

EPRC MONTHLY NEWSLETTER

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Lessons learned from successful international experiences in Public Private Partnerships brought to Mongolia

To familiarize stakeholders of the proposed Zamyn Uud Logistics Park with the requirements and lessons learned for the successful financing and implementation of Public Private Partnerships (PPPs) in infrastructure projects, EPRC brought to Mongolia Mr. Patricio Mansilla, an internationally recognized PPP expert.



On 16 January 2009 Mr. Mansilla conducted a workshop for freight forwarders involved in the development of the Zamyn Uud Logistics Park. The workshop included discussion of:

- Conceptual, legal, and regulatory issues
- Examples of innovative structures to mitigate private sector risk in PPP structures to finance economically marginal, but developmentally important infrastructure projects
- Lessons learned from successful PPP case studies in financing and implementing infrastructure projects in middle income countries
- Application of international best practices and recommendations for the proposed Zamyn Uud Logistics Park.

The presentation to the Parliamentary Ad Hoc Committee on PPPs, held on 19 January 2009, focused on:

- Forms of private sector participation in the provision of infrastructure assets and services traditionally provided by government
- The legal framework, especially regarding concessions
- The regulatory environment and diverse institutional arrangements used to structure and supervise PPPs in middle income countries of Latin America
- The need to provide a sustainable arrangement suitable to the country to recruit, train, and retain highly qualified professionals to help identify priority PPP projects, prepare

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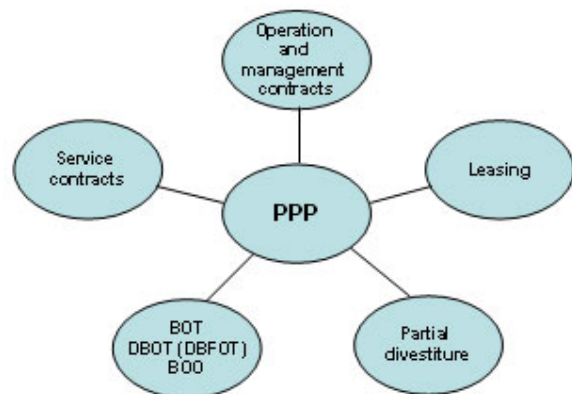
and award tenders according to international best practices, and supervise them once in operation.



The range of PPP models discussed for the mobilization of private sector investment in the provision of infrastructure assets and services as shown in the graph below included, *inter alia*, the following:

- Operation and management contracts
- Leasing
- Service contracts
- Partial divestiture
- Build, Operate, and Transfer (BOT)
- Design, Build, Operate, and Transfer (DBOT)
- Design, Build, Finance, Operate, and Transfer (DBFOT)
- Build, Operate, and Own (BOO).

PPP Models



Understanding, assimilation and adaptation of lessons learned from PPP structures in developing countries will benefit Mongolia in creating the appropriate legal, regulatory, and institutional framework for successful implementation of PPPs.

The GoM is realizing that private sector involvement and financing in the development of public facilities and services will complement public sector capacities and resources and will

Following recommendations of EPRC's pre-feasibility study for the establishment of a Logistics Park in Zamyn Uud as a PPP structure where the GoM contributes land rights and the private sector raises the capital and operates the company, the MoU sets up the framework of cooperation of the parties. The MoU also calls for setting up a Working Group to negotiate with the GoM on behalf of the freight forwarding/logistics sector. The Working Group (WG) consists of representatives from five companies: Mr. D. Purevchuluun, Deputy Director of *Tuushin LLC*, Mr. B. Soronzonbaatar, Director of *SB Logistics LLC*, Mr. D. Enkhbat, General Director of *Mongol-Express LLC*, and Mr. Ya. Erkhembayar, Executive Director of *Erin International LLC*. Mr. D. Enkhee, Director of *TransGate LLC*, chairs the WG.

As another step in implementing the Prime Minister's Resolution, the WG, with project assistance, has drafted a MoU to be negotiated and signed with the GoM to establish the PPP company structure for the Zamyn Uud Logistics Park. This draft MoU between the FFs and the GoM is currently under discussion. Once signed, the project will continue its assistance to FFs and the GoM to help structure the company and syndicate the financing of the requisite feasibility analyses and demand studies.

Memorandum of Understanding signed to develop training programs on corporate governance

On 16 December 2008 the project signed a Memorandum of Understanding with the Institute of Finance and Economics (IFE). The MoU is the culmination of EPRC efforts beginning in October 2008 with the convening of the Mongolian Corporate Governance Forum, with the assistance of Dr. Demir Yener, an international expert in corporate governance.

The Forum participants, which included the Financial Regulatory Commission (FRC), the Mongolian Stock Exchange (MSE), the Mongolian National Chamber of Commerce and Industry (MNCCI), the Mongolian Employer's Federation (MONEF) and the banks, recommended to remedy the existing deficiencies in corporate governance by: (a) Developing current institutional capacity to promote and enforce corporate governance practices; (b) Increasing the capacity of directors to understand and exercise their duties and obligations; and, (c) Increasing public awareness of shareholders' rights and educating the public at large on investing in a transparent and fair capital market environment.



Objectives of the MoU are to:

1. Develop a corporate governance training program for corporate directors to be delivered at the Institute of Finance and Economics. This will be a pilot program and is planned to be rolled out in other faculties and universities in Mongolia
2. Deliver a train-the-trainers session of the complete course to instructors selected by the Institute of Finance and Economics and approved by EPRC
3. Deliver a pilot session of the complete course to Directors of relevant enterprises.

The MoU sets the terms of cooperation between IFE and the project for the joint development of twelve training modules on the following topics:

- Corporations and corporate governance
- Mongolian and international legal and regulatory frameworks on corporate governance
- The board of directors
- The shareholders and shareholder activism
- Executive and non-executive compensation
- Financial controls, auditing and disclosure
- Corporate takeovers, mergers and acquisitions
- Enterprise risk management
- The role of financial institutions and ratings in corporate governance
- Corporate social responsibility
- Board committees and meeting organization
- Dividend, investment and financing policy and strategy.

The 36-hour modular program is adapted to national legal and regulatory requirements and international best practices for good corporate governance and has benefited from integration of the IFC's training materials on global best practices. The project, with Dr. Demir Yener's assistance will conduct a Train-the-Trainers program to deliver the complete course to instructors selected jointly by IFE and the project. After a pilot program for Mongolian directors and corporate executives, IFE will roll out the program in cooperation with other faculties and universities in Mongolia.

This initiative will develop sustainable Mongolian institutional capacity to provide corporate governance training. The dissemination of this knowledge and implementation of corporate governance practices will ultimately, improve the transparency, accountability, responsibility and fair and equitable treatment of all shareholders in the corporate community with future benefits resulting in improved access to finance, reduced opportunities for corruption and enhanced competitiveness.

Workshop on Joomla! Mongolia International Edition held

On 24 December 2008, twenty-eight webmasters from government agencies participated in a one-day, hands-on workshop on the *Joomla! Content Management System (CMS)* at the Information Technology Park. The workshop featured an introduction to the latest release of *Joomla!* (the 1.5.9 version) to begin the migration from the *Joomla! International Mongolia Edition*, release 1.1 currently in use.

Official release of a stable version of *Joomla! International Mongolia Edition* 1.0 occurred in December 2007, when the Information and Communication Technology Authority (ICTA) with project assistance made it available for use under the original General Public License.



The project is currently working on finalizing the Mongolian language pack for the latest *Joomla! 1.5.9 Edition*. This release

will natively support the international Unicode character encoding standard, including the Mongolian language.

ICTA, with project assistance has localized Joomla! for use in Mongolia to address English proficiency and budgetary constraints of GoM agencies running public information websites. Currently, approximately 13,200 Mongolian websites use Joomla! 1.5.9 and Joomla! *International Mongolia Edition*.

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@epc-chemonics.biz or fax: (976-11) 32 78 25.