BPI logical framework, this cross-cutting PIR aims at facilitating public awareness of country competitiveness and governance issues, business enabling environment reforms,

international experiences, and best practices. As such, some of the BPI activities within this component are discussed in the above sections. 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 that are discussed in detail under the first two components.

KRA 3.1: Public private dialogue (PPD) to foster awareness of country competitiveness and governance issues, business enabling environment reforms, international experience, and best practices facilitated

In order for legal and regulatory business reforms to succeed, it is important that the private sector embrace them. This requires active engagement of all stakeholders, both public and private, from the outset and throughout the entire reform process. BPI has utilized the PPD approach throughout implementation across its activities as a prerequisite for effective private sector policy involvement in the country's reform processes.

The development and strengthening of a local advocacy institution to sustain the PPD approach is essential to ensure the private sector is properly represented in policy and legislative reform dialogues, and can advocate for change to government in an effective manner. Over the span of the BPI project, GOM agencies are increasingly accepting PPD as a necessary condition for the effective design and implementation of business enabling environment reform strategies.



Steve Potter, Managing Director at Wagner Asia Equipment, Irmuun Demberel, Deputy Director-General of Invest Mongolia Agency, Piper Anne Wind Campbell, U.S. Ambassador to Mongolia, Jackson Cox, Chairman of AmCham Mongolia and Bat-Erdene Gankhuyag, Foreign Relations Director at Gatsuert LLC comment on AmCham's "Nationwide Survey Results on Mongolian Business Environment" during a press conference on January 20, 2015.

To that end, last quarter BPI provided a grant to AmCham Mongolia to support the local organization in institutionalizing the PPD mechanism to further policy reform in Mongolia. This quarter, AmCham Mongolia (i) released the results of a nationwide survey to gauge the perception of the Mongolian population on policy, business, and foreign investment, among other areas; (ii) facilitated a PPD on pertinent business enabling environment issues, and (iii) facilitated a PPD on the recently approved Legal Entity Registration Law. As a result of the two PPDs, AmCham presented a business enabling roadmap to the new Prime Minister and private sector feedback was incorporated in the procedures accompanying the new Legal Entity Registration Law.



Public and private sector representatives engage in lively discussion to articulate a path forward to improve the business enabling environment in Mongolia at the BPI-supported AmCham led PPD session on January 20, 2015.

BPI continued to collaborate actively with subcontract partner, the Press Institute of Mongolia (TPI) and their Economic Journalists Club (EJC). During this reporting period, BPI supported training on the hot topic of marketing and raised public awareness on the new BPI-supported Legal Entity Registration Law. The broadening of EJC collaboration with government agencies and private sector, particularly with GASR and Wagner Asia LLC this quarter, through BPI facilitated PPD events is an important milestone as EJC develops into a more vibrant and important voice on economic and business issues in Mongolia.

Public-Private Dialogue's Facilitated by BPI from January-March 2015		
Nationwide Survey Results on Mongolian Business Environment (AmCham)	January 20, 2015	98
Customs E-payment System (CGA)	January 22, 2015	49
Drafting the New Procedures of the Legal Entity Registration Process (AmCham, MOJ & GASR)	February 24, 2015	36
Total Participants:		183

EJC Training: Toolkits for Marketing. On March 31, BPI and its local partner The Press Institute (TPI) hosted a training workshop to support capacity building for the Economic Journalist Club (EJC) aimed at improving the dissemination of news reporting outputs to the public. As a result, 17 journalists were equipped with the tools to set up, manage, and optimize personal marketing strategies and learned business-to business (B2B) marketing techniques to engage audiences on important economic issues.



Economic Journalist Club members learn new marketing toolkits at training conducted in partnership with Wagner Asia.

Economic Journalists Club: Economic Events January- March 2015

Topic of Discussion per Event	Date
1. "Land Administration and Management" seminar	Feb 12, 2015
2. "Drafting the New Procedures of the Legal Entity Registration Process" press conference	Feb 24, 2015
3. "What is the benefit of EPA between Mongolia and Japan?" discussion	Mar 20, 2015
4. "Media responsibility in public policy"-Lecture by Nickolas Kralev	Mar 25, 2015
5. "Exploring various for marketing tools" training	Mar 31, 2015

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

Trading Across Borders: Over the next quarter BPI will complete the customs e-payment system and assist the CGA in the official launch. BPI will work with the CGA to provide public access to the upgraded Customs Valuation Information Module.

Dealing with Construction Permits: BPI is ending its activities in the dealing with construction permits, as informed in the BPI close-out plan submitted to USAID on March 27, 2015.

Starting a Business: BPI's activity in the area ended with the approval of the law and three internal procedures for GASR. If requested, BPI will work with MOJ to facilitate the official translation of the law on legal entity registration and release the official translation under the recently ratified Agreement on Transparency in Matters Related to International Trade and Investment between the US and Mongolia.

Paying Taxes: BPI will continue developing the VAT e-Invoice System for GDT and is expected to deliver the beta version in mid-April, conduct testing in May, and launch the system in June 2015. BPI will work with GDT to promote the use of the Tax e-payment system.

Arbitration: BPI will work with new authorities at MOJ in an effort to finalize the arbitration draft law and submit it to parliament during the Spring Session. Next quarter, BPI is organizing a Train-of-Trainers (TOT) to certify 10 local trainers in the area of international arbitration and best practices. To allow the new trainers to gain practical experience, the TOT participants will conduct the third series of the International Arbitration Workshop for 40 practitioners, with direction from Gibson Dunn experts. In addition, BPI is organizing a high profile event in May with the Singapore International Arbitration Centre (SIAC) and Mongolian Bar Association to demonstrate the arbitral process and give an insight into the role of an arbitral institution under SIAC rules. In addition to presenting an arbitration mock-up video simulation, six international panelists will share their views and expertise on the various stages of an arbitration, and offer both regional and global perspectives on current issues and hot topics in international arbitration.

PIR 2: Private sector capacity and competitiveness strengthened

QSDC will work intensively during the next quarter to fully transition to the new technical approach and address any remaining institutional gaps. BPI will provide two international short-term consultants during the upcoming quarter to support QSDC organizational and technical development. Key actions for next quarter include:

- Addressing preliminary NUPAS review and recommendations for institutional capacity building;
- Developing sector intervention approaches to increase SME competitiveness

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

In the upcoming quarter, QSDC will focus on: (i) identification of new business opportunities to support with technical assistance; (ii) consolidation of the potential business linkages made in the previous months; (iii) follow-up on the implementation of current SDPs.

New business identification: Over the next quarter, QSDC will continue with the following strategies:

- Individual meetings with both large companies (from high-value sectors such as mining, construction, and energy) and medium/small companies as potential suppliers;
- Expand partnerships with financial institutions, private sector companies, and other international donor projects and organizations; and
- Accompany existing SME clients in overcoming economic downturn and/or expanding business.

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

In the next quarter, QSDC will accelerate the number and variety of trainings in partnership with Wagner Asia LLC, SGS Mongolia and the Mongolian Construction Association.

QSDC will organize three Quality Management Trainings and one public event for promoting quality management and certification in international standards: 1) Six Sigma; 2) Food Safety and HACCP and 3) Occupational health and safety training.

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

In the coming quarter, the activities of PIR 3 will continue to communicate the work being done in PIR 1 and PIR 2. Specifically the project's strategic communications team will focus on continuing PPD activities through the grant with AmCham. In addition, 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. During next quarter, BPI expects that the arbitration law will be passed by Parliament, and the Tax 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.

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.

Chemonics submitted a budget realignment request to modify the prime contract total price in March 2015.

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:

- Undrakh-Erdene, E-Government manager has been terminated as of January 1, 2015;
- Solongo Samdandovjid, Business environment and competitiveness specialist ended her assignment as of January 1, 2015;
- Buyankhuu Suran, Translator/editor returned from her maternity leave as of January 19, 2015.

B3. Deployment of short-term technical assistance

Deployment of short-term expatriate assistance proceeded according to the Year 4 Annual Work Plan schedule. Six technical assignments were completed or initiated during the quarter by a total of seven short-term expatriates and third country consultants on billable basis. Exhibit A-2 in Annex A provides details about the purpose of these assignments as well as dates of start and end of each assignment.

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 January 2015, BPI executed a fixed price subcontract with Infinite Solutions to assist GDT in developing and implementing a VAT E-Invoice System to enhance the GDT's ability to detect fraud, and received proposals.
- In February 2015, BPI issued a sub-task order to under the Indefinite Quantity Subcontract with ELC LLP to provide a legal guidance and review a required documentation related to personnel upon close-out of the project.

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:

- Fielding 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 grantees.
- Close-out the Indefinite Quantity Subcontract with ITZone LLC, IT firm;
- Close-out grant agreement with AmCham by May 31, 2015;
- Close-out Technical assistance fund grant agreement and with QSDC by June 30, 2015;
- Close-out Fixed price subcontract with MDS and KhanLex LLC on June 30, 2015;
- Close-out Time and Materials Multiplier Subcontract with The Press Institute of Mongolia on June 30, 2015;

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

**Exhibit A-1: Local long-term project staff as of the end of
January – March 2015 quarter**

Employee name	Position	Start date	Current Contract End date
Uurtsaikh Sangi	Deputy chief of party	Jun 20, 2011	Sep 15, 2015
Altanzaya Baldan	Accountant	Jun 20, 2011	Sep 15, 2015
Zul Sabikhan	Operations Manager	Jun 20, 2011	Sep 15, 2015
Tsolmon Naidandorj	Video and graphics coordinator	Jul 28, 2011	Jun 30, 2015
Batmunkh Perlii	Driver/messenger	Aug 22, 2011	Jun 30, 2015
Myagmar Gombo	Driver/messenger	Sept 12, 2011	Jun 30, 2015
Gerelmaa Tumurbaatar	Accounting assistant	Oct 7, 2011	Jun 30, 2015
Amgalan Nordov	Regulatory reform manager	Jan 3, 2012	Jun 30, 2015
Davaakhuu Baatar	Translator/Interpreter	Jul 16, 2012	Jun 30, 2015
Munkhjargal Demberel	Office manager	Sep 26, 2012	Jun 30, 2015
Ariuntuya Ayurzana	Public private dialogue specialist (TPI)	Oct 5, 2012	Jun 30, 2015
Buyankhuu Suran	Translator/interpreter and editor	Aug 19, 2013	Jun 30, 2015
Uranzaya Erdenebold	M&E and administrative office	Jul 16, 2014	Jun 30, 2015

Exhibit A-2: Short-term technical assignments during the January – March 2015 quarter			
Name	Purpose of assignment	Date of arrival	Date of departure
Jerry Henzel	Remote assignment to provide assistance to BPI in selecting the local firm to develop the VAT e-invoicing IT systems technical activity Mongolia's General Department of Taxation (GDT), and directly provide assistance and guidance to the selected firm as work begins on the E-invoice system	December 5, 2014	February 1, 2015
Jerry Henzel	Remote assignment to provide assistance to BPI in selecting the local firm to develop the VAT e-invoicing IT systems technical activity Mongolia's General Department of Taxation (GDT), and directly provide assistance and guidance to the selected firm as work begins on the E-invoice system	February 22, 2015	March 7, 2015
Jorge Montoya	To facilitate module upgrading, develop three sets of user guidelines, conduct training of trainer workshops for customs officials, and review progress on customs port processes	January 19, 2015	January 30, 2015
Jose Pardon	To provide remote technical assistance to Mongolia's Customs General Administration (CGA) to operationalize the Customs Valuation Module	January 19, 2015	February 20, 2015
Kristen Hamaoui	Organizational development assistance to QSDC	January 23, 2015	February 6, 2015
John Magill	To assist QSDC to identify priority growth sectors and the development of a range of selective services	March 8, 2015	March 28, 2015
Tsolmon Finch	Short-term Grants Sustainability Specialist will support the BPI's grant initiatives to QSDC, a local NGO, as it prepares for its next stage of operations, provide training on project design and proposal preparation	March 21, 2015	April 14, 2015

ANNEX B: Performance indicators, baseline, targets, and results for Annual Work Plan-4 (January through March 2015)

PIR1: Business enabling environment, governance, and country competitiveness policies and practices improved										
KRA 1.1 Trade, paying taxes, arbitration, construction, and company registration procedures simplified										
		Baseline Value	AWP-4 Target		Oct-Dec	Jan-Mar (2015)	Apr-Jun	Jul-Sep	AWP-4 Results	LOP Target
1.1.1	<i>Time and cost of clearing imports and exports reduced (Baseline DB2015)</i>									
1.1.1a	<i>Number of documents required to export/import a shipment</i>	11/12	5/5	Target	11/12	7/7	5/5	5/5		5/5
				Actual	11/12	11/12				
1.1.1b	<i>Number of days required to export/import a shipment</i>	44/45	27/28	Target	44/45	33/34	27/28	27/28		27/28
				Actual	44/45	44/45				
1.1.2	<i>Burden of compliance with tax administration procedures reduced (Baseline DB2015)</i>									
1.1.2a	<i>Number of payments per year</i>	41	19	Target	41	41	19	19		19
				Actual	41	41				
1.1.2b	<i>Number of hours per year required to comply with paying taxes</i>	148	133	Target	148	140	133	133		133
				Actual	148	148				
1.1.2c	<i>Percentage of taxpayers that use e-payment for VAT, CIT and PIT taxes</i>	28%	60%	Target	30%	40%	60%	60%		60%
				Actual	28%	28%				
1.1.3	<i>Construction permits procedures streamlined (Baseline DB 2015)</i>									
1.1.3a	<i>Number of procedures to build a warehouse legally</i>	16	No included in AWP-4	Target	n/a	n/a	n/a	n/a	n/a	16
				Actual	n/a	n/a	n/a	n/a	n/a	
1.1.3b	<i>Number of calendar days required to complete all procedures</i>	137	No included in AWP-4	Target	n/a	n/a	n/a	n/a	n/a	137
				Actual	n/a	n/a	n/a	n/a	n/a	
1.1.4	<i>Getting new electricity connections processes simplified (Baseline DB 2015)</i>									
1.1.4a	<i>Number of procedures to obtain an electricity connection</i>	8	No included in AWP-4	Target	n/a	n/a	n/a	n/a	n/a	8
				Actual	n/a	n/a	n/a	n/a	n/a	
1.1.4b	<i>Number of calendar days required to complete all procedures</i>	79	No included in AWP-4	Target	n/a	n/a	n/a	n/a	n/a	79
				Actual	n/a	n/a	n/a	n/a	n/a	

		Baseline Value	AWP-4 Target		Oct-Dec	Jan-Mar (2015)	Apr-Jun	Jul-Sep	AWP-4 Results	LOP Target
1.1.5	Online company registration system established (Baseline DB 2015)									
1.1.5a	Number of procedures to start a business	5	No included in AWP-4	Target	n/a	n/a	n/a	n/a	n/a	5
				Actual	n/a	n/a	n/a	n/a	n/a	
1.1.5b	Number of calendar days required to complete all procedures	11	No included in AWP-4	Target	n/a	n/a	n/a	n/a	n/a	11
				Actual	n/a	n/a	n/a	n/a	n/a	
KRA 1.2 Customs risk management and post clearance audit programs strengthened										
1.2.1	Customs risk management program strengthened (Baseline AWP-3)									
1.2.1a	Percentage of "green and yellow channel" shipments	35.6%	45%	Target	39%	42%	45%	45%		45%
				Actual	41%	47%				
1.2.2	Customs post clearance audit program strengthened (Baseline AWP-3)									
1.2.2a	Number of PCA audits conducted with valuation training from BPI	296	200	Target	70	70	60	0		496
				Actual	60	14				
1.2.2b	Person/days of training on PCA and other trade facilitation areas delivered	896	19	Target	0	19				915
				Actual	0	23				
KRA 1.3 Enabling legal and regulatory environment for trade, starting a business, paying taxes and commercial arbitration strengthened										
1.3.1	Enabling legal and regulatory environment strengthened (Baseline AWP-3)									
1.3.1a	Percentage of progress in facilitating Draft Construction law	75%	100%	Target	75%	100%	100%	100%		100%
				Actual	75%	75%				
1.3.1b	Percentage of progress in facilitating Legal Entities law	100%	No included in AWP-4	Target	n/a	n/a	n/a	n/a	n/a	100%
				Actual	n/a	n/a	n/a	n/a	n/a	
1.3.1c	Percentage of progress in facilitating Draft Arbitration law	55%	100%	Target	75%	75%	100%	100%		100%
				Actual	75%	75%				
1.3.2	Technical support in drafting regulations for customs risk management, post clearance audit and customs clearance procedures facilitated (Baseline AWP-3)									
1.3.2a	Number of trade related regulatory measures facilitated	1	2	Target	0	1	1			3
				Actual	0	0				

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%. Approval Process: MoJ clearance| Cabinet approval | Parliament Standing Committee clearance | Parliament approval.

PIR2: Private sector capacity and competitiveness strengthened										
KRA 2.1 Capacity of Mongolian private sector firms to sell products and services meeting buyers' demand strengthened										
		Baseline Value	AWP-4 Target		Oct-Dec	Jan-Mar (2015)	Apr-Jun	Jul-Sep	AWP-4 Results	LOP Target
2.1.1	<i>Consolidation of QSDC: Buyer-supplier transactions facilitated (Baseline AWP-3)</i>									
2.1.1a	<i>Number of products/services with buyers' specifications</i>	103	52	Target	13	13	13	13		155
				Actual	12	16				
2.1.1b	<i>Number of due diligence conducted on suppliers</i>	55	40	Target	10	10	10	10		95
				Actual	8	12				
2.1.1c	<i>Number of TAF contracts to assist potential suppliers</i>	22	30	Target	7	7	8	8		52
				Actual	1	6				
2.1.1d	<i>Number of purchase orders fulfilled</i>	59	39	Target	9	10	10	10		98
				Actual	15	56				
2.1.1e	<i>Expected value for increased sales of transaction facilitated (MNT)</i>	4.2 billion	9.7 billion	Target	2.2	2.5	2.5	2.5		13.9 billion
				Actual	0.7	0.7				
2.1.2	<i>Consolidation of QSDC: Quality Assurance training program (Baseline AWP-3)</i>									
2.1.2a	<i>Number of trainings on quality assurance topics delivered</i>	19	16	Target	4	4	4	4		35
				Actual	2	4				
2.1.2b	<i>Number of firms supported with improved management</i>	349	96	Target	24	24	24	24		445
				Actual	19	29				
2.1.2c	<i>Number of person-days of training delivered on quality assurance topics</i>	1,068	720	Target	180	180	180	180		1,788
				Actual	65	52				
KRA 2.2 Partnerships that leverage resources to improve business and country competitiveness strengthened										
2.2.1	<i>Number of person/days of training delivered on BPI's</i>	152	No	Target	n/a	n/a	n/a	n/a	n/a	152

	<i>developed toolkits</i>		included in AWP-4	<i>Actual</i>	n/a	n/a	n/a	n/a	n/a	
2.2.2	<i>Number of partnerships, subcontracts, grants and other cost-sharing agreements with local and international organizations in support of BEE reforms</i>	33	5	<i>Target</i>	2	2	1			38
				<i>Actual</i>	3	3				
2.2.3	<i>Number of partnerships in support of QSDC program</i>	3	5	<i>Target</i>	1	2	2			8
				<i>Actual</i>	2	3				

PIR3: National dialogue on business enabling environment and country competitiveness strengthened

KRA3.1 Public private dialogue (PPD) to foster awareness of country competitiveness and governance issues, business enabling environment reforms, international experience, and best practices facilitated

		<i>Baseline Value</i>	<i>AWP-4 Target</i>		<i>Oct-Dec</i>	<i>Jan-Mar (2015)</i>	<i>Apr-Jun</i>	<i>Jul-Sep</i>	<i>AWP-4 Results</i>	<i>LOP Target</i>
3.1.1	<i>Number of public events held on BEE or competitiveness issues</i>	158	20	<i>Target</i>	7	7	6			178
				<i>Actual</i>	5	6				
3.1.2	<i>Total number of person/days of attendance at BPI trainings and BPI public events</i>	8,723	1,500	<i>Target</i>	503	503	493			10,223
				<i>Actual</i>	271	145				
3.1.2a	<i>Number of person/days of trainings for government officials</i>	4,116	610	<i>Target</i>	205	205	200			4,726
				<i>Actual</i>	58	23				
3.1.2b	<i>Number of person/days of trainings for private sector representatives</i>	3,804	744	<i>Target</i>	248	248	248			4,548
				<i>Actual</i>	147	52				
3.1.2c	<i>Number of person/days of attendance to EJC and other public events</i>	804	145	<i>Target</i>	50	50	45			949
				<i>Actual</i>	65	71				
3.1.3	<i>Number of workshops held for journalists</i>	61	25	<i>Target</i>	9	9	7			86
				<i>Actual</i>	7	5				

Changes to previous PMP table:

-Baseline values for indicators 2.2.1 and 3.1.1 have been recounted to include Year 1 omitted results; corresponding LOP targets were corrected.

-Baseline value for indicator 2.1.1e has been corrected due to included omitted sales from quarter Jul-Sep, 2014; corresponding LOP target was corrected.