

EPRC MONTHLY NEWSLETTER

JULY - AUGUST 2007

Open Government website hosts national multimedia chat on “Is Mongolia’s ‘Silk Road’ fraying?”

On 29 August the *Open Government* website hosted another national multimedia chat carried live on national television and radio. Two-hundred and fifty-four questions came in to the four participants through live telephone lines and short message texts (SMS) over cell phones. Based on the number and types of questions received the topic of the chat, “Is Mongolia’s ‘Silk Road’ fraying?” resonated with the audience and was timely. The chat came on the heels of a 10-day Chinese moratorium on shipping containers to or through Mongolia until a backlog of containers to be returned was resolved.



In the dialogue with the public, the panelists agreed that lack of capital investment in railway infrastructure and equipment had led to a poor condition of the system and that the government was taking action to allow private investment in the railway system.

НЭЭЛТТЭЙ ЗАСАГ

**ТОРГОНЫ ЗАМ БҮДГЭРЧ
БАЙНА УУ**

шууд ярилцлагад урьж байна



Гаалийн ерөнхий газрын дарга Б. Баттөмөр,
 Төмөр замын хэрэг эрхлэх газрын дарга Да. Ганболд,
 Үндэсний худалдаа, аж үйлдвэрийн танхимын дарга, Худалдаа,
 тээврийг хөнгөвчлөх үндэсний хорооны орлогч дарга С. Дэмбэрэл,
 “Улаанбаатар Төмөр Зам” Хувь нийлүүлсэн нийгэмлэгийн дарга
 В. Отгондэмбэрэл
 нар оролцоно.

Ярилцлага 2007 оны
VIII сарын 29-ний
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www.open-government.mn

Answering questions from the national audience were four panelists:

- The Director General of the Mongolian Customs General Administration, Mr. B. Battumur
- The Chairman of the Railway Authority of Mongolia, Mr. Da. Ganbold
- The Chairman of the Ulaanbaatar Railway Joint Stock Association, Mr. B. Otgondemberel
- The Chairman of the Mongolian National Chamber of Commerce and Industry, Mr. S. Demberel.

Advertised through national newspapers and television, the condition and situation of the railways attracted almost 69 percent of the questions—174; customs attracted 15 percent and 6 percent of the questions were about the *Transit Mongolia National Program*. Ten percent of the questions were off topic.

The new Law on Transit Transport allows such investment while maintaining state ownership of the tracks, rights of way and infrastructure. The Chairman of the Railway Authority, Mr. Da. Ganbold stressed that regulations to allow such private domestic and foreign investment to modernize the railways will be forthcoming. He also mentioned the Millennium Challenge Corporation grant under negotiation to acquire locomotives and rolling stock to improve current railway service conditions.

The dialogue also provided an opportunity to discuss the *Transit Mongolia* project with the general public. Under the leadership of the National Committee for Trade and Transport Facilitation, and with technical assistance from EPRC, the project seeks to develop Mongolia’s competitive advantage as a transit corridor between China, Russia and Europe.

The multimedia chat enabled the public to develop an initial understanding of issues regarding railway transport and the large capital investment required to modernize its operations to keep up with current demand and expand revenues by becoming a competitive link between China and Europe. Speakers underlined the importance of transit transport and logistics sector development for the development of the country. They also warned that more focused actions and attention are needed to restore Mongolia's position as a key link in the 'Silk Road'—this time through development of excellence in transit to make the Mongolia corridor cheaper, faster, safer and more efficient.

Financial Regulatory Commission and the Mongolian Mortgage Corporation (MIK) sponsor working group retreat on draft securities laws

The working group to draft proposed new laws on Collateralized Mortgage Bonds and Asset-Backed Securities held a retreat at Jargalant Resort Center from 6 to 12 August under joint sponsorship from the Financial Regulatory Commission (FRC) and the Mongolian Mortgage Corporation (MIK).



The working group included:

- Ms.Dugerjav, FRC Board Member and Chair of the Working Group, FRC
- Mr.Ganbat, Securities Department Director, FRC
- Mr.Tumenbayar, Economist, FRC
- Ms.Monkhtselmeg, Officer, FRC
- Mr.Maizorig, Lawyer, Ministry of Justice and Home Affairs
- Ms.Haliun, Officer, Ministry of Finance
- Ms.Buted, Consultant, Ministry of Construction and Urban Development
- Mr.Hash-Erdene, Officer, Ministry of Construction and Urban Development
- Ms.Tserendulam, Administration Department, State Ikh Hural
- Mr.Monkh-Aldar, Officer, Housing Finance Corporation

Members of the group worked very intensely during the retreat to finalize the draft laws and on 9 August presented an interim review of progress achieved.

With Mr. Bayarsaikhan, Chairman of FRC, Mr. Gankhuu, State Secretary of the Ministry of Construction and Urban Development (MCUD), Mr. Bayasgalan, State Secretary of the Ministry of

Justice and Human Affairs (MoJHA,) Mr. Munkhjargal, Deputy CEO of the Housing Finance Corporation (HFC), MIK and EPRC staff members, the Chair of the Working Group, Ms. Dugerjav, provided a summary of the new securitization laws and their features.

A round table discussion followed the presentation, with participants emphasizing the importance of the laws and working together to have them submitted to Parliament and approved at the upcoming session. Participants also agreed that the next step for the working group would be to submit the Mongolian final drafts to a formal large Working Group headed by the Ministry of Justice that would circulate the drafts among the ministries and other stakeholders for comments before submitting the laws for Cabinet hearing.

Given the technical complexity of the subject matter and relative unfamiliarity with primary and secondary mortgage market operations, the group suggested a strong campaign of public education. Among the priorities identified for such a campaign were:

A primer or small handbook of mortgage terms and processes

The law drafters emphasized the importance of bringing uniformity in the terminology and definitions as the concepts and mechanisms are new to Mongolia and as such they lack established terms and wording. EPRC agreed to support this effort.

Live national multimedia chats

The *Open Government* website, with technical support from the project, has successfully used national television and radio where the audience and viewers can pose live questions to panelists. It Participants also suggested that MIK, EPRC and other banks work together with the Cabinet Secretariat to hold these chats under sponsorship of the *Open Government* website.

Newspaper articles

MIK in cooperation with other parties could also publish a regular column in the newspapers explaining mortgages, their markets, and basic securitization concepts and processes.

It was also suggested that EPRC assist MIK, the Bank of Mongolia (BoM) and the Mongolia Bankers Association (MBA) with a presentation and discussion for the banking industry as these two laws are intended to provide the legal framework for the secondary market activities of commercial banks through covered bonds or asset-backed securities.

Developing tourism product offerings: Assistance to the Tsaatan reindeer herders

At the request of the Itgel Foundation, EPRC co-funded a project to assist the Tsaatan herders with the development and management of grass roots, community-based tourism to generate and diversify sources of income. Through a small grant from the Mongolia Competitiveness Fund (MCF) the project co-funded activities and a local workshop in Tsagaan Nour soum to enhance their capacity to develop and manage revenues from tourism.

As Mongolia becomes more attractive as a destination for tourists seeking closer-to-nature experiences, there is an increasing need to develop product offerings that preserve the very habitat that visitors are seeking, benefit rural communities more directly, and

are sustainable in the long run. In the case of the Tsaatan, the number of tourists visiting has gone from 20 in 2002 to almost 200 in 2006, not counting the thousands who travel to the Lake Hovsgol region to see the exotic “reindeer people.”



The Tsaatan reindeer herders of northern Huvsgul represent Mongolia's smallest and most remote ethnic minority, and rank among the nation's poorest communities. There are 42 households of Tsaatan families living in the remote taiga ecosystem of the Sayan Mountains, situated nearly 1,000 km from Ulaanbaatar, most in the soum of Tsagaan Nuur. The Tsaatan reside in two distinct areas known as East and West taiga respectively. Of the 42 combined households, 38% are classified as poor, and 33% extremely poor.

At present, the Tsaatan community's average reported household income ranges around US\$100 per year, below the regional poverty line of MNT 37,000 per person per month. Lack of economic opportunities, limited access to health and human services, and an unstable number of reindeer present ongoing challenges threaten the survival of the Tsaatan people. The few sources of cash-income and economic opportunities that are available often require disruption of reindeer husbandry activities, changes in migratory patterns, or abandonment of cultural traditions. Sources of income in and around the taiga at present include the collection and sale of nuts and berries, the sale of handicrafts, the sale of hunted wildlife products and wage labor (harvesting hay) from Darhad people. All are seasonal, unpredictable, and have done little to bolster families' livelihoods above the poverty line.

With EPRC co-funding, the Itgel Foundation, volunteers, and NGOs have completed two phases of the project to support the *Tsaatan Community and Visitor Center*: the facilitation of courses to develop local leadership and management skills, and support of volunteer and professional consultation efforts during project implementation to ensure local sustainability. EPRC/USAID assistance included provision of technical expertise in drafting the curricula, organization and process-oriented advice, and financial support to cover the expenses of outsourcing and domestic travel of the volunteer staff.

With support from the Itgel Foundation, the Tsaatan community has finished the construction of a two-story Visitor Center that includes information and logistics provision, an interpretive center of the Tsaatan traditions, and a handicrafts store. Adjacent to the center are accommodation in urts (teepees). Equal numbers of Tsaatan households in the Eastern and Western taiga have put into practice knowledge gained during the training sessions by hosting and guiding more than 10 tourists for a period of 4-6 days. The tourists came in through the partner tour operators of the Itgel Foundation. The organizers and consultant partners of the project are pleasantly surprised to see the continued commitment and enthusiasm of the Tsaatan: 85% of their families attended the Participatory Rural Appraisal workshop held during the last week of June and they have made a unanimous decision to retain 40% of the generated revenue with the service provider and 60% in the community fund.

EPRC's efforts in tourism have been supporting the international promotion of Mongolia as a tourist destination. Once visitors reach Mongolia, however, appropriate tourist products that preserve the uniqueness of local traditions, such as the Tsaatan community project led by the Itgel Foundation, are required to provide a pleasant and unique experience.

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.