

Economic Policy Reform and Competitiveness Project

QUARTERLY PERFORMANCE REPORT (January - March 2004)

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ABBREVIATIONS AND ACRONYMS

ADB	Asian Development Bank
AWP-04	Annual work plan for 2004
COP	Chief of Party
DCOP	Deputy Chief of Party
EPRC	Economic Policy Reform and Competitiveness Project
EPSP	Economic Policy Support Project
ERA	Energy Regulatory Authority
FDI	Foreign direct investment
FTA	Free Trade Agreement
FTZ	Free Trade Zone
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GoM	Government of Mongolia
IMF	International Monetary Fund
IR	Intermediate Result
IT	Information technology
LAN	Local area network
LOE	Level of effort
LOP	Life of Project
MoFE	Ministry of Finance and Economy
MOI	Ministry of Infrastructure
MOU	Memorandum of Understanding
M&E	Monitoring and evaluation
P/Ds	Person/days
SO	Strategic objective
SOW	Scope of work
STTA	Short-term technical assistance
TA	Technical assistance
TAF	The Asia Foundation
TCI	The Competitiveness Initiative
TORs	Terms of reference
TSG	The Services Group, Inc.
UNDP	United Nations Development Programme
WB	World Bank
WTO	World Trade Organization

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EXECUTIVE SUMMARY: EPRC PROJECT QUARTERLY PERFORMANCE REPORT (JANUARY – MARCH 2004)

This Quarterly Performance Report (QPR) for the *Economic Policy Reform and Competitiveness Project* (EPRC) activity covers the period from 1 January through 31 March 2004.

The EPRC contract is a core activity of USAID/Mongolia to support the Mission's Strategic Objective 1, *Accelerate and broaden sustainable, private sector-led economic growth* and its Intermediate Results: Improved enabling environment for private sector growth (IR 1.1) and More competitive industries and sectors (IR 1.2). EPRC will contribute to two broad, interrelated project goals:

1. Accelerate and deepen the policy reform process in Mongolia
2. Promote increased competitiveness in the Mongolian economy.

The relationship between the Mission's strategic framework and the EPRC activity is summarized in the diagram below:

Expected project results include the following:

1. Priority policy issues identified and resolved
2. Improved national dialogue
3. Priority clusters strengthened.

To achieve these results and meet the contract requirements specified by the categories of Contractor's tasks summarized in the adjacent text box, the IP organizes activities in four broad areas:

- A. Economic, trade, and financial policy support
- B. Energy sector reform support
- C. Business and sector/cluster development
- D. Cross-cutting activities: National dialogue and project management

Policy analysis, formulation, and implementation support activities to achieve Project Result 1, *Priority policy issues identified and resolved*, are subsumed under component A of the project. Energy sector reform activities are included under project component B and are also responsive to the achievement of Project Result 1.

Project component C, Business and sector/cluster development, include activities proposed to achieve Project Result 3, *Priority clusters strengthened*.

Project component D responds to the achievement of Project Result 2, *Improved national dialogue*, as well as cross-cutting activities of coordination with other USAID and donors' programs, management of the internship program, and project monitoring and reporting tasks.

Section I of the QPR summarizes significant accomplishments of the quarter:

- Presentation of EPRC objectives and work plan to the Prime Minister and Cabinet
- Assessment of Mongolia's Free Trade Zones Program and site evaluations of Zamyn-Uud and Altanbulag sites
- Signing of a Memorandum of Understanding between USAID and the Energy Regulatory Authority
- Assessment of Mongolia's mining sector competitiveness and framework for use of stability agreements

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- Support to the GoM in the development of a prioritized development strategy—Mongolia: Vision 2020
- Support to the GoM in preparation for potential eligibility under the Millennium Challenge Account Program.

Section II of this report summarizes results of work plan implementation for the quarter.

Section III describes project management and administration activities, current personnel, deployment of short-term expatriate technical assistance, problems encountered and remedial actions, and project and contract management actions for the next quarter.

Annexes A, B, and C contain, respectively, an updated project description sheet, current long-term project staff and details of short-term expatriate technical assignments, and a budget status report.

SECTION I: SIGNIFICANT ACCOMPLISHMENTS

A. Introduction

Pursuant to contract provision F2. (c), this Quarterly Performance Report (QPR) for the *Economic Policy Reform and Competitiveness Project* (EPRC) covers the period from 1 January through 31 March 2004.

Section I of the report summarizes significant project accomplishments, Section II presents details of work plan implementation, and Section III deals with project management and implementation. Annexes A, B, and C contain, respectively, an updated project description sheet, current long-term project staff and expatriate short-term assignments, and a budget status report.

B. Significant accomplishments

Contractor's efforts during the quarter under review focused on implementation of the Annual Work Plan for 2004 (AWP-04). A close and supportive association with the Mission facilitated the successful accomplishment of projected tasks as planned and no major problems were encountered.

Significant accomplishments of the quarter included the following:

- Presentation of EPRC objectives and work plan to the Prime Minister and Cabinet
- Assessment of Mongolia's Free Trade Zones Program and site evaluations of Zamyn-Uud and Altanbulag sites
- Signing of a Memorandum of Understanding between USAID and the Energy Regulatory Authority
- Assessment of Mongolia's mining sector competitiveness and framework for use of stability agreements
- Support to the GoM in the development of a prioritized development strategy—*Mongolia: Vision 2020*
- Support to the GoM in preparation for potential eligibility under the Millennium Challenge Account Program.

The remainder of this section provides a summary of these accomplishments.

B1. Presentation of EPRC objectives and work plan to the Prime Minister and Cabinet

At a meeting held in Ikh Tingir on Sunday, 11 January, EPRC team members, USAID, and the U.S. Embassy provided an in-depth briefing to the Prime Minister, Mr Nambaryn Enkhbayar, and members of his cabinet on the purpose, objectives and first year work plan of the project.

Within USAID/Mongolia strategic framework, the EPRC activity supports the achievement of Strategic Objective # 1 and its Intermediate Results, as shown in Exhibit I-1.

Exhibit I-2 shows the project goals and expected results presented and discussed at the meeting.

The proposed vision for the project is to support a competitive participation of Mongolia in the world economy. Realization of this vision will require, inter alia:

- Continuation of the development, maintenance, and implementation of sound, market-oriented macroeconomic, trade and investment, sectoral, and microeconomic policies that promote sustainable and equitable economic growth
- An enabling business environment and regulatory framework that fosters competition and attracts foreign investment and best business practices
- The development of private sector businesses and clusters focused on supplying the demand of target export and domestic market niches capable of turning and maintaining comparative advantages into competitive edges
- Continued national dialogue on building a national consensus to “put Mongolia on the world map” supported by government transparency and good governance business practices.

Exhibit I-1: USAID Strategic Objective # 1 and Intermediate Results

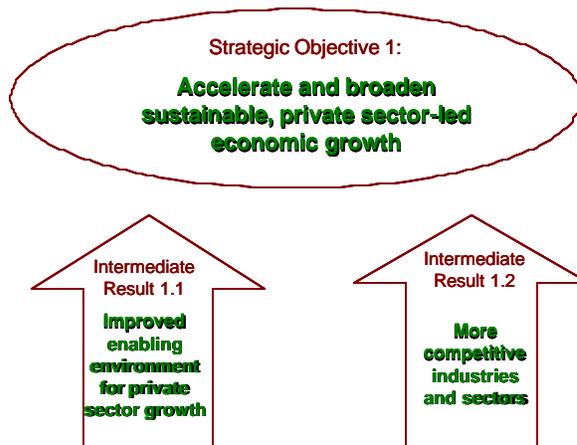
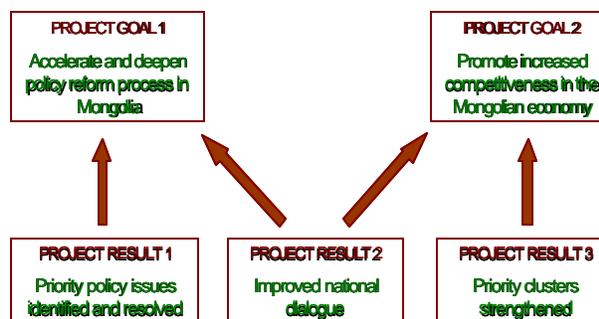


Exhibit I-2: EPRC project goals and results

Also presented at the meeting were the objectives for each of the main components of EPRC. For the Economic and Financial Policy Support component of the project, the proposed initial policy agenda and objectives were summarized as follows:

- Development, maintenance, and implementation of sound macroeconomic policies to promote sustainable and equitable economic growth
- Development, maintenance, and implementation of trade and investment policies supportive of a competitive participation of Mongolia in the world economy
- Reduction of transaction costs for businesses
- Deepening and strengthening of the financial sector
- Response to emerging policy reform initiatives



For the for the Energy Sector Reform Support component of the project the proposed initial policy objectives were presented as:

- Development and implementation of a transparent, market-oriented regulatory environment to promote competitive and efficient delivery of energy services to consumers

- Development, maintenance, and implementation of commercial orientation and practices in energy generation and distribution companies in the sector
- Development, maintenance, and implementation of a legal, regulatory, and financial environment attractive to foreign and domestic private investment and management in the sector
- Response to emerging energy sector initiatives

The proposed initial objectives for the Business and Cluster Development component of the project were:

- Improved competitiveness of identified sectors/clusters
- Improved competitiveness of sector/cluster based firms
- Improved competitiveness of high-potential client firms, regardless of sector/cluster
- Response to emerging opportunities to structure and facilitate public or private/public transactions.

The two-and-a-half hour meeting also afforded the opportunity to present and discuss the first annual work plan of the project.

Comments on the work plan received at the meeting included requests to give priority to tax policy, competitiveness of the country, a national economic development strategy, regional development, and support for financial markets, particularly with the development of a secondary mortgage market.

B2. Assessment of Mongolia's Free Trade Zones Program and evaluations of proposed Zamyn-Uud and Altanbulag FTZ sites

The project completed the assessment of Mongolia's Free Trade Zones program and site evaluations of the proposed Zamyn-Uud and Altanbulag FTZs, in response to a request from the Ministry of Industry and Trade (MOIT).

Led by José Cerón, a former FTZ manager and international expert fielded by EPRC, major findings of the assessment were:

- The Free Trade Zone Program of Mongolia presents serious competitive deficiencies compared with international best practice elements required to offer a competitive environment
- Mongolia's Law on Free Economic Zones needs to be revised to raise the program to international standards of competitiveness
- Lack of implementing regulations and procedural definitions encapsulated in Standard Operating Procedures (SOPs) prevents achievement of a minimal transparency and predictability quotient required to operationalize key international best practices



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- Identifiable funding is not in place to meet off-site infrastructure requirements for the Zamyn-Uud and Altanbulag sites; a situation that, combined with the program's low competitiveness level, seriously hampers the possible success of an international tender process for the Zamyn-Uud site
- The absence of a business demand study and a cost-benefit analysis for both potential firm investors and the country as a whole presents a weak foundation for launching an FTZ program.

The assessment included visits with GoM officials to the proposed FTZ sites of Zamyn-Uud and Altanbulag.

Main recommendations of the assessment included:

1. The GoM should explore a leisure development concession in Zamyn-Uud in response to the identified market niche opportunity and potential investors' interest provided by its proximity to Erlian City in China
2. To prepare for such a concession, the GoM should assess its legal framework, regulations and compliance systems on anti money laundering, as well as contract international expertise in leisure-related activities to assist in the concession agreement that could include conditions that would provide for FTZ off-site infrastructure requirements at Zamyn-Uud FTZ
3. The leisure related activity and the Free Trade Zone (FTZ) should be "ungrouped" to allow the first to proceed at required speed under a concession agreement that should be based on a thorough cost-benefit evaluation process and take into consideration not only investor needs but country returns from the venture(s)
4. An international tender to attract an on-site developer for the Zamyn-Uud site should not be issued during the month of March 2004 to avoid a failed tender process that could possibly generate a Mongolian "negative brand" perception
5. Prior to issuing the tender, a market demand study needs to be conducted to determine business interest in the Zamyn-Uud and the Altanbulag FTZ
6. If the market demand results are positive, a full feasibility study needs to be conducted to perform financial and economic analyses to measure cost/benefits for investors and the country.



Mr José Cerón answers questions during a public presentation held on 11 February 2004 at the USAID Resource Center on *Free Trade Zones: Perspectives and Issues*.



Mr José Cerón, during the fact-finding visit to Zamyn-Uud during 2-3 February 2004.

Prior to his departure on 17 February, Mr José Cerón and EPRC presented these findings and recommendations to the MOIT and the Office of the Prime Minister.

B3. Memorandum of Understanding signed between USAID and the Energy Regulatory Authority

At a brief ceremony held in the offices of the Energy Regulatory Authority (ERA) on, 19 February, USAID and the ERA signed a Memorandum of Understanding (MOU). The MOU is a continuation of USAID's technical assistance support for Mongolia's ERA.

Under the terms of the MOU, the EPRC project will provide assistance to the ERA to:

- Improve the country business and regulatory environment to attract domestic and foreign investment into the energy sector
- Develop the agency's capacity in cost-based rate making and tariff design
- Strengthen ERA's capabilities in the regulation of a liberalized and competitive energy
- Develop an effective public communications and complaint resolution system
- Become a politically independent modern regulatory agency with the ability to regulate a competitive energy market for the benefit of the Mongolian people.



Present at the signing of the Memorandum of Understanding between USAID and the ERA on 19 February 2004; seated, right to left: Mr Jonathan Addleton, USAID Mission Director, Mr. R. Ganjuur, Chairman, ERA, and Mr. Fernando Bertoli, EPRC Project Director. Standing, right to left: Mr. N. Amgalan, EPRC Energy Advisor, Ms. D. Sukhgerel, CTO/USAID, Mr. Horst Meinecke, EPRC Senior Energy Advisor, Mr. G. Damdinsuren, Regulator, ERA, Mr. N. Luvsansharav, Head of LI&A Div., ERA and Mr. T. Tumentsogt, Regulator, ERA.

The agreement was signed by Mr. Jonathan Addleton, USAID-Mongolia Mission Director, Mr Ganjuur Raddi, Chairman of the ERA and Mr Fernando Bertoli, Chief of Party for the EPRC Project. The event was covered by several Mongolian newspapers and TV Channel 9.

B4. Assessment of Mongolia's mining sector competitiveness and framework for use of stability agreements

The project completed an assessment of Mongolia's mining sector competitiveness and a framework for the use of stability agreements as policy instruments. International mining expert, William F Arnold, led the assessment which included international case studies of best and worst practices in mining sector policies and lessons derived from the experiences of these countries that may be applicable to Mongolia.

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Main recommendations of the assessment included:

1. The engagement of international legal counsel and mining experts to advise the government on terms of negotiation for complex stability agreements
2. Consideration needs to be given to the full range of financial incentives for businesses and in particular foreign businesses engaged in natural resource development with the objective of ensuring that the state gets a reasonable share of revenues in the short as well as long term and that natural resource development contributes to the economy as a whole and is not subsidized in any way. Current arrangements eliminate profit taxes for the first 8-10 years of a project and attract reduced rates for 3-5 years thereafter. In the case of mining projects that means that state income is predominantly from royalties for a very long period (or about half the life of a typical mine). Royalty rates need to be reconsidered in the context of a review of overall tax rates and investment incentives
3. The handling of VAT needs to be reconsidered in relation to large capital intensive projects. Current practice, which effectively removes VAT considerations from such projects, concurrently removes an important driver towards secondary value-adding industries such as smelting and refining
4. The establishment of appropriate financial instruments, such as a fund to finance emergent mining service companies needs to be considered. Major mining companies considering investment in Mongolia have indicated that long-term contracts could be offered to local companies and these could be used as collateral for loans or leasing arrangements if such instruments were available
5. To ensure that the state income from mining and other natural resource developments helps achieve the policy objectives of poverty reduction and economic growth, it should be used to lower taxes on low -income individuals and on businesses



MONGOLIAN MINING SECTOR COMPETITIVENESS AND THE USE OF STABILITY AGREEMENTS

Submitted to:

The Ministry of Finance and Economics, Ulaanbaatar, Mongolia, and
the U.S. Agency for International Development/Mongolia

April 2004
Ulaanbaatar



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Chemonics International Inc.



Mr William F Arnold and attendees at the public presentation on *Issues in mining sector development: Towards Mongolian mining sector competitiveness*, held at the USAID Resource Center on 5 March 2004.

6. Key issues of infrastructure development need to be addressed when the need for such infrastructure is triggered by a major capital intensive project. A major mining project will need roads, railways, water supply, power and social infrastructure. It will impact the environment for 30-40 years both physically and visually. How infrastructure needs and environmental impact mitigation measures are planned, handled (in the context of incentives) and financed are key policy considerations. The main concern is to ensure that incentives aimed at attracting productive foreign investment do not have the undesirable side effect of reducing state income from taxes for an indefinite period
- 
7. The government should consider revising the process and decision-making structure on large scale capital intensive projects having long-term impacts to insure that issues of infrastructure, water resources, environment, minerals development, energy, foreign investment, state income, and trade are properly addressed. Current law requires that stability agreements be approved by the Minister of Finance and Economy (MoFE); approval by a committee of ministers or Cabinet would minimize future fiscal risks to investors, improve technical coordination of relevant line ministries and appropriate economic, financial, and legal analysis of proposed stability agreements by the GoM
8. Although Mongolia's legal framework for the mining sector is among the best of its kind, the assessment provides recommendations on clarifications needed, license terms, minimum investment requirements for qualifying a project for a stability agreement, revision of rates payable for exploration and mining license fees, and increasing the period of tax-loss carry-forward to five years, among others.

The final report of the assessment—Mongolian mining sector competitiveness and the use of stability agreements—is scheduled for completion by mid April.

B5. Support to the GoM in the development of a prioritized development strategy—Mongolia: Vision 2020

EPRC continued work began in January at the request of the Office of the Prime Minister to revise the January 2003 draft document Economic Development Strategy for Mongolia.

Initially prepared with the assistance EPRC's predecessor project, the Economic Policy Support Project (EPSP), the document provided a review of Mongolia's transition since 1990 and suggested setting a target annual economic growth rate of 7.5% based on assumptions about sectoral growth.

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During the month of March, with the assistance of Mr David Snelbecker, a senior policy analyst, EPRC:

- Reviewed existing official strategy documents such as the Poverty Reduction and Economic Growth, Millennium Goals and other policy documents, including sectoral and cross-cutting strategies
- Based on the existing strategies, developed a proposed framework to prioritize policies
- Prepared an initial draft concept paper for GoM's internal discussion.

The second version of the draft economic development strategy framework document—tentatively titled *Mongolia: Vision 2020*—will likely undergo further internal revisions before its wider circulation among GoM officials.

As its tentative name indicates, *Vision 2020* proposes:

- A process of national dialogue to arrive at a shared, working consensus on what Mongolia should strive to be by the year 2020—the Vision
- A framework to prioritize policies that need to be implemented to realize that vision by year 2020

Current plans are to release the draft document after elections for wider discussion with civil society, bilateral, and multilateral organizations. While this process of national dialogue on the vision of Mongolia for the year 2020 and the policies required to achieve it go on, technical groups will also be at work. These groups, assisted by bilateral and multilateral organizations as needed, will develop proposed initial identification, selection, structuring, costing, and sources of funds for main projects required for the realization of the vision.

Proposed criteria for the selection of main projects consistent with the vision as well as the tentative project portfolio will be broadly discussed to arrive at a working national consensus.

The challenge for the country will be both the extent of involvement of representative, broad-based segments of civil society in the formulation of a shared vision that persists over time—beyond the time span of single governments—and whether the tough choices required to implement such vision are made, maintained, and supported.

B6. Support to the GoM in preparation for potential eligibility under the Millennium Challenge Account Program

In support of EPRC's vision to support a competitive participation of Mongolia in the world economy, the project began work on establishing a baseline of where the country currently ranks in diverse international indices.

International private investors and lenders use these comparative rankings as part of their country due diligence assessments; financial ratings of a country, in particular, are used to determine the country risk premium. In spite of the limitations of cross-national comparisons, changes in the rankings and ratings of a country in these indices are, therefore, important for the country's competitive positioning in the world economy.

We have so far examined four such international indices for rankings of Mongolia: the Growth Competitiveness Index (GCI) and the Microeconomic Competitiveness Index (MICI) from the World Economic Forum, the World Bank’s 1996-2002 Aggregate Indicators on Governance and the 1999 Corruption Perceptions Index (CPI) from Transparency International.

The Growth Competitiveness Index (GCI)

Mongolia is not currently ranked in this index. The GCI is a composite measure that includes rankings and sub-rankings on:

- Technology: (innovation, technology transfer, and information and communication technology)
- Public institutions (contracts and law, and corruption)
- Macroeconomic environment (macroeconomic stability, country credit rating, and government expenditures).

The Microeconomic Competitiveness Index (MICI)

Mongolia is not currently ranked on this index. The components of this index come closest to the overall purpose of EPRC to support private-sector-led economic growth:

- Company operations and strategy rankings
- Quality of the national business environment rankings, consisting of factor conditions (physical infrastructure, administrative infrastructure, human resources, technology infrastructure, capital markets), demand conditions, related and supporting industries, and context for firm strategy and rivalry (incentives and competition).

Governance, 2002

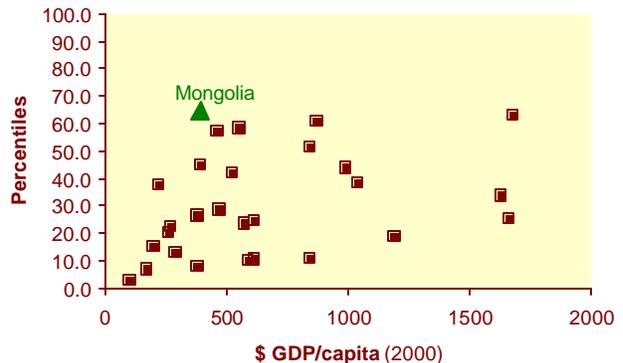
Measures of Governance in these rankings consist of six separate components:

- Rule of law
- Government effectiveness
- Regulatory quality
- Voice and accountability
- Political instability and violence
- Control of corruption

Exhibit I-3 shows Mongolia’s percentile rank on the Rule of law index among twenty-eight Asian countries with GDP per capita of \$2,000 and less. In this comparative index compiled from eighteen different sources, Mongolia ranks first.

Exhibit I-4 displays how well Mongolia fares on Government effectiveness within the same group of countries. Mongolia ranks seventh in the group.

Exhibit I-3: Rule of law (Percentile rank, 2002)



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Among the same group of countries, Mongolia ranks:

- Fifth on Regulatory quality, as per Exhibit I-5
- First on Voice and accountability, Exhibit I-6
- First on Political stability, Exhibit I-7
- Fourth on Corruption control, as shown in Exhibit I-8

Changes in Mongolia's performance on Governance over time (1996-2002)

The longitudinal data collected on the World Bank's 1996-2002 Aggregate Indicators on Governance permits an assessment of Mongolia's performance over this period. Exhibit I-9 shows such a comparison during 1996-2002.

Relative to the same group of twenty-eight countries, Mongolia performed well and above average on Political stability, Voice and accountability, and the Rule of law during the 1996-2002 periods. Government effectiveness appears to have improved on a comparative basis during the same periods, as shown in Exhibit I-9.

The same Exhibit also shows that comparative performance on Regulatory quality and Control of corruption has declined.

Corruption Perceptions Index, 1999

Mongolia is ranked only in the 1999 Corruption Perceptions Index (CPI) of Transparency International. The country is not ranked in subsequent years: 2000 through 2003. Three independent sources of data are required for rankings in this index and Mongolia has not met this criterion.

It is instructive, nevertheless, to examine Mongolia's ranking on the CPI for 1999, the only year when Mongolia was ranked.

Exhibit I-10 shows Mongolia's performance in a group of eighteen Asian countries for which data on GDP per capita (2000) and standings on the Corruption Control Index were available.

Exhibit I-4: Government Effectiveness (Percentile rank, 2002)

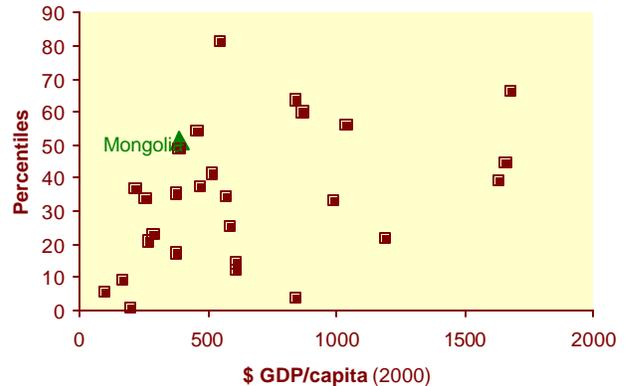


Exhibit I-5: Regulatory Quality (Percentile rank, 2002)

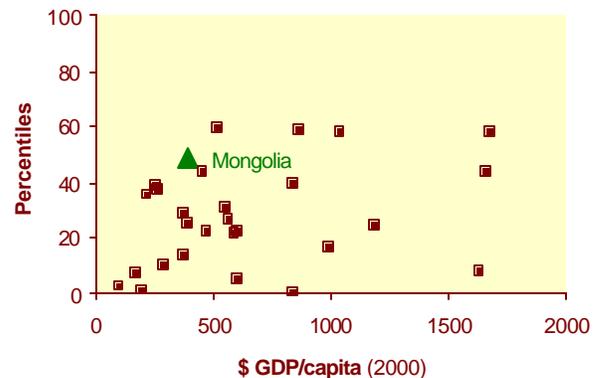
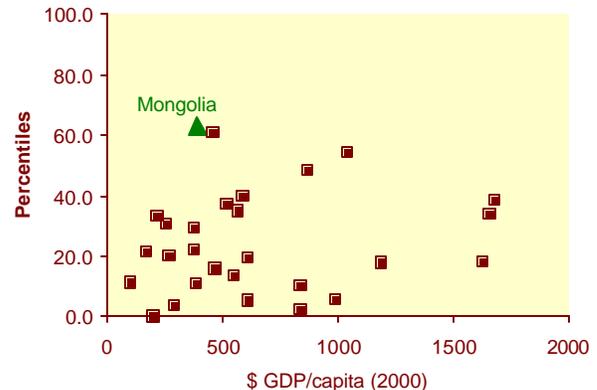


Exhibit I-6: Voice and accountability (Percentile rank, 2002)



Among this group of countries Mongolia ranks second, after Jordan, in its perceived ability to control corruption.

Comparative cross-national data are subject to margins of error that may not be statistically trivial. Although consistency among measures obtained by independent parties increase confidence in the relative rankings, these only provide initial guidance. Supplementary in-depth analyses may need to be conducted in response to specific programmatic needs such as those likely to be required under the Millennium Challenge Account program recently launched.

This comparison of Mongolia’s international rankings is an initial step that needs to be expanded by further detailed analyses, especially in areas currently considered as hurdles.

These analyses will provide additional insights to Mongolia’s performance that, as shown in this initial comparison, appears to be well above average among peers.

Mongolia’s preparation for potential MCA eligibility
The Cabinet appointed an Inter-Ministerial Working Group (IMWG) in early March to examine country eligibility requirements set forth for the Millennium Challenge Account (MCA). EPRC had been in discussions about MCA with the Office of the Prime Minister since early February. The MCA IMWG was charged with four tasks:

- Reviewing the sixteen proposed indicators for country eligibility, Mongolia’s standing on these indicators, and submission of more recent data to the Millennium Challenge Corporation (MCC)
- Diffusion of information about MCA and its requirements

Exhibit I-7: Political Stability (Percentile rank, 2002)

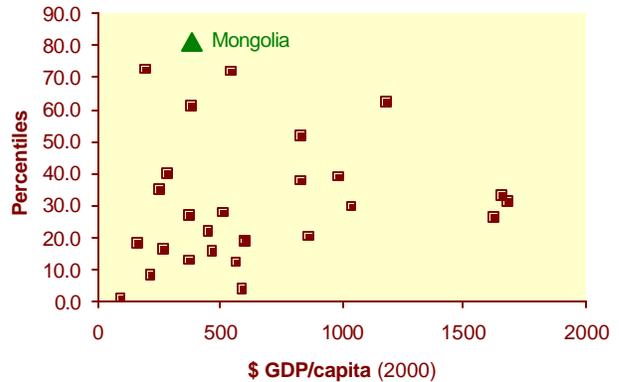


Exhibit I-8: Corruption control (Percentile rank, 2002)

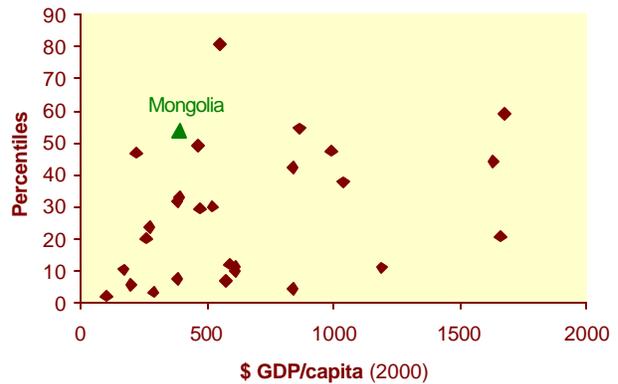
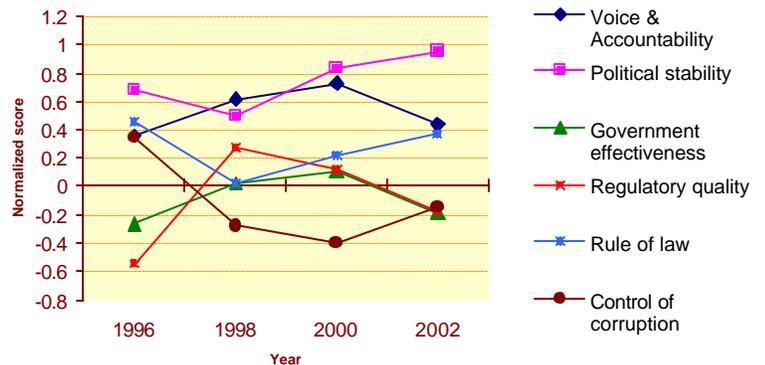


Exhibit I-9: Mongolia Governance indicators (1996 - 2002)



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- Initial identification of projects that may be eligible for funding should the MCC include Mongolia among countries eligible to negotiate a potential “MCA compact” with the MCC
- Preparation of recommendations for principles and objectives of a Mongolian MCA supervisory structure that would be broad based to include relevant sectors of civil society and transparent procedures for project selection, financial management, and monitoring of results

In a meeting held at the USAID Resource Center on 25 March, Mr Otgonbayar, IMWG Chair, shared the report informally with representatives of the U.S. Embassy, USAID, and EPRC. Formal submission of the report to the U.S. Ambassador occurred the next day.

The project assisted IMWG by providing briefings on information publicly available on MCA, initial identification of a project portfolio compliant with MCA’s objectives, requirements for broad-based civil society participation and the design of mechanisms for transparent and accountable funds management.

MCA and Mongolia’s candidacy for eligibility

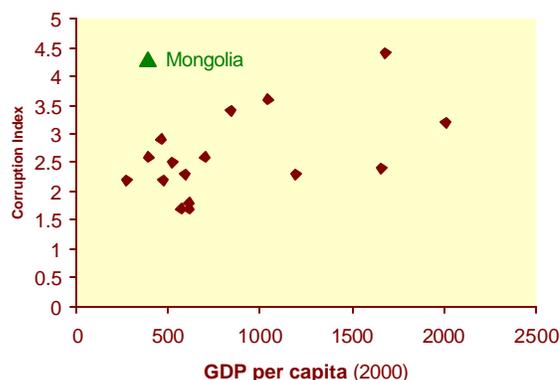
Proposed initially in March 2002, U.S. Congress authorized the creation of the MCC and provided \$1 billion to fund MCA during fiscal year 2004 to select countries that are “ruling justly, investing in their people, and encouraging economic freedom.” According to an official document posted by the MCC:

“The MCC will use 16 objective indicators to measure country performance on these three criteria. To qualify, candidate countries are expected to score above the median on half of the indicators in each of the three criteria areas and above the median on the corruption indicator specifically. Given that no quantitative indicator is without flaws, the Board will then review the results, take into account factors such as data gaps or lags and other matters that Congress has indicated should receive consideration, and select the countries that will be eligible for MCA assistance.

After the Board determines eligible countries, the MCC will work with potential recipient countries to develop compacts that set forth a commitment between the United States and the developing country to meet agreed performance benchmarks. In this partnership, countries will identify their own development priorities and establish a plan for achieving sustainable economic growth and poverty reduction, recognizing that economic growth is largely driven by a country's own efforts, policies, and its people. In developing its compact proposal, a country should:

- Engage a broad array of its society in coming up with its development priorities;
- Identify the measurable objectives that it wants to achieve;
- Include a plan for achieving those objectives with targets to assess progress;
- Develop transparent mechanisms to measure and evaluate whether targets are being met and to ensure financial accountability; and
- Provide a plan for sustaining progress after the MCA compact ends.

Exhibit I-10: Corruption Control Index, 1999
(Transparency International)



The selection of a country by the Board as an "eligible" country therefore does not ensure that a country will receive MCA funding. The extent to which a country's proposal meets the above requirements will help determine whether and how much the MCC will invest in the country."

Should the MCC declare Mongolia eligible for MCA participation in fiscal year 2004, the country has two key tasks ahead:

- Engage in a broad-based national dialogue to identify and structure MCC-compliant projects for submission as potential "compacts" (agreements) with the MCC
- Design and implement mechanisms satisfactory to the MCC in the coordination, supervision, monitoring, and financial risk management of funds.
- If Mongolia does not become eligible in fiscal year 2004, the country will have to:
- Assess its shortcomings in the areas of deficiencies
- Develop and implement a plan of action that would lead to potential MCA eligibility for fiscal year 2005.

While Mongolia awaits the decision of the MCC, the country should both engage in a broad-based national dialogue to identify projects that will make a difference in economic growth and poverty alleviation as well as address current deficiencies on "ruling justly, investing in people, and encouraging economic freedom."

The next section of this report reviews the implementation of the annual work plan.

SECTION II: WORK PLAN IMPLEMENTATION

A. Introduction

This section documents project implementation status of the current work plan—AWP-04—as of the end of the quarter. Part B of the section presents the framework of AWP-04 for the four project components: Economic, Trade, and Financial Policy Support, Energy Sector Reform Support, Business and Cluster Development, and Cross-Cutting Project Activities and Management. The framework contains objectives, projected annual results, and projected life-of-project (LOP) results for each component; the first column contains the objectives defined in the strategy, the second column contains the expected results at the end of the first annual work plan and the third column details the status at the end of the project.

Part C of the section contains detailed implementation status by project component.

B. Work plan framework

The work plan framework for Economic, trade, and financial policy support is as follows:

A. ECONOMIC, TRADE, AND FINANCIAL POLICY SUPPORT		
Policy Support Objectives	Projected annual results	LOP Results
A1. Development, maintenance, and implementation of sound macroeconomic policies to promote sustainable and equitable economic growth	Fiscal and macroeconomic impact analysis of foreign debt service projections and policy options developed and presented. Fiscal and macroeconomic impact scenarios of corporate tax reduction developed; policy options formulated and presented.	A stable and predictable macroeconomic environment, market-oriented, and promoting sustainable and equitable economic growth.
A2. Development, maintenance, and implementation of trade and investment policies supportive of a competitive participation of Mongolia in the world economy	Generic tariff and non-tariff barriers to Mongolia's trade expansion in Russian and Chinese markets assessed for bilateral and multilateral negotiations. Improved information access available for entrepreneurs on foreign target markets' entry requirements and GSP applicable to Mongolian products. Impact scenarios of the <i>Agreement on Textiles and Clothing (ATC)</i> and <i>Multi Fibre Agreement (MFA)</i> on Mongolian textiles quota-free access to U.S. markets and formulation of policy and industry options.	Generalized reduction of tariff and non-tariff barriers to trade with trading partners. Mongolia utilizes existing trade mechanisms and/or negotiates better access of specific export products having an identified demand in trading partners' markets. Trade and export strategy leads to negotiation of free-trade agreements (FTAs) with countries providing net advantages to Mongolia in terms of trade.
A3. Reduction of transaction costs for businesses	Assessment of Bank of Mongolia requirements, banking spreads, and formulation of policy instruments and plan of action to induce a reduction of commercial loan interest rates, consistent with a stable, market-oriented macroeconomic environment. Field investigation of Russian and Chinese practices applied to the transit of selected Mongolian products and elaboration of GATT-supported procedures for negotiation at bilateral meetings.	Reduction of cost of loan capital to businesses. Reduction of shipping transit times and costs for Mongolian exports.
A4. Deepening and strengthening of the financial sector	Policy framework and strategy developed to deepen the primary and secondary mortgage markets. Assessment and plan of action prepared for stock market operations and development of equity products. Implementation of insurance regulatory framework and strengthened sector supervision.	Expanded primary and secondary mortgage markets provide competitive loan products for residential and commercial financing. Diversity of equity financial products available. Strengthened regulatory and capacity to supervise a wider range of insurance products.
A5. Response to emerging policy reform initiatives	As negotiated and agreed upon and consistent with project policy support focus on laws, regulations, systems, and procedures directly affecting the business environment.	As defined and agreed upon for each initiative.

For the Energy sector reform support component of the project, the proposed work plan framework is shown below:

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B. ENERGY SECTOR REFORM SUPPORT

Policy Support Objectives	Projected annual results	LOP Results
B1. Development and implementation of a transparent, market-oriented regulatory environment to promote competitive and efficient delivery of energy services to consumers	<p>ERA issues regulations and supervises implementation and use of cost-based standards for use by power generating companies .</p> <p>ERA issues and supervises implementation and use of IAS-compliant chart of accounts by power generating companies</p> <p>ERA has strengthened supervisory capacity to oversee power generating companies' implementation of cost-based tariffs and IAS-compliant chart of accounts</p>	The ERA has increased supervisory capacity to regulate a competitive, market-oriented, and transparent regulatory environment in the energy sector.
B2. Development, maintenance, and implementation of commercial orientation and practices in energy generation and distribution companies in the sector	<p>All energy companies are implementing cost-based tariff methodologies and IAS-compliant standard chart of accounts.</p> <p>Some distributions companies are implementing improved customer service practices (complaints management, billing and collection systems).</p>	Energy generation and distribution companies in the sector operate on a commercial basis.
B3. Development, maintenance, and implementation of a legal, regulatory, and financial environment attractive to foreign and domestic private investment and management in the sector	Measures identified and plan of action implemented through "country due diligence" assessment to make Mongolia's energy sector attractive to private foreign investment.	Foreign and domestic private investment transactions negotiated/concluded in the energy sector.
B4. Response to emerging energy sector initiatives	As negotiated and agreed upon and consistent with project energy sector focus on the regulatory environment, commercialization and attraction of private investment and management.	As defined and agreed upon for each initiative.

The corresponding framework for the Business and sector/cluster development component appears as follows:

C. BUSINESS AND SECTOR/CLUSTER DEVELOPMENT

Objectives	Projected annual results	LOP Results
C1. Improved competitiveness of identified sectors/clusters	Foreign target market niches for Mongolian products or services identified in the key sectors of tourism, cashmere, other textiles, meat and meat products, skins, hide, and leather.	Significantly improved access to and penetration of foreign markets through the introduction of best business practice, co-marketing initiatives, and technology/quality up gradation, <i>across the sector</i> .
C2. Improved competitiveness of sector/cluster based firms	Potential 'anchor firms' identified, recruited as clients, and receiving assistance from the Matching Grant Program (MGP). Dialogue initiated between anchor firms and foreign buyers.	Client firms increase sales and market share in export and export oriented markets, <i>i.e.</i> , become more competitive.
C3. Improved competitiveness of <i>high potential</i> client firms regardless of sector	High potential firms identified, recruited, and receiving assistance from the BD program	Improved core business practices (marketing, production, financial and asset management) leads to increased sales, profitability, employment and investment) - the performance indicators.
C4. Response to emerging opportunities to structure and facilitate public or private/public transactions	As negotiated and agreed upon among the parties and consistent with project BD focus on improving competitiveness of firms, sectors/clusters, and country.	Value of transactions structured or brokered.

Cross-cutting activities such as national dialogue and project management constitute the fourth component of the project, as detailed below:

D. CROSS-CUTTING ACTIVITIES: NATIONAL DIALOGUE AND PROJECT MANAGEMENT

Objectives	Projected annual results	LOP Results
D1. Improved public transparency, corporate governance and national dialogue	Not-for-profit organization, the "Mongolian Business Trust" (MBT) registered, operating as a party to BD transactions, providing value-added services to foreign investors and local businesses through the dissemination of information for businesses and con	A private-sector led, at least partially self-sustaining not-for-profit organization articulates business interests, develops positions on issues, promotes exports and foreign investment in the country, and provides value-added services to its members.
	Continued support for the <i>Open Government</i> Web site operated through the MBT. <i>The Mongolian Business Trust Quarterly Review</i> is available through a Web site and distributed electronically to subscribers, in English and Mongolian.	Increased national dialogue on economic policy issues and government transparency. Business community, partners and general public are more informed on economic issues, policy options and the functioning of open market economies.
	Public speaking engagements and audience-targeted informal presentation and discussion opportunities by visiting experts, short-term consultants, and project staff are utilized.	World-class technical expertise shared with the general public, partners, and business community.
D2. Coordination and cooperation with partners, foreign investors, bilateral, and multilateral organizations	Regular meetings and discussions lead to identified opportunities to structure collaboration in mutually beneficial ventures.	Increased value-added of project technical assistance delivered through proper project positioning, collaboration, and leveraging of resources.
D3. Monthly EPRC Review	Coverage of project activities of general interest, issued monthly and distributed electronically in English and Mongolian.	Partners are well informed on project activities.
D4. Contract management	Quarterly Progress and Financial reports (QPRs), Annual Work Plans (AWPs), project inventory, training reports, and other contract reports submitted to USAID/Mongolia as required.	Project contractual requirements are met.

C. Work plan implementation

Substantive work was accomplished in all four project components during the quarter under review. Exhibits II-1 through II-4 present AWP-04 implementation details for each.

C1. Economic, trade, and financial policy support

Major activities of this component during the quarter included those described in Section I:

- Completion of an assessment of Mongolia's Free Trade Zones Program and site evaluations of Zamyn-Uud and Altanbulag sites, responding to a request from MOIT as described in Section I
- Completion of an assessment of Mongolia's mining sector competitiveness and framework for use of stability agreements, in response to a request from MoFE and as summarized in the preceding section
- Support to the GoM in the development of a prioritized development strategy—*Mongolia: Vision 2020*

Additional activities not highlighted in Section I, include the following:

- Completion of data compilation of Generalized System of Preferences (GSP) granted in the U.S.A., Japan, and the European Union as target export markets for potential Mongolian products in preparation for the elaboration of a user-friendly CD and Web-accessible database with search capabilities expected for the next quarter, as per AWP-04 schedule

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- Assistance provided to the MOIT on tariff reduction application for Mongolian products submitted to the European Commission on 25 March 2004
- Submission of TIFA comments to US Embassy and on going assistance to MOIT on the preparation of petitions to USTR to expand product coverage under the US GSP 2004; submission of petition to USTR is expected in May 2004.

Exhibit II-1, at the end of this section, provides details on overall status of AWP-04 implementation in the Economic, trade, and financial policy support area.

C2. Energy sector reform support

Highlights of energy sector work during the quarter included:

- Negotiation and signature of a Memorandum of Understanding (MOU) with the Energy Regulatory Authority (ERA) for USAID to provide technical assistance and training through September 2006, as described in Section I
- Assistance to the Ministry of Infrastructure (MOI) with the drafting of an Energy Conservation Law; the Ministry decided to shelve the draft for further work
- Initiated work with Parliament, MOI and the Energy Regulatory Authority (ERA) to produce a rewritten Energy Law for consideration by Parliament during the 2004 Spring Legislative Session. Objectives are: Increased political independence for the ERA and making the Mongolian energy sector more investor friendly. Work on the law will continue through May 15, 2004
- Development of a cost-based accounting system for energy sector companies to apply for tariffs. This involved the development of IAS-based charts of accounts for the various groups of sector companies. The work is ongoing with the provision of workshops for sector companies to implement the new system
- Participation of a group of energy sector government officials, regulators, the privatization agency and a number of major entities as well as USAID staff and the EPRC energy advisor in a World Bank sponsored workshop – “Towards a Sustainable Energy Sector” in Mongolia, which included session on coordination of efforts between The World Bank, IFC, USAID, USEA and EBRD
- Initiation of regular energy sector donor round table meetings in Mongolia by EPRC
- Review of ERA's proposal for life-line tariffs
- Continued review and comments on Energy Efficiency draft law; recommendations for policy change and changes to the draft made several times during the quarter; draft law has been tabled for the time being.

By the end of the quarter, Energy Sector Reform activities were proceeding on schedule while responding flexibly to emerging policy issues that needed to be addressed. Exhibit II-2, at the end of this section, provides details on AWP-04 implementation status for this component.

C3. Business and sector/cluster development

Key activities of the Business and sector/cluster development during the quarter included:

- Completion of action plans for the tourism and natural fiber sectors; action plans for the meat and leather sectors are scheduled for completion next quarter

- Elaboration of objectives, criteria, and operating procedures for the Matching Grant Program (MGP) to be submitted to USAID for concurrence and to be operated under a proposed new name, 'The Competitiveness Fund' beginning in the next quarter
- Reorientation of the Fibermark Society towards a more market-driven approach and development of links with other institutions
- Provision of promotional support to MTA members and facilitation of the introduction of a membership-based third-party insurance scheme
- Demand-driven provision of business development assistance to individual firms in the tourism, cashmere and leather sectors; a mechanism to provide firm-level business development services (BDS) by third-party providers under a client co-payment scheme is currently under consideration
- Development of a business plan for the proposed Tourist Information Center (TIC) with the assistance of an international tourism expert to induce collaboration of key partners toward the formation of a TIC; a new MOU has also been drafted, with signing projected for the next quarter
- Provision of organizational support and advice to the new Mongolian-owned 'eco' leather group, culminating in the formation of a legal entity with eleven founder members ('ecoAris').

By the end of the quarter, BDS activities were proceeding as planned although progress was slow in the tourism sector. Although key actors agree with the need for a Tourist Information Center, collaboration is difficult as none wants to relinquish main control of a potential new entity.

Exhibit II-3, at the end of this section, presents details of the AWP-04 implementation of the BDS component.

C4. Cross-cutting activities: national dialogue and project management

Exhibit II-4, at the end of this section, provides details of AWP-04 implementation status in this area. Highlights of the quarter included:

- Move of the *Open Government Website* offices to project facilities, preparation of new scope of work and negotiations with The Asia Foundation to provide support for improved transparency and usefulness of the site
- Support to the GoM in preparation for potential eligibility under the Millennium Challenge Account Program
- Public presentations held at the USAID Resource Center on best practices and lessons learned from other countries on *Free Trade Zones: Perspectives and issues* and on *Issues in mining sector development: Towards Mongolian mining sector competitiveness*
- Monthly issues of the EPRC Newsletter produced and distributed in English and Mongolian
- Assistance in the elaboration of USAID/Mongolia's PMP indicators for SO1 project relevant results through a series of discussions and iterations; final review of these is scheduled for the next quarter
- Donor coordination activities such as the first Energy Donor Round Table sponsored by EPRC held on 27 February 2004 at the USAID Resource Center, numerous meetings with bilateral donors and multilateral agencies held in March concerning the preparation of

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draft prioritized development strategy, and meetings held with GTZ on to discuss collaboration on trade issues and information about the Millennium Challenge Account.

D. Emerging issues and key actions for the next quarter

Based on project implementation during the quarter, a number of issues worthy of attention have emerged. A summary of these is provided below, as well as key actions scheduled for the next quarter.

D1. Emerging issues

Improvement of the 'institutional infrastructure' to support policy making. Based on the implementation experience so far concerning the drafting of amendments and laws in the energy sector, the issuing of the Zamyn-Uud Free Trade Zone tender, and the framework for negotiations of stability agreements in the mining sector, the project comes to the conclusion that GoM ministries and agencies need better access to technical stress-testing of proposed policies. A proper institutional infrastructure framework and process is not in place to examine alternative policies and their impacts, which may pose threats to the fiduciary responsibility of safeguarding interests of the state and to less than transparent decisions.

As ministries may or may not have the appropriate technical resources to give due consideration to alternative policies and their impact, the probability of making poor decisions increases. Ministries and agencies need to have access to specialized technical resources to support major policy decisions to increase the probability of making the right decisions. The current institutional infrastructure—processes and scopes of responsibilities—tend work against this.

Several models exist to provide such support. They range from the creation of technical units within each ministry or agency to the creation of a technical unit attached to a Presidential Ministry, a Prime Minister's Office or the Cabinet.

To address this issue, the project will initiate the preparation of a proposal for discussion with GoM counterparts to address shortcomings in the policy-making infrastructure. Current thinking is to have a technical support unit that is small—no more than three to five highly skilled professionals—who act as managers of a “technical support fund” (TSP) through which specialized national and international services can be procured on a fixed-price contract basis to provide technical support for key policy issues. The fund would have standard operating procedures (SOPs) capable of providing fast response and transparency. There would also be a protocol to determine which types of ministerial or agencies' decisions must go through this process versus those that are simply eligible to use the facility. Initial funding of the TSP would be syndicated to bilaterals and multilaterals willing to participate.

Further definition and agreement on technical approach to competitiveness. The insightful USAID design of EPRC to put support for macroeconomic, microeconomic and business-level concerns under a single umbrella needs to be properly operationalized for the latter two areas or concerns. Although EPRC as a whole can be conceptualized as a competitiveness project, shared understandings and agreements need to be reached between USAID and EPRC on indicators and results expected at the microeconomic environment and firm level.

To accomplish this, EPRC suggests a joint half-day workshop with USAID to be held during the next quarter to reach agreement on indicators and results expected at the microeconomic environment level—business environment—and at the firm level.

D2. Key actions for the next quarter

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

Economic, trade, and financial policy support:

- Continuation of assistance to the GoM on revisions to the development of a prioritized economic development strategy—*Mongolia, Vision 2020*—by conducting meetings with GoM officials and stakeholders and preparation of final version for public release
- Release of user-friendly CD and Web-accessible database with search capabilities on Generalized System of Preferences (GSP) granted in the U.S.A., Japan, and the European Union for potential Mongolian products
- Elaboration and wide electronic distribution of succinct, one-page, EPRC policy briefs, in English and Mongolian, on issues examined by the project
- Work on selected issues identified as “high-priority” by the development strategy: Mongolia’s competitiveness (overall, fiscal issues, and monetary/prices)
- Submission of petition to USTR for change in terms of Mongolia's US GSP entitlement
- Commence study on advantages for Mongolia of a Free Trade Agreement with the US in time for first meeting of Joint Council set up under TIFA Agreement
- Implementation of scheduled AWP-04 tasks.

Energy sector reform support:

- Continue support for implementation of a cost-based tariff methodology for energy sector companies based on uniform, IAS-based charts of accounts; this will be followed up with assistance to classify assets, set useful lives for assets and the creation of uniform depreciation methodologies
- Continue development of a revised energy law to improve ERA independence, regulatory process transparency and decrease investor country risk
- Continue review of other laws and regulations to improve their investor friendliness
- Attempt to develop more promising privatization models besides 100% asset sales now pursued by the State Property Committee in the energy sector
- Implementation of scheduled AWP-04 tasks.

Business development services:

- Projected signing of a Memorandum of Understanding (MOU) among key partners to implement the proposed Tourist Information Center
- USAID concurrence with proposed objectives, criteria, and operating procedures for the Matching Grant Program (MGP) and start of operations under a proposed new name, 'The Competitiveness Fund'
- Definition and agreement on technical approach to competitiveness reached through a joint half-day workshop with USAID to settle on indicators and results expected at the microeconomic environment level—business environment—and at the firm level
- Implementation of scheduled AWP-04 tasks.

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Cross-cutting issues; National dialogue and project management:

- Initiation of discussions to revamp the *Open Government* Website to improve its usefulness and transparency
- Should Mongolia be declared an eligible country for MCA program participation, provide support as needed for a national dialogue on development strategy priorities reflected in a project portfolio potentially eligible for an MCC compact
- Installation of server to implement EPRC's LAN host the domain registered for the project, eprc-chemonics.biz
- Finalization of subcontract with The Asia Foundation (TAF) and submission of proposed budget amendment with revised CLINs to include Energy sector support as a separate CLIN and obtain final concurrence on EPRC's work plan
- Transfer of surplus equipment under contractor's custody, with consent from the GoM and USAID
- Continued production and monthly electronic distribution of EPRC Newsletter in English and Mongolian
- Project will propose short-term technical assistance for the design and initial subject matter contents for first issue of *The Mongolian Business Trust Quarterly Review* to be distributed electronically and available to subscribers, in English and Mongolian.

Exhibit II-1: Economic, trade, and financial policy support work plan implementation (Jan-Mar-04)

A. ECONOMIC, TRADE, AND FINANCIAL POLICY SUPPORT

AWP-2004 ACTIVITIES	PROJECTED ANNUAL RESULTS	END OF QUARTER STATUS
<p>A1. Development, maintenance, and implementation of sound macroeconomic policies to promote sustainable and equitable economic growth</p>	<p>Mongolia's corporate and VAT tax policies and administration assessed and compared against best practices, policy options and action plan formulated and presented to GOM. VAT burden alleviated for SMEs.</p>	<p>Initial work began on assessment of tax system in Mongolia.</p>
<p>A1.1 Comparative assessment and benchmarking of corporate and VAT tax policies and administration, formulation of options and action plan</p>	<p>Mongolia's income taxation, social contributions, pension policies and administration assessed and compared against best practices, policy options and action plan formulated and presented to GOM.</p>	
<p>A1.2 Comparative assessment and benchmarking of income taxation, social contributions, pension policies and administration, formulation of options and action plan</p>	<p>Mongolia's central budget expenditures assessed and compared against best practices, priority setting tools, policy options and action plan formulated and presented to GOM.</p>	
<p>A1.3 Comparative assessment and benchmarking of central budget expenditures, formulation of options and action plan</p>	<p>Fiscal and macroeconomic impact analysis of foreign debt service projections and policy options developed and presented. Analysis and improvements in the monetary and exchange rate regime, calculation of a real effective exchange rate, formulation of a policy that balances need for low inflation with need for competitive export pricing.</p>	
<p>A1.4 Foreign debt service assessment, projections and policy options</p>		
<p>A1.5 Real exchange rate management</p>		
<p>A2. Development, maintenance, and implementation of trade and investment policies supportive of a competitive participation of Mongolia in the world economy</p>	<p>Generic tariff and non-tariff barriers to Mongolia's trade expansion in Russian and Chinese markets assessed for bilateral and multilateral negotiations.</p>	
<p>A2.1 Assessment of tariff and non-tariff barriers to trade in Russia and China.</p>		

Exhibit II-1: Economic, trade, and financial policy support work plan implementation (Jan-Mar-04)

A. ECONOMIC, TRADE, AND FINANCIAL POLICY SUPPORT

AWP-2004 ACTIVITIES	PROJECTED ANNUAL RESULTS	END OF QUARTER STATUS
A2.2 Utilization of Generalized System of Preferences (GSP) for Mongolian products	Improved information access available for entrepreneurs on foreign target markets' entry requirements and GSP applicable to Mongolian products.	Completed data compilation of Generalized System of Preferences (GSP) granted in the U.S.A., Japan, and the European Union as target export markets for potential Mongolian products. Release of user-friendly CD and Web-accessible database with search capabilities expected for the next quarter.
A2.3 ATC and MFA impact analysis, scenarios, and policy and industry options	Impact scenarios of the Agreement on Textiles and Clothing (ATC) and Multi Fiber Agreement (MFA) on Mongolian textiles quota-free access to U.S. markets and formulation of policy and industry options.	
A2.4 Assessment of advantages and disadvantages of potential FTAs with Russia and China	Formulation of trade policy options re potential FTAs with neighboring countries.	
A2.5 Trade policy and trade negotiations		
A2.5.1 Reduction of tariff and non-tariff barriers for Mongolian products with a BD-identified niche demand in specific target markets	Negotiations leading to reduction of tariff and non-tariff barriers to entry for specific Mongolian products.	Advice submitted to MOIT on tariff reduction application to be made to European Commission. MOIT made application on 25th March 2004. Negotiations have commenced.
A2.5.2 Trade management capacity	Improved trade management capacity	
A2.5.3 Feasibility analysis of Free Economic Zones (FEZ) in Mongolia	Feasibility analysis of FEZ prepared, options developed and presented to MOIT	Completed assessment of Mongolia's Free Trade Zones Program and site evaluations of proposed Zamyn-Uud and Altanbulag FTZ sites.
A2.5.4 Assistance on FTAs (U.S. and other) and RTAs		TIFA comments submitted to US Embassy. On going preparation of petitions to USTR to expand product coverage under the US GSP 2004 with MOIT to be submitted in May 2004.
A3. Reduction of transaction costs for businesses		

Exhibit II-1: Economic, trade, and financial policy support work plan implementation (Jan-Mar-04)

A. ECONOMIC, TRADE, AND FINANCIAL POLICY SUPPORT

AWP-2004 ACTIVITIES	PROJECTED ANNUAL RESULTS	END OF QUARTER STATUS
A3.1 Review of nominal and real interest rates, Bank of Mongolia policies, banking spreads, and formulation of policy options	Assessment of Bank of Mongolia requirements, banking spreads, and formulation of policy instruments and plan of action to reduce commercial interest rates to the lowest level consistent with the needs of a strong financial sector development and a stable and predictable macroeconomic environment.	
A3.2 Transit of goods through Russia and China	Field investigation of Russian and Chinese practices applied to the transit of selected Mongolian products and elaboration of GATT-supported procedures for negotiation at bilateral meetings.	
A4. Deepening and strengthening of the financial sector		
A4.1 Insurance sector regulatory environment	Implementation of insurance regulatory framework and strengthened sector supervision.	
A5. Response to emerging policy initiatives	As negotiated and agreed upon and consistent with project policy support focus on laws, regulations, systems, and procedures directly affecting the business environment.	
A5.1 Countries' best practices, development of economic & financial models to inform the negotiation of stability agreements in the mining sector	GOM informed about best practices and lessons learned on terms and administration of stability agreements and equipped with economic and financial models to assess impact of stabilization agreements.	Assessment of Mongolia's mining sector competitiveness and framework for use of stability agreements completed at the request of MoFE.
A5.2 Review and updating of Jan-03 draft <i>Economic Development Strategy for Mongolia through 2015</i>	Medium term economic development strategy prepared (2005-2015), discussed with and supported by agreements with political parties, private sector, and civil society.	Continuing work began in the last quarter at the request of the Prime Minister's Office, project prepared a prioritized development strategy tentatively entitled <i>Mongolia: Vision 2020</i> . Two drafts have been submitted and discussed; a third draft is scheduled for release early in the next quarter.

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Updated: 23-Apr-04

Exhibit II-2: Energy work plan implementation (Jan-Mar-04)

B. ENERGY SECTOR REFORM SUPPORT

AWP-2004 ACTIVITIES	PROJECTED ANNUAL RESULTS	END OF QUARTER STATUS
B1. Development and implementation of regulatory environment		
B1.1 Regulations and implementation of cost-based standards for sector companies	ERA staff issues a manual to sector companies to calculate their cost for rate-making purposes. Tariff methodology is understood by stakeholders.	Initiated preparation of workshop materials for sector company implementation of new cost-based tariff system.
B1.1.1 Cost-based tariff calculation by sector companies		Prepared and issued a manual for sector company use in implementation of two-part tariff system.
B1.1.2 Assist ERA with implementation of an IAS-based Regulatory Accounting System	Sector companies use uniform accounting rules for regulatory cost reporting.	Initiated preparation of IAS-based charts of accounts for sector company use.
B1.2 Strengthening of ERA supervisory capacity		
B1.2.1 Development and support for ERA system for supervision of and implementation of a reporting system by sector companies.	Strategic plan for regulatory implementation in place and being implemented.	
B1.2.2 Development and support for ERA's public information strategy	A set of working procedures for customer service in place.	Review of former project public information material.
B1.2.3 Develop Public Hearing Process to hear sector company and Consumer complaints	Procedures for public hearings in place and being implemented.	
B1.2.4 Assist ERA with review of temporary sector company operating licenses and develop long term licenses	A set of operating licenses for sector companies	Review of several temporary licenses.
B2. Development and Implementation of commercial orientation and practices in private sector companies		
B2.1 Billing and collection systems for distribution companies	Improved billing and collection methods.	
	Assessment memorandum on laws, rules and regulations on country due diligence check list commonly used by foreign investors and recommendations for implementation.	
B3. Attractive environment for private investment in the sector		

Exhibit II-2: Energy work plan implementation (Jan-Mar-04)

B. ENERGY SECTOR REFORM SUPPORT

AWP-2004 ACTIVITIES	PROJECTED ANNUAL RESULTS	END OF QUARTER STATUS
<p>B4. Response to emerging policy initiatives</p> <p>B4.1 Assistance to GoM in drafting energy sector legislation and amendments</p> <p>B4.2 On-demand assistance to ERA</p>	<p>As negotiated and agreed upon and consistent with EPRC's sector focus on the regulatory environment, commercialization and attraction of private investment and management</p>	<p>Continued review and comments on Energy Efficiency draft law; recommendations for policy change and changes to the draft made several times during the quarter. Continued comments on draft Energy Law amendments submitted during the quarter.</p> <p>Review of ERA's proposal for life-line tariffs.</p>

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Upd Updated: 23-Apr-04

Exhibit II-3: Business development services work plan implementation (Jan-Mar-04)

C. BUSINESS AND SECTOR / CLUSTER DEVELOPMENT

AWP-2004 ACTIVITIES	PROJECTED ANNUAL RESULTS	END OF QUARTER STATUS
C1. Improved competitiveness of identified sectors/clusters		
C1.1 Rapid assessment of key sectors/clusters	Concise sector/cluster reports summarizing current status, constraints, supply and distribution chains, potential anchor firms, and export potential to serve as basis of sector/cluster action plans.	
C1.2 Development of sector/cluster action plans	Sector/cluster action plans developed and agreed upon with representative associations and potential anchor firms.	Action plans were completed for the tourism and natural fiber sectors. The meat and leather sector action plans will be undertaken in the next quarter
C1.3 Design of Matching Grants Program (MGP) for sector/cluster associations	Objectives, eligibility criteria, and operating procedures of Matching Grants Program (MGP) for sector/cluster associations defined and agreed upon; MGP begins operations.	The objectives, criteria, and operating procedures have been defined for the Matching Grant Program, now re-named as 'The Competitiveness Fund'. Upon approval from USAID, the fund will begin operations in May 2004.
C1.4 Identification of niches for Mongolian products in target export markets (Joint activity with Trade Specialist, MOIT, and FIFTA)	User-friendly CD and Web site accessible database on potential target export market niches for Mongolian products and competitors' market share.	
C1.5 Sector/cluster-based workshops on potential target export market niches for Mongolian products	A wide representation of sectors/clusters, firms and GOM agencies are made aware of potential target export market niches for Mongolian products.	
C1.6 Support to sector/cluster associations	Improved range and quality of services delivered to members.	The project has re-oriented the Fibermark Society toward a more market-driven approach and developed links with other institutions. Provided promotional support to MTA members and facilitated the introduction of a membership-based third-party insurance scheme.

Exhibit II-3: Business development services work plan implementation (Jan-Mar-04)

C. BUSINESS AND SECTOR / CLUSTER DEVELOPMENT

AWP-2004 ACTIVITIES	PROJECTED ANNUAL RESULTS	END OF QUARTER STATUS
C2. Improved competitiveness of sector/cluster based firms.	Sector/cluster firms receive specialized assistance, on a co-payment basis, to improve their core business systems (marketing, production, working & investment capital, management & administrative controls, as required) to increase their sales.	The project has been providing demand-driven advice to individual firms in the tourism, cashmere and leather sectors. A mechanism to provide firm-level business development services (BDS) by third-party providers under a client co-payment scheme is currently under consideration.
C2.1 Design of co-payment scheme for business development services to client firms (Business Development Fund)	Sector/cluster firms made aware of BDF procedures and eligibility criteria; client firms recruited	
C2.2 Marketing of the Business Development Fund (BDF) and recruitment of client firms	Directory of local business development services consultants and providers made available to firms	
C2.3 Assessment of local Business Development Service (BDS) providers	Firms implement improvements in core business practices leading to increased competitiveness.	
C2.4 Provision of business development services on a client co-payment basis to sector/cluster firms through the Business Development Fund (BDF)	BDS providers develop additional expertise and improve range and quality of services to clients	
C2.5 Contracting procedures workshops for business development services providers		
C3 Improved competitiveness of high potential firms	High potential firms improve core business systems in response to specific transactions: sales, capital restructurings, new products, channels of distribution, etc.	
C3.1 Marketing of the Business Development Fund (BDF) and recruitment of client firms	High potential firms made aware of BDF procedures and eligibility criteria; client firms recruited	
C2.4 Provision of business development services on a client co-payment basis to high potential firms through the Business Development Fund (BDF)		
C4 Formulation of action plans to address identified common constraints to business performance: policies, procedures, regulations, instruments, facilities, etc.	Constraints in the business environment identified through transaction-based approach and action plans formulated and agreed upon on an as-needed basis with relevant parties to address them.	

Exhibit II-3: Business development services work plan implementation (Jan-Mar-04)

C. BUSINESS AND SECTOR / CLUSTER DEVELOPMENT

AWP-2004 ACTIVITIES	PROJECTED ANNUAL RESULTS	END OF QUARTER STATUS
<p>C5 Response to emerging opportunities to structure and facilitate public or private/public transactions.</p>	<p>As negotiated and agreed upon and consistent with BDS focus on improving competitiveness of firms and improving the business environment.</p>	<p>The project continued to drive the key partners toward the formation of a Tourist Information Center. An international tourism expert developed a business plan for the TIC and discussed it with potential partner organizations. A new MOU was drafted, with signing projected for the next quarter.</p>
<p>C5.1 Tourist Information Center</p>		<p>The project provided organizational support and advice to the new Mongolian-owned 'eco' leather group, culminating in the formation of a legal entity with eleven founder members ('ecoAris').</p>
<p>C5.2 Wholly-owned Mongolian companies' leather association</p>		

File: QPR Jan-Mar-04.xls

Updated: 23-Apr-04

Exhibit II-4: Cross-cutting issues: National dialogue and project management work plan implementation (Jan-Mar-04)

D. CROSS-CUTTING ISSUES; NATIONAL DIALOGUE AND PROJECT MANAGEMENT

AWP-2002 ACTIVITIES	PROJECTED ANNUAL RESULTS	END OF QUARTER STATUS
D1. Improved public transparency, corporate governance and national dialogue		
D1.1 Mongolia Business Trust	Not-for-profit organization, the "Mongolian Business Trust" (MBT) registered, operating as a party to BD transactions, providing value-added services to foreign investors and local businesses through the dissemination of information for businesses and contributions to a national dialogue.	No activity until proposal is submitted to USAID and agreement is reached concerning provision of BDS services to client firms by third-party providers using a client co-payment scheme.
D1.2 Open Government Web site	Continued support for the <i>Open Government</i> Web site operated through the MBT.	<i>Open Government</i> Website offices moved to project facilities; scope of work prepared for and negotiations underway with The Asia Foundation to improve transparency and usefulness of the site.
D1.3 The Mongolian Business Trust Quarterly	<i>The Mongolian Business Trust Quarterly Review</i> is available through a Web site and distributed electronically to subscribers, in English and Mongolian.	Delayed. Constrained by availability of qualified local staff for hire and delay in delivery of project server CPU, ordered two months ago.
D1.4 Speakers Program	Public speaking engagements and audience-targeted informal presentation and discussion opportunities by visiting experts, short-term consultants, and project staff are utilized.	Public presentations held at the USAID Resource Center on <i>Free Trade Zones: Perspectives and issues</i> (11-Feb-04) and on <i>Issues in mining sector development: Towards Mongolian mining sector competitiveness</i> (5-Mar-04).
D1.5 Assistance to the GoM with the Millennium Challenge Account		At the request of the Prime Minister's Office, project provided support on MCA indicators, eligibility requirements, and likely project selection criteria to the MCA Inter-Ministerial Working Group created by Cabinet resolution.

Exhibit II-4: Cross-cutting issues: National dialogue and project management work plan implementation (Jan-Mar-04)

D. CROSS-CUTTING ISSUES; NATIONAL DIALOGUE AND PROJECT MANAGEMENT

AWP-2002 ACTIVITIES	PROJECTED ANNUAL RESULTS	END OF QUARTER STATUS
<p>D2. Coordination and cooperation with partners, foreign investors, bilateral, and multilateral organizations</p>	<p>Regular meetings and discussions lead to identified opportunities to structure collaboration in mutually beneficial ventures.</p>	<p>First <i>Energy Donor Round Table</i> sponsored by EPRC held on 27 February 2004 at the USAID Resource Center. Numerous meetings with bilateral donors and multilateral agencies held in March concerning the preparation of draft prioritized development strategy. Meeting held with GTZ on 19 March to discuss the Millennium Challenge Account and likely requirements for MCA-eligible projects.</p>
<p>D3. Monthly EPRC Review</p>	<p>Coverage of project activities of general interest, issued monthly and distributed electronically in English and Mongolian.</p>	<p>Three issues of the EPRC Monthly Newsletter produced and distributed in English and Mongolian.</p>
<p>D4. Internship program</p>	<p>Participants acquire first-hand experience in best practices by working side by side with experts on specific projects focused on improving the competitiveness of the Mongolian economy.</p>	<p>Program scheduled to start late in the third quarter, after elections.</p>
<p>D5. Contract management</p> <p>D.5.1 Quarterly Progress Reports</p> <p>D.5.2 Annual Work Plans</p> <p>D.5.3 Training database</p> <p>D.5.4 Other reports on demand</p>	<p>Project contractual requirements are met.</p>	<p>Submitted Quarterly Progress Report for the September-December 2003 period.</p> <p>Draft work plan, first year budget, and LOP results framework submitted per contractual requirement F.2 (a). Work plan pending final approval until negotiations with subcontractors are concluded. Submission of revised LOP budget with new Energy CLIN and final value of negotiated subcontracts scheduled for submission during the first part of the next quarter.</p> <p>Mission's PMP indicators for SO1 project-relevant results submitted and several discussions held during the quarter. Final review of these is scheduled for the next quarter.</p>

File: QPR Jan-Mar-04.xls

Updated: 23-Apr-04

SECTION III: PROJECT MANAGEMENT AND ADMINISTRATION

A. Introduction

This section summarizes significant project management and administration activities, problems encountered and actions taken to solve them, and main activities scheduled for completion during the next quarter. Annex B contains a list of long-term local project staff and short-term expatriate technical assignments. Annex C has a budget status report as of the end of the same period.

B. Significant project management and administration activities

Project management continued to focus on finishing procurement of contract-approved commodities and recruitment of qualified local long-term personnel. By the end of the quarter, the project had finished procurement of all major commodities, including two vehicles, computer hardware, operating systems software, and applications.

The project still awaits delivery of a computer server to set up an internal local area network (LAN) and an office-duty network laser printing. Delivery of both was five weeks behind schedule by the end of the quarter. Wide band Internet connectivity provides access to the Chemonics International servers and other e-mail services in the interim and a separate CPU provides shared mass storage to project staff.

Other than these delays in the delivery of computer equipment, no unusual or major problems were encountered during the quarter.

C. Personnel

All key contract personnel were settled and work plan implementation proceeded smoothly. Competent local staff has been hired at competitive rates for most positions, with the exception of a macroeconomist and translators/interpreters. Candidates for the latter positions have been identified after intensive search and offers of employment will be made to them during the next quarter. A young economist has been identified as a suitable candidate for the macroeconomist position and will be joining the project during the next quarter.

C1. Long-term local personnel

By the end of the quarter the project had eight local long-term professionals and seven support staff. One local support staff position was cancelled during the quarter and one professional staff was expected to be released from her contract in April. Exhibit B-1 in Annex B provides a summary status of local staff as of the end of the reporting period.

C2. Deployment of short-term expatriate technical assistance

Deployment of short-term assignments also went on smoothly and as planned. Five short-term expatriate technical assignments were conducted during the quarter to assist the project in the following tasks:

Economic Policy Reform and Competitiveness Project

- Assessment of Mongolia's Free Trade Zones Program and site evaluations of proposed Zamyn-Uud and Altanbulag FTZ sites
- Assessment of Mongolia's mining sector competitiveness and framework for use of stability agreements
- Preparation of prioritized national development strategy for Mongolia through Year 2020
- Elaboration of a business plan for the proposed Tourist Information Center
- Development of and training on IAS-compliant charts of accounts for energy sector generating and distribution companies.

Exhibit B-2 in Annex B provides a list of names of expatriate short-term experts and indicates purpose of the assignment, dates of arrival and departure.

D. Status of subcontracts

PA Consulting is no longer a subcontractor for the EPRC activity as Chemonics was not provided access to their financials to justify their rates in spite of repeated requests and written offer of a confidentiality agreement. Chemonics will use its extensive network of consultants to identify, hire, and field the requisite short-term expertise that was to be provided under the PA Consulting subcontract. The withdrawal of PA Consulting from the original subcontractors team proposed by Chemonics in its offer will not materially affect performance of the contract.

Negotiations with The Asia Foundation continued during the quarter to redefine their scope of work to focus it on the public dialogue activity and support of the Open Government Website. It is expected that negotiations will be finalized during the next quarter, clearing the way for a final LOP budget submission to USAID.

E. Budget status report

Annex C shows presents the project budget status showing all amounts invoiced during the quarter, cumulative totals, and funds remaining by budget CLIN. The numbers are rounded to the nearest dollar.

F. Problems encountered and remedial actions

There were no significant problems materially affecting contract performance during the quarter. Problems encountered were expected and solved.

Unexpected delay in the delivery of a computer server did not materially affect contract performance and project management set up an alternatively shared mass storage device for use by project staff. Suitable candidates for translators/interpreters, a macroeconomist, and a financial analyst have been identified and are expected to join the project during the next quarter. This will round up the staffing of remaining local positions.

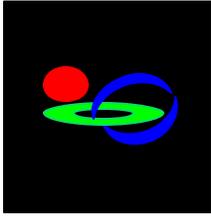
G. Project and contract management actions expected for the next quarter

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

1. Complete hiring process for outstanding positions of macroeconomist, translators, and financial analyst
2. Installation of server to implement project Intranet and host the domain registered for the project, eprc-chemonics.biz
3. Finalization of subcontract with The Asia Foundation (TAF) and submission of proposed budget amendment with revised CLINs to include Energy sector support as a separate CLIN; realigned LOP draft budget has been prepared but is on hold until a subcontract with TAF is concluded
4. Negotiation with SOS Medica Mongolia to provide prepaid medical services to expatriate and local project staff and request for Mission approval of these personnel benefits
5. Transfer of surplus equipment under contractor's custody, with consent from the GoM and USAID.

ANNEXES

ANNEX A: SUMMARY PROJECT DESCRIPTION



Economic Policy Reform and Competitiveness Project

Activity duration:

17 September 2003 to
16 September 2008

USAID Contract No.:

438-C-00-03-00021-00



Implemented by:



Chemonics International Inc.

In association with:

The Services Group Inc.
Dexis Consulting Group
The Asia Foundation
Crimson Capital
Making Cents

Key personnel:

Fernando Bertoli, *Chief of Party*
Christopher Broxholme, *Deputy Chief of Party*
Janusz Szyrmer, *Senior Policy Advisor*
Bruce Harris, *Senior Competitiveness Advisor*
Horst Meinecke, *Senior Energy Advisor*

Purpose of the activity

Accelerate and broaden sustainable, private-sector-led economic growth through an improved enabling environment for private sector growth and more competitive industries and sectors.

Project goals

1. Accelerate and deepen the policy reform process in Mongolia
2. Promote increased competitiveness in the Mongolian economy.

Project vision

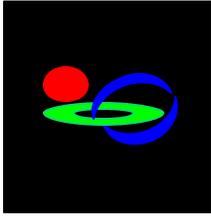
Support a competitive participation of Mongolia in the world economy.

Project strategy

- Continuation of the development, maintenance, and implementation of sound, market-oriented macroeconomic, trade and investment, sectoral, and microeconomic policies that promote sustainable and equitable economic growth
- An enabling business environment and regulatory framework that fosters competition and attracts foreign investment and best business practices
- The development of private sector businesses and clusters focused on supplying the demand of target export and domestic market niches capable of turning and maintaining comparative advantages into competitive edges
- Continued national dialogue on building a national consensus to "put Mongolia on the world map" supported by government transparency and good governance business practices

Project tasks

- **Policy analysis, formulation and implementation support.**
This task category includes: (a) policy assessment and analysis; (b) formulation of policy options for improving the competitiveness of the Mongolian economy; (c) assistance in consensus building; and (d) technical and managerial implementation support.
- **Consensus building, public education and national dialogue.**
EPRC supports an improved environment for government transparency and corporate governance by working with national decision-makers, the business community, local government and community leaders, academic institutions, and representatives of civil society using a consensus building strategy linked to policy reform and private sector led economic growth.
- **Cluster development and support.** EPRC works with individual firms and inter-related groups (clusters) in key industrial sectors to develop competitive, export-driven businesses. Priority sectors include cashmere, tourism, hides, skins, leather, meat, and textiles.
- **Energy sector support:** EPRC supports Mongolia's efforts to develop and implement a transparent, market-oriented regulatory environment to promote a competitive and efficient delivery of energy services to consumers; commercial practices in energy generation and distribution; and an environment attractive to foreign and domestic private investment.
- **Internship Program.** To improve the quality of economic, trade, and business decision-making, EPRC runs a small internship program where participants acquire first-hand experience in best practices by working side by side with experts on specific projects focused on improving the competitiveness of the Mongolian economy.



Эдийн засгийн бодлогын шинэтгэл, өрсөлдөх чадварын төсөл

Хэрэгжих хугацаа:

2003 оны 9 дүгээр сарын 17-ны өдрөөс
2008 оны 9 дүгээр сарын 16-ны өдрийг хүртэл

АНУ-ын ОУХА-тай хийсэн гэрээний №:

438-C-00-03-00021-00



Хэрэгжүүлэгч байгууллага:



Chemonics International Inc.

Хамтрагч нүүс, компанн:

Азийн Хөгжлийн Сан
Дэ Сервисис Групп Инк.
Дэксис Консалтинг Групп
Кримсон Капитал
Мэйкинг Сэнте

Төслийн зөвлөхүүд

Төслийн удирдагч Фернандо Бертоли
Төслийн дэд удирдагч Кристофер Броксхолм
Бодлогын ахлах зөвлөх Януш Ширмер
Өрсөлдөх чадварын ахлах зөвлөх Брус Харрис
Эрчим хүчний ахлах зөвлөх Хорст Мэйнеке

Үйл ажиллагааны зорилго:

Хувийн хэвшлийн өсөлтийг хангах таатай орчныг төлөвшүүлж, илүү өрсөлдөх ?адвартай салбар, үйлдвэрлэлийг бий болгох замаар зувийн хэвшлийн тэргүүлэх үүрэг бүхий эдийн засгийн тогтвортой өсөлтийг хурдасгах, өргөжүүлэхэд оршино.

Төслийн зорилт:

1. Монгол улсад хийгдэж буй бодлогын шинэтгэлийг хурдасган гүнзгийрүүлэх
2. Монгол улсын эдийн засгийн өрсөлдөх чадварыг дээшлүүлэх

Төслийн хэтийн зорилт:

Дэлхийн эдийн засагт Монгол улсын оролцох өрсөлдөх чадвар бүхий оролцоог дэмжих

Төслийн стратеги:

- Тогтвортой, эрх тэгш эдийн засгийн өсөлтийг хангахуйц зах зээлийн баримжаатай макро эдийн засгийн, худалдаа хөрөнгө оруулалтын, салбарын болон микро эдийн засгийн бодлогыг боловсруулах, хэрэгжүүлэх
- Өрсөлдөөнийг дэмжсэн, дотоодын болон гадаадын хөрөнгө оруулалтыг татах, бизнесийн шилдэг туршлагыг дэмжих бизнесийн орчин, зохицуулалт ? н механизм бий болгох
- "Зорилгот" экспорт мөн дотоод ? н "ни?е" зах зээлийн хэрэгцээг хангахад ?нглэгдсэн харьцангуй давуу талыг өрсөлдөх давуу тал болгох ?адвартай хувийн бизнесүүдийг дэмжих
- Засгийн газрын үйл ажиллагааны ил тод байдлыг хангах, сайн засаглал, бизнесийн тэргүүн туршлагад түшиглэн, "Монгол улсыг дэлхийн газрын зураг дээр тавих" асуудлаар үндэсний хэмжээнд зөвшилцөл бий болгох яриа хэлцлийг үргэлжлүүлэх

Төслийн үүрэг :

- **Бодлогын шинжилгээ, түүний боловсруулалт, хэрэгжилтийн үйл явцыг дэмжих:**
Энэхүү үйл ажиллагааны чиглэлд дараахь зүйл багтана. Үүнд: (а) бодлогын үнэлгээ, шинжилгээ; (б) Монголын эдийн засгийн өрсөлдөх чадварыг дээшлүүлэх үүднээс бодлогын хувилбаруудыг боловсруулах; (в) зөвшилцөлд хүрэхэд туслалцаа үзүүлэх; ба (г) бодлого хэрэгжилтийн шагаанд мэргэжлийн болон удирдлагын дэмжлэг үзүүлэх.
- **Зөвшилцөлд хүрэх, олон нийтийн боловсрол ба үндэсний хэмжээний яриа хэлцэл:**
EPRC төсөл нь бодлогын шинэтгэл, хувийн хэвшлийн тэргүүлэх үүрэг бүхий эдийн засгийн өсөлттэй уялдуулсан олон нийтийн боловсрол/зөвшилцөлд хүрэх стратегийг ашиглан үндэсний хэмжээний шийдвэр гаргагчид, бизнесмен, орон нутгийн засаг захиргаа, нийгмийн идэвхитэй бүлгүүд, боловсролын байгууллагууд болон иргэний нийгмийн төлөөлөгчидтэй хамтран ажиллах замаар төрийн байгууллагын үйл ажиллагааны ил тод байдал, компанийн удирдлага менежментийн таатай орчинг төлөвшүүлэхэд дэмжлэг үзүүлдэг.
- **Салбар/бүлгүүдийг хөгжүүлэх, дэмжих:** EPRC төсөл нь экспортын зах зах зээлд чиглэсэн, өрсөлдөх чадвартай бизнесүүдийг хөгжүүлэх үүднээс үйлдвэрлэлийн голлох салбаруудад аж ахуйн нэгж компани болон хоорондоо уялдаа холбоо бүхий салбар/бүлэгтэй хамтран ажилладаг. Чухал ач холбогдол бүхий салбаруудад ноолуур, аялал жуулчлал, арьс, шир, савхи, мах болон нэхмэлийн аж үйлдвэрүүд орж байна.
- **Эрчим хүчний салбарыг дэмжих:** EPRC төсөл нь Монголд хэрэглэгчдийг эрчим хүчээр үр ашигтай, өрсөлдөөнтэй хангах ил тод, зах зээлийн зарчимд нийцсэн зохицуулалтын орчинг хөгжүүлэх ба хэрэгжүүлэх; эрчим хүч үйлдвэрлэгч, түгээгч компаниудыг арилжааны хэлбэрээр үйл ажиллагаа явуулах дадлага туршлагатай болгох; гадаад, дотоодын хувийн хөрөнгө оруулалтыг татах орчинг буй болгоход дэмжлэг үзүүлдэг.
- **Сургалтын хөтөлбөр:** EPRC нь худалдаа, эдийн засаг, бизнесийн шийдвэр гаргах үйл явцын чанарыг өндөржүүлэх зорилгоор Монгол улсын эдийн засгийн өрсөлдөх чадварыг дээшлүүлэхэд чиглэсэн тодорхой төслүүд дээр мэргэжилтнүүдтэй тулж ажиллах, бодит дадлага туршлага эзэмшүүлэх жижиг хэмжээний сургалтын хөтөлбөрүүд зохион явуулж байна.

**ANNEX B: LONG-TERM LOCAL PERSONNEL AND EXPATRIATE SHORT-
TERM ASSIGNMENTS**

Economic Policy Reform and Competitiveness Project

Exhibit B-1: Local long-term project staff as of the end of Jan-Mar-04 quarter

Employee name	Position	Start date	End date
<i>Professional Staff</i>			
Altansukh Tumenjargal	IT specialist	10-Nov-03	
Amgalan Nordov	Energy specialist	10-Nov-03	
Nyamdulam Nyamjav	Accountant	26-Nov-03	
Jigjidmaa Dugeree	Business development advisor	8-Dec-03	
Byambasuren Chuluunbaatar	Economic analyst	15-Dec-03	15-Apr-04
Indraa Bold	Business development advisor	5-Jan-04	
Munkhtulga Khurelbaatar	Translator/Interpreter	18-Mar-04	
<i>Support Staff</i>			
Uurtsaikh Sanghi	Operations manager	10-Nov-03	
Khaliun Yura	Receptionist	26-Nov-03	
Urinzol Erdenebat	Executive assistant	8-Dec-03	10-Mar-04
Oyuntsetseg Minjin	IT assistant/Information officer	12-Dec-03	
Bulgan Narankhuu	Administrative assistant	23-Jan-04	
Odgerel Myagmar	Business development assistant	26-Jan-04	
Batmunkh Batsuren	Driver/Messenger	1-Feb-04	
Erdenebat Dangaasuren	Driver/Messenger	6-Feb-04	
Mandalmaa Dashdorj	Administrative assistant	22-Mar-04	

Exhibit B-2: Short-term expatriate technical assignments during the Jan-Mar-04 quarter

Name	Purpose of assignment	Date of arrival	Date of departure
Jose Ceron	Assessment of Mongolia's Free Trade Zones Program and site evaluations of proposed Zamyn-Uud and Altanbulag FTZ sites.	29-Jan-04	17-Feb-04
William Arnold	Assessment of Mongolia's mining sector competitiveness and framework for use of stability agreements.	28-Feb-04	7-Mar-04
David Snelbecker	Assist with preparation of prioritized national development strategy for Mongolia through Year 2020.	8-Mar-04	26-Mar-04
John Heather	Assist with development of business plan for Tourist Information Center.	6-Mar-04	
Larry Jensen	Assist with development of and training on IAS-compliant charts of accounts for energy sector generating and distribution companies.	12-Mar-04	