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Corporate Governance Development Center launched

On 9 April 2009 the Financial Regulatory Commission (FRC) and the Institute of Finance and Economics (IFE) organized the second Mongolian Corporate Governance Forum to launch the Mongolian Corporate Governance Development Center (MCGDC). The program included a public presentation of the concept for the Center and an initial business plan.

The formation of the MCGDC is the culmination of efforts that began with a corporate governance diagnostic assessment of Mongolian companies that the project conducted in September 2008. The project presented these results at the first Mongolian Corporate Governance Forum on 9 October 2008, where the leading participants signed a joint resolution to establish a MCGDC. On 6 March 2009 FRC and IFE signed a memorandum of understanding (MoU) to establish the Center as a non-governmental organization (NGO) to focus on three key activities: directors training, research and standards setting, and advocacy and public outreach. EPRC will continue to support the MCGDC throughout the organizational development phase including support for the expansion of the Center's training curriculum and membership base.

Based on the constituency it represents the Center will be well positioned to advocate to government policymakers, opinion leaders and the public at large an enabling business environment, allowing Mongolian businesses to compete more effectively domestically and internationally.



The MCGDC will operate as a membership-based NGO and aim to be financially self-sustainable by charging membership fees and commercial rates for the delivery of its courses and trainings. Founding members from FRC and IFE, in addition to independent members from the Mongolian business community, constitute the nine-member Board of Directors, elected at a Founders Meeting held in March. The Board has begun the recruitment of an executive director to be selected through a competitive process, following good corporate governance practices. The project continues to assist the founders and Board of Directors in formulating the business plan and the Center's charter.

Workshop on energy market design held

On 2 April the Energy Regulatory Authority (ERA) and the project held a workshop for officials from the Ministry of Mineral Resources and Energy (MMRE) and the State Property Committee (SPC) on the general design of the new electricity market and bilateral contracts. The workshop was part of the series of workshops and presentations to stakeholders of the Central Electricity System (CES) that the ERA and EPRC have been conducting for the last several months.

The participants asked many questions and exchanged opinions and comments on the actual implementation of the bilateral contract market design. Opinions and comments focused on



MCGDC hopes to become a leading catalyst to diffuse good corporate governance knowledge, skills, and practices for directors and executives as well as provide a common platform to coalesce efforts of diverse institutions and individuals advocating good corporate governance in Mongolia.

potential technical and financial constraints and the necessary political will to effect necessary reforms in the sector.

Participants agreed that without full implementation of the Tariff Reform Plan, which includes ongoing incremental increase of retail tariffs up to the cost recovery level, the new market would not succeed and the sector would not attract needed private investment.



Meanwhile, a Task Group, consisting of representatives from CES licensees and the ERA, reviewed the second draft of the Market Rules and agreed that the ERA would obtain final comments from all CES electricity licensees and finalize the draft Market Rules by the end of May.

Workshop on tax issues held for journalists

On 8 April and in collaboration with the Press Institute and the General Department of Taxation (GDT), ERPC co-sponsored an all-day workshop for journalists on "Tax Reform Issues and the Impact of the Recession on Tax Collections." Twenty-seven journalists from eleven newspapers, nine TV stations, two radio stations, three magazines and the Montsame News Agency attended the event.



The workshop was designed to provide journalists with the economic context of the current global recession and its impact on Mongolia tax revenues. GDT also presented data on the impact

that the 2006 tax reforms that became effective in January 2007 had on tax collections.

A Tax Inspector from GDT's Tax Administration and Cooperation Department, B. Badral, delivered a presentation on the "Impetus for 2007 Tax Reforms & Mongolia's Current Tax Environment," where he explained general tax principles, the function and role of taxes in society, objects and subjects of taxation, tax tariffs and classification of taxes. Mr. Badral described how the former tax laws that contained unclear and contradictory provisions, burdened the emerging free market economy, and hindered private sector growth were changed with the tax reform of 2006.

EPRC economists/trade analysts B. Gundalai and S. Otgonbayar then presented an analysis of the "Impact of 2007 Tax Reforms: Personal Income Tax (PIT), Value Added Tax (VAT) & Corporate Income Tax (CIT)", demonstrating that the tax reform's general objectives, including expansion of the tax base and increased tax collections, were achieved. A comparison of Mongolia's current tax law environment with the old tax law environment displayed that the current environment is much more supportive of private sector growth.

O. Tsogt, Head of GDT's Tax Collection and Service Department provided a presentation on "Windfall Profits Tax & Corporate Income Tax: Impact on Overall Tax Revenues," explaining that the controversial Windfall Profits Tax law was developed and approved without the review of tax specialists and discussing the law's impact on the state budget and its impact on gold production and investment.



O. Tengis, Head of GDT's Legal Department, presented "Difficulties in the Enforcement of Tax Laws and Ideas to Convey through Mass Media", which focused on tax evasion cases, tax collection problems and court solutions to such issues.

After the presentations, Mr. Tsogt and Mr. Tengis each worked with a group of journalists and provided advice on how to report tax issues accurately and effectively. The group discussion was followed by a question and answer session where GDT tax experts provided detailed answers to questions from journalists. The Press Institute offered its services to assist journalists with the production of quality articles covering complicated tax issues.

According to participant evaluations, group work and discussions were considered useful for improving journalists' knowledge of complex tax issues and the lectures were very informative, providing an interesting perspective and increased awareness of critical tax issues. One journalist reported that, "thanks to this workshop; I learned how important taxes are for society and social well-being."

Credit Information Center LLC holds workshop

On 6 April, following its official registration as the Credit Information Center LLC (CIB) five days earlier, the CIB, with assistance from the project, the International Finance Corporation (IFC) and the Mongolia Bankers Association (MBA), held a day-long workshop for members of Parliament. The main goal of the workshop was to provide participants with information about the operations of credit bureaus around the world and the need for such enabling legislation in Mongolia.



Fifty-four potential CIB stakeholders and members of the media attended the workshop which featured presentations from representatives of leading private sector credit information providers from Asia, Eastern Europe, South Africa and the Americas, in addition to presentations from the Bank of Mongolia and CIB stakeholders and supporters. The workshop opened with remarks from B. Enkhuyag, Deputy Governor of the Bank of Mongolia, who expressed the central bank's support of the CIB initiative. Other dignitaries offering opening remarks included D. Dugerjav, Deputy Commissioner of the Financial Regulatory Committee, M. Bold, Chairman of the Board, Credit Information Center and MBA Vice President, and M. Fischel, Head of IFC Advisory Services for Mongolia.

Colin Raymond, the IFC's lead advisor on CIB initiatives briefed the audience on international trends and best practices and Tony Lythgoe, IFC Principal Financial Specialist, presented a global perspective on the legal and regulatory frameworks for credit reporting. The morning session was rounded out with an update on the development of the private credit bureau in Mongolia that Mr. Z. Narantuya, Deputy CEO of Mongol Post Bank and head of the CIB legal working group, provided on the proposed Mongolian legal and regulatory framework for the operations of private credit bureaus.

The afternoon session featured presentations from William Lim, CEO of Credit Bureau (Singapore), on the experience of establishing Singapore's private credit bureau followed by Carlo Gherardi, CEO of CRIF (an Italy-based organization specializing in emerging market credit bureau operation), who related experiences from Italy and Eastern Europe. Dennis Martin, Managing Director of AP Experian, presented an overview of credit bureau products, many of which will become available here as the Mongolian CIB operations mature and expand. M. Chinguun, Chief Risk Officer of Golomt Bank, outlined the challenges of assessing credit in the Mongolian market, underlining the need for private credit bureau services to address these challenges. Frank Lenisa, Marketing Director of

Compuscan, presented the application of credit bureau services in the field of microfinance.

The workshop concluded with a lively panel discussion on the benefits and challenges of establishing a credit bureau in the Mongolian context. Ts. Bayarsaikhan, MP and Chair of the Parliamentary Economic Policy Standing Committee also addressed the workshop and expressed support for the package of laws needed to facilitate operation of the CIB. The draft credit bureau law, prepared with project assistance, is expected to be introduced during the 2009 spring session of parliament.

Journalists visit Erdenet to get first hand information on impact of recession on tax collections

As a follow up to the 8 April 2009 workshop on tax issues, EPRC co-sponsored a two-day workshop with the Press Institute and GDT in Erdenet town on 17-19 April 2009. Twenty-two journalists from eight newspapers, six TV networks and two radio stations, including Mongol Radio, visited Erdenet Ore Dressing Plant (ODP), which historically has contributed over forty percent of Mongolia's corporate income tax.



The workshops in Erdenet were designed to provide journalists with first-hand information on how the global recession and plummeting commodity prices affect Erdenet's revenue and operations and the resulting significant impact on the national budget given that Erdenet has been Mongolia's largest corporate income tax (CIT) contributor since the company's establishment in the late 1970s.

On the first day of visit, Erdenet ODP's Deputy Director, D. Boldbaatar and Head of Marketing, D. Galbaatar received journalists in the ODP Administration Office and delivered a detailed presentation on how the global recession and falling commodity prices are affecting Erdenet's revenues, profit margins and CIT payments. In 2008 Erdenet ODP contributed MNT 890 billion to the state budget. Out of 280 mines paying taxes in 2008, ODP alone contributed 98% of the total extractive sector tax revenues, 12.3% of GDP and 43% of the country's total exports. However, the collapse of copper prices on the world commodity market in late 2008 triggered a dramatic decrease in revenues, significantly reducing profit margins and its contribution to national tax revenues. From January to March 2009, Erdenet ODP did not pay taxes as a result of negative profit margins.

Head of ODP's Marketing Department, D. Galbaatar, informed journalists that "Erdenet ODP historically contributed

approximately 70% of overall sales revenue to the national budget. The plunge in world prices and revenues make it difficult to develop and expand the plant and build a new copper processing factory, which would result in more value added in Mongolia. After this meeting, journalists had the opportunity to ask questions and interview officials from the ODP Financial Department. Following the interviews, the participants went to a mining field to observe extraction of copper-molybdenum ore using explosions and then visited the actual plant.

On the second day in Erdenet, Director of Orkhon Aimag Taxation Department, J. Erdenebileg, Head of GDT's newly established Department of Taxpayer Relations, D. Bayaraa, Head of GDT Tax Collection Department, O. Enkhsaikhan and GDT Public Affairs Officer, Ts. Tsendsuren conducted a one-day workshop at the Orkhon Aimag's Taxation Department where journalists had the opportunity to ask questions and discuss issues directly with tax officials. Historically, Erdenet ODP contributed 97% of the aimag's overall tax revenues.

Journalists who participated in the Erdenet workshops commented that the interviews with the aimag taxation office and Erdenet ODP officials were extremely informative for understanding the issues. Workshop participants reported that their "knowledge of taxes improved significantly and the trip was an eye opener" as they "learned about the crucial impact Erdenet has on the country's economy."

Following the 8 April workshop and the subsequent trip to Erdenet, nine TV stations, thirteen newspapers, two radio stations, three magazines and the Montsame News Agency provided continuing coverage of tax issues, assisting GDT in conveying messages about taxation to the general public and enhancing the public's understanding of the current economic situation facing Mongolia and the connections between the global recession, tax collection and the national budget. The Press Institute will continue to work with journalists as they draft articles and will be monitoring the media to assess the quality of resulting coverage of tax issues.

Workshop for GoM webmasters held

On 2 April 2009, twenty-four webmasters from three ministries and twenty-one government agencies participated in a one-day, hands-on workshop on the *Joomla! Content Management System (CMS)* held at the Information Technology Park. The workshop featured a comparison of the existing *Joomla! Mongolia International Edition* with the latest release of *Joomla! CMS* (the 1.5.10 version) and encouraged the migration to the latest *Joomla! CMS 1.5.10 edition* to take advantage of the version's improved website administration and native Unicode support.



Since the release of the *Joomla! Mongolia International Edition* in December 2007, more than two hundred government websites registered under the gov.mn domain names are using the CMS available for use under the original General Public License. The conversion of *Joomla!* to a full Mongolian language CMS has greatly facilitated the deployment and redesign of GoM websites providing information to the public.

This Newsletter is a monthly electronic publication of EPRC project activities. Comments, suggestions, and requests for inclusion or deletion from our mailing list can be forwarded to: Editor, EPRC Newsletter, by e-mail fbertoli@eprc-chemonics.biz or fax: (976-11) 32 78 25.