



EPRC MONTHLY NEWSLETTER

MAY 2007

Energy Regulatory Authority signs first performance agreement in the sector

On 1 May, the Energy Regulatory Authority of Mongolia (ERA) and the Baganuur and South Eastern Region Electricity Distribution Network (BSEREDN) signed the first Performance Agreement (PA) in Mongolia. Performance Agreements can play an important role in improved performance in the delivery of energy services.



Based on the experience gained in the implementation of this first PA, the ERA will consider it as a requirement of the operational license of each energy entity. The ERA monitors each licensee's performance using a Performance Measurement System (PMS) made up of benchmarks and key performance indicators (KPIs).

On an annual basis, the Performance Agreement will set specific performance targets and financial consequences. The ERA will use KPIs to monitor licensee performance and measure progress on the agreed benchmarks. Licensees will be financially rewarded for attaining or exceeding the goals set forth in the PA. Similarly, they will be financially penalized for failing to attain the goals set forth in the PA. Performance agreements have been widely used by regulators in the US and many European countries as a means to monitor and provide consequences for areas of concern to regulators.

The ERA has selected four KPIs for the first Performance Agreement: electricity distribution losses, percent changes in accounts receivable, payments to the Single Buyer; and a quick ratio.

The electricity distribution loss is the sum of technical and commercial electricity losses of the BSEREDN expressed as a percentage of the total amount of electricity purchased by it. The company significantly reduced electricity distribution losses from 22% in 2000 down to 12% in 2005. Connection of new soums,

with few low voltage consumers connected to the network, increased distribution losses and the ERA has set the new target for the year 2007 equal to 12.5%.

Another area of concern by the ERA is collection of consumers' payments for the electricity they use. Lower collection rates result in higher accounts receivable from consumers and lessened payments to the "single buyer". The single buyer is the Transmission Company of the Central Energy System, which buys electricity from power plants and sells it to electricity distribution companies. The BSEREDN significantly improved its collection rates, reducing accounts receivable by 70% over the last 5 years.

The payment rate to the single buyer for purchased electricity was 102.4% in 2006 demonstrating the company's achievement in collecting current payments and old receivables.

A quick ratio is a measure of a company's liquidity and ability to meet its obligations and equal to a ratio of cash and cash equivalent to short term liabilities.

The ERA and BSEREDN agreed to use the "social cost" component of the company's tariff revenue for financial consequences or incentives. Social cost includes bonuses, housing and other allowances and benefits to employees that motivate not only the management but all the employees of the company to improve performance. The PA allows the ERA to calculate and consolidate financial consequences resulting from measured performance at the end of 2007 by each KPI. The maximum possible rewards or penalties are MNT 140 million and MNT 110 million respectively.

Cabinet approves national program to establish a single electronic window for foreign trade facilitation

On 23 May, culminating five months of intensive work of the Working Group to establish a single window for foreign trade facilitation (SWTF), Cabinet approved the National Program for its establishment.

The Working Group (WG) was established in response to Government Resolution 251 issued on 18 October through Ministry of Finance (MoF). Decree 370 of 2006 appointed the following members:

- Mr. Ch. Saikhanbileg, Chair of the Working Group and Director of the Information and Communications Technology Agency (ICTA)
- Mr. S. Demberel, Chairman, Mongolian National Chamber of Commerce and Industry (MNCCI)

- Mr. B. Enkhmandakh, Deputy Minister, Ministry of Environment (MoE)
- Mr. Ya. Sodbaatar, Deputy Minister, Ministry of Industry and Trade (MoIT)
- Mr. B. Battumur, Director, Mongolian National Customs Administration (MNCA)
- Mr. L. Zorig, Director, General Department of National Taxation (GDNT)
- Mr. G. Gantumur, Director, Mongolian Agency for Standards and Metrology (MASM)
- Mr. J. Enkhbayar, Deputy Director, State Specialized Inspection Agency (SSIA)
- Mr. S. Altangerel, Secretary of the Working Group and Director, IT Department, Mongolian Customs General Administration (MCGA).

- Introduction of e-payment system in a single window will make tax and fee collections faster and more precise for all relevant government agencies
- There will be an opportunity for government agencies to transfer human resources to more useful and productive positions
- Customs clearance and issuance of relevant permits will be faster."

Promulgation of the Cabinet Decree will enable the WG to begin implementation of the detailed action plan it has prepared. The project will continue to provide technical assistance as required and requested to support these efforts.

Central Bank develops strategy to support mortgage market development

On 30 May, Mr. Roberto Toso, an international expert brought at the request of the Bank of Mongolia (BoM), made a presentation of a proposed strategy and summary recommendations to support development of Mongolian mortgage markets in accordance with the Monetary Policy Guidelines approved by the Mongolian Parliament.



The WG had its first meeting on 18 December 2006, with Mr. Bayartsaikhan, Minister of Finance, acting as chair. From 20 February to 1 March, through EPRC arrangements, three experts from the *Société Générale de Surveillance* (SGS) visited Mongolia to obtain first-hand information about efforts to establish the single electronic window: Philippe Isler, David Walker, and Chris Holden. Based in Geneva, Mr. Isler is Project Manager for TradeNet, an SGS product for single electronic windows to facilitate trade. Mr. Walker is an SGS customs expert based in Dubai, and Mr. Holden is the Operations Manager of GCNet, the company that operates the Ghana single electronic window for trade.

At its second quarterly meeting on 29 March, the Working Group approved the draft National Program that Cabinet has now approved. The Decree adopts the recommendation of the WG to establish a separate company to operate the single window. The company would be a public-private partnership (PPP) with participation of an experienced international company and the government. Expected results of the implementation of a single electronic window, as stated in the Decree are:

- "Sharing information among the participating government agencies through a single window will promote growth and have an impact on efficiency, reduction of costs to the government and traders as well as time savings
- Service will be more open, transparent and quick for traders
- Bureaucracy and corruption will be reduced by introducing e-trade documentation and using IT strengths and advantages
- Revenue of the government budget will be increased
- By making information more transparent and open there will be more efficient use of financial resources and efficiency and competitiveness of trade participants will be improved



Mr. Toso, a former senior executive with the Central Bank of Chile, worked with BoM staff from 7 May through 2 June to assist with the definition of its role and strategy in this area. Based on this work, Mr. Toso made the following recommendations:

Adoption of industry standards on mortgage loan structures and documentation

BoM through its Bank Supervision Department and in coordination with Mongolian Mortgage Corporation (MIK) and representatives of commercial banks should spearhead the formation of a "Standardization Working Group" (SWG) to recommend the adoption of industry standards on mortgage loan structures and documentation.

Mortgages that have similar characteristics can be pooled together to create a larger pool size and more liquidity. This reduces due diligence costs for investors, insurance companies and rating agencies by minimizing information asymmetries. Standardization also refers to documentation such as securing cost effective registration of title and lien, transfer taxes, stamp duties and time it takes to complete registration. Standardized

loan application and disclosure forms in common formats, uniform residential appraisal reports, uniform credit reports compiled by credit bureaus, employment verification, income verification (pay stubs, income tax returns), insurance policy for life, property and casualty, representations and warranties given by loan originators, etc all are necessary prerequisites for “completeness” in loan origination.

Adequate practices of servicing are necessary for building a viable secondary mortgage securities market. Basic standards for regulating the following activities are necessary: collecting mortgage payments, accounting for all financial transactions, collecting past due accounts, remitting payment to investors, foreclosing on delinquent properties and disposing of foreclosed real estate.

Review of the draft Mortgage Law, Securitization Law and Credit Bureau Law with the purpose of harmonizing the legal texts with the standardization agreements that will be enforced by the Supervision Department of the BoM

The “Standardization Working Group” should also review these draft laws and work with other government agencies and organizations to advance in four crucial market infrastructure reforms:

1. Streamline, expedite and make cost-effective the existing property title and lien registration process
2. Standardize property appraisal criteria
3. Streamline, expedite and make cost effective property collateral foreclosures by reviewing and supporting the approval of the Mortgage Law
4. Expedite the enactment of the draft Credit Bureau Law.

Test access to international long term funding by exploring the placement of a long-term dollar-denominated sovereign bond and thus obtain a benchmark for a long term interest rate

The lack of “long term benchmark interest rates” is definitely a deterrent for the development of a long term bond market in Mongolia. In the case of Mongolia, periodic interest rate adjustments for mortgages are rather discretionary and vary among lenders and for each type of loan. This introduces significant unpredictability in the calculation of loan values and makes securitization of mortgage loans more difficult, if not impossible. A benchmark long term interest rate or uniform adjustability criteria that takes into account cost of funds and financial markets long term conditions is definitely needed to standardize interest rate adjustment formulas and eliminate current interest rate uncertainty.

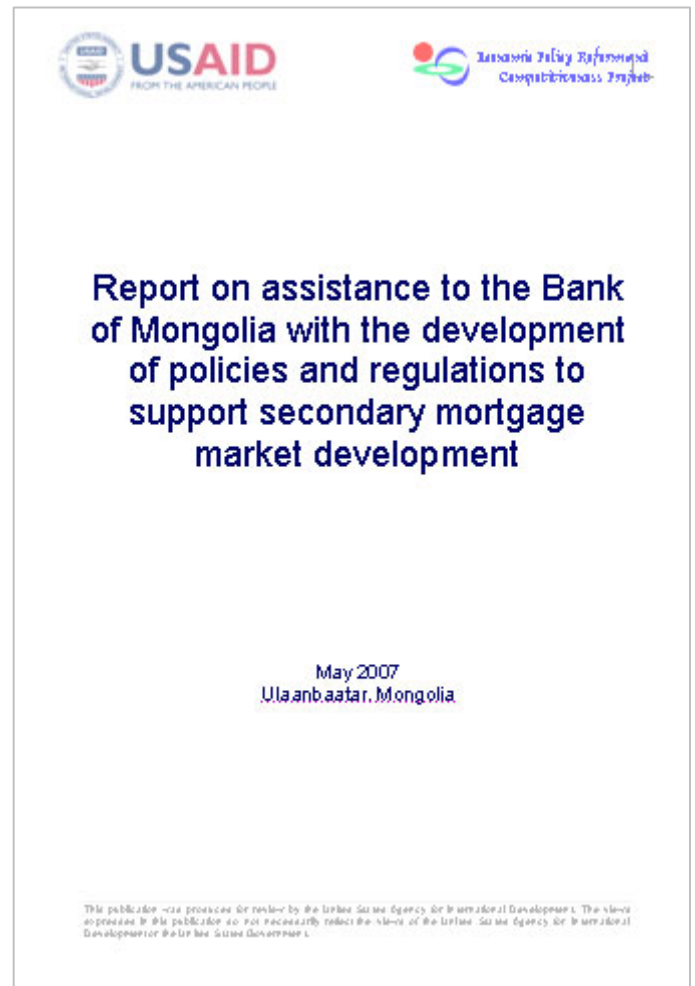
Current economic conditions in Mongolia, as reflected by a budget surplus, high international reserves, low inflation and economic growth, constitute a favorable environment for such a transaction. Moreover, the BoM is currently working with credit rating agencies such as Fitch, Moody’s and S&P to upgrade its rating. In December 2006, S&P rated Mongolia’s sovereign risk as “B plus Positive” which constitutes an encouraging indicator for Mongolia’s risk tolerance by investors in the international bond market.

Moreover, “international market timing” seems unusually favorable for a bond issue. There are extraordinary market conditions where the expectations of investors are the inverse of those demonstrated by a normal yield curve. Bonds with maturity dates further into the future are expected to offer lower yields than bonds with shorter maturities. This “inverted yield curve” indicates that the market currently expects international interest rates to decline as time moves farther into the future, which in turn means the market expects yields of long-term bonds to decline. International investors interpret an inverted curve as an indication

that the international economy will soon experience a slowdown, which causes future interest rates to give even lower yields. Before a slowdown, investors prefer to lock money into long-term investments at present prevailing yields, because future yields will be even lower.

Explore the viability of establishing a Mongolian equivalent of the Federal Housing Administration of the US (FHA) which provides 100% coverage of principal loss and foreclosure processing costs

This institution would be established as an autonomous government entity under the purview of the Government Budget and completely separate and independent from the BoM. A corresponding Contingency Reserve Fund will also be part of the Government central budget, its amount clearly defined and publicly known.



The current Law of the Bank of Mongolia (Article 10 through Article 23) does not authorize this institution to assume or insure private sector risks. From a strictly economic policy point of view, the BoM should not entertain engaging in this type of transactions.

The concept of default insurance explains the economic rationale behind this recommendation. Default risk is fundamentally different from other forms of casualty insurance. The fundamental risk for mortgage default insurance is of “catastrophic” nature because it is not limited to the normal risk that an individual home owner might experience in terms of financial adversity, resulting in foreclosure. Rather, “catastrophic” refers to the widespread foreclosures that may occur as a result of an economic crisis. The horizon of risk under each individual mortgage insurance policy is long because it is maintained through the maturity of the secured loan and is non-cancelable by the insurer, notwithstanding the likelihood of changing conditions during the life of such loan.

Under default insurance there is usually a combination of credit and collateral risks. The event of loss under a mortgage insurance policy is the borrower's failure to make scheduled payments. The risk of actual loss also depends on the occurrence of a second event following borrower's default which is the lender's inability to recover the outstanding debt through the liquidation of the collateral. Finally, default insurance has greater capital requirements than other insurance products such as the need to constitute a Contingency Reserve Fund. Based on these characteristics, insurance policy provisions will require that the loan originator and servicing bank be strictly qualified by the insurer.

Default insurance is especially susceptible to "adverse selection of risk" by the lenders who "purchase" it. This situation is considerably magnified by a "moral hazard" factor if the BoM is called upon to participate as a default insurer of specific private sector mortgage transactions. By participating, the BoM becomes vulnerable to systemic and open-ended losses if a catastrophic event should occur. This is particularly undesirable at a moment when the BoM has been working with credit rating agencies to upgrade Mongolia's sovereign credit rating. Moreover, a possible BoM participation would severely distort the allocation of risks in the financial system by biasing banks to take excessive credit risks, because they have the incentive to choose, case by case, which loans to "self insure" and which ones to insure with the BoM. Finally, pricing default risks in an environment where there is no historical record of mortgage loan defaults makes a BoM exercise highly academic and unreliable, exposing it to political pressures and "negotiations" to adopt artificial pricings.

Creation of a public data base that will permit private insurance companies to quantify relevant default risk factors
This database is required to establish the price of mortgage default insurance as there is no sufficient historical experience with mortgage loan defaults.

The BoM, with the assistance of international experts, can take the lead in creating a public data base that will permit private insurance companies to quantify relevant default risk factors. Data on loan origination and subsequent foreclosures will be needed from commercial banks. Developing this information infrastructure is particularly important to attract private insurers so they can figure out how to price their services.

Regulating requirements for purchasing mortgage default insurance

A provision about this issue must be contemplated in the draft Mortgage Law to prevent banks from purchasing insurance only for the most risky loans. An alternative would be to require insurance for all loans or to reduce risk-based capital requirements for mortgages for insured loans or other loan features, such as over-collateralization, as the standards that in the future will require mandatory mortgage insurance.

"Sunset provision" for BoM's participation in the Mongolian Mortgage Corporation (MIK)

International experience shows that government support in developing mortgage capital markets is common. The decision of BoM to sponsor the creation of MIK on the basis of helping jump start the market is consistent with international experience. Similar cases are to be found in Egypt, Jordan, India, Armenia and Malaysia, among others.

It is not clear that an equity participation of the BoM in MIK is allowed in the BoM Law. According to Article 23 of the Law, an exception to activities prohibited that applies to this case states: "acquiring and holding shares in legal entities that have direct relevance to deposit insurance; export finance, clearing and

automation of payments, monetary policy implementation and banking data processing, provided that the aggregate value of such shares does not exceed three percent of its capital" It is subject to interpretation if MIK fits this description of exempted legal entities.

It is recommended that the document of constitution of MIK be amended or a shareholder's agreement signed by all shareholders whereby a "sunset provision" of three years will be agreed upon. After three years of MIK operations BoM shares will be purchased at book-value by the remaining shareholders on a prorated basis.

As Mongolia's primary mortgage market—direct bank loans to purchase or improve property or secured by these assets—develops, and an increased need to develop the secondary mortgage market—instruments and institutions that provide liquidity or additional funds to the banks themselves, there is a need to get this framework "right." A suitable combination of institutions, regulations, systems, and procedures suitable for the current Mongolian market and based on international experiences needs to be implemented and maintained.

Through the development of its institutional strategy, the BoM is taking the lead in defining its proper role in the rapidly evolving primary and secondary mortgage markets. The report is available and can be downloaded from www.eprc-chemonics.biz. Following the lead of BoM, other government institutions, such as the Ministry of Finance and the Ministry of Construction and Urban Development need now to examine their roles and develop their strategies to facilitate the development of the primary and secondary mortgage markets in ways that do not crowd out private sector initiatives or generate potential conflicts of interest or raise due concerns about moral hazard and adverse election.

Parliament Sub-Working Group holds weekend retreats on housing finance

The Parliamentary Sub-Working Group on Housing Finance organized two weekend retreats in Ikh Tenger.

Housing subsidies retreat of 5 May

The retreat of 5 May focused on direct housing subsidies (DHS).

Per EPRC proposals, direct housing subsidies would be designed



to support government efforts in developing an affordable urban housing plan based on best international practices. DHS would

improve access to housing and increase affordability of housing finance for low income families.

Tim O'Neill, Senior Finance Advisor of EPRC, made a presentation on DHS. These subsidies are an explicit, once-only, non-repayable contribution that the state provides to families that comply with certain established requirements in order to provide them with a purchasing power greater than that afforded by their own income. The two major types of DHS are:

- *Down payment subsidies* used to complement borrowers down-payments, thus improving both affordability and loan/value ratios
- *Interest rate subsidies* used to reduce the prevailing contractual market interest rate, thus improving affordability but leaving loan/value ratios intact.

EPRC presented indicative comparative calculations illustrating the cost of both types of the subsidies, using a set of assumptions based on the Government's "40,000 Housing Units" Program. According to the calculations, the cost of a down payment subsidy would be US\$ 50.9 million, compared to US\$ 65.7 million for the interest rate subsidy.

Compared to other subsidies for affordable housing, direct housing subsidies have the following benefits:

- Are more equitable since they are directly and exclusively targeted to intended recipients: low and middle income households
- Are complementary to mortgage loans made on market terms and do not displace them
- Involve a smaller administrative burden for the state, lessening the fiscal burden
- Facilitate the development of an efficient, market-oriented mortgage system
- Increase availability of market rate mortgages eligible for securitization and are thus supportive of secondary mortgage market development.

Continuing its support of the work of the Parliamentary Housing Finance Working Group, EPRC will bring a short-term consultant in mid June to help the GoM design a system of direct housing subsidies to assist eligible lower income families get access to affordable housing and thus help deliver on this yet unfulfilled promise of the Government Action Plan of 2004-2008.

Draft Mortgage Law retreat of 12 May

The topic of the second retreat held on 12 May was the draft Mortgage Law that Government submitted to Parliament for discussion during the spring session.

The draft Mortgage Law deals mostly with collateral and related issues such as collateral state registration, lien registration and lien transferability as well as the structure and content of the mortgage note. It also aims to bring standardization and uniformity to mortgage lending.

Although significant discussions are taking place among stakeholders, there are at least two significant issues in the current version of the draft law that, if not addressed, may severely impair the establishment and development of the mortgage securities market. The first is the discretionary power of the courts in deciding foreclosures. At present, foreclosures are costly, lengthy, and highly dependent on court interpretations. Foreclosures must be streamlined and expedited, and banks should have clear and cost-effective, off-court foreclosure procedures at their disposal.

The second issue refers to the differentiation between relevant and non-relevant defaults. Again, it is at the court's discretion to determine if a default is relevant based on whether the defaulted outstanding principal constitutes the majority or the minority of the original loan and whether foreclosure proceedings are pertinent. The law must not differentiate among types of default and must allow servicing banks and borrowers to deal with the issue independently.

At the request of the Parliamentary Sub-Working Group on Housing Finance, Steve Butler, an international legal consultant provided comments on the draft Mortgage Law and prepared a revised draft. EPRC has engaged Mr. Butler to assist the Financial Regulatory Committee (FRC) with the drafting of the securitization laws.

Mongolian Bankers Association discusses draft law on credit information services

On 14 May, Roger Nye, an international expert on credit information bureaus, presented his recommendations on the legal framework for the proposed new private credit information bureau (CIB) to a gathering of members of the Mongolian Bankers Association (MBA). Working with two lawyers from the MBA Mr. Nye reviewed the existing legal framework and prepared a draft new CIB law supporting the principles of a modern credit information bureau and prepared draft amendments to several related existing laws.



Several factors support the passage of a separate Law on Credit Information Bureaus. The timing is optimal and support is building for such a law among banks and non-bank financial institutions since the project first examined the issue in 2006. (See: Restructuring the Mongolian Credit Information Bureau: Prospects for privatization, available on the project website, www.eprc-chemonics.biz).

Current conditions in the Mongolian banking sector

The sector suffers from a number of weaknesses that an efficient, privately owned and operated CIB will mitigate. These weaknesses include:

- High levels of explicit and implicit bad debts
- High lending risks where borrowers rely on excessive leverage and where collateral is often double-pledged
- A lack of audited accounts and a lack of financial sector transparency
- A weak culture for honoring debt and for punishing defaulters

- Weak institutional capacity for credit risk and project analysis
- Gaps in the regulatory framework and an element of moral hazard.

International experiences

Years of experience with CIBs in dozens of other countries have provided several significant conclusions relevant to the creation of a private CIB in Mongolia:

- Private CIBs distinguish good versus bad borrowers at the SME and micro level better than a public sector CIB, which targets the macro level
- A private CIB catches errors and fraud better than a public CIB
- A profit-oriented CIB has the incentive to improve its processes and services continually while a state-owned CIB depends on public funding and other priorities that may hamper innovation and provision of good services
- A private CIB will help lenders improve and accelerate their credit decisions, which will stimulate lending, investment, growth, jobs, and incomes; conversely, the goal of a public CIB is more narrowly banking sector safety and stability.

No formidable barriers

Many countries have strict rules on the sharing of confidential information and these become significant legal roadblocks to creating a private. Another barrier is often the unwillingness of major banks to share their data on good customers with a CIB, worrying they might lose these profitable borrowers to other banks. In Mongolia neither of these is a significant barrier. Thus, in practical terms it should be easier to generate and sustain a consensus on a CIB and to provide in a separate CIB law for the exchange, with safeguards, of confidential financial information.

The existence of an appropriate and facilitating legal environment is the key to success for any new CIB. As current Mongolian laws have many areas of ambiguity and interpretation, a separate Law on Credit Information Bureaus and the amendment of a number of others may be required to address them.

The timing is right

Both the evolution of the Mongolian financial sector and current support for a CIB among key stakeholders make the timing propitious for the creation of a CIB. Additional supporting factors include:

- Dissatisfaction among creditors with the current CIB in the BOM
- The creation of a working group within the Mongolian Bankers Association aimed at laying the legal, financial and technical foundations for a private CIB
- Existence of a unique identification for all individuals and companies
- Foreign technical assistance that USAID and the International Finance Corporation (IFC) can offer
- The Bank of Mongolia, as an important stakeholder, is not overtly opposed to the creation of a private CIB
- The Government itself is seeking ways to mitigate credit risk in the system
- Looming provisions of Basle II for banks to enhance their methods of credit assessment
- Growing retail demand for mortgages and credit cards which will require more careful scrutiny of borrower.

EPRC will continue to support the Mongolian Bankers Association and stakeholders to urge passage of the new law and related amendments to make possible the establishment and functioning of an effective and efficient private sector-led credit information services bureau.

Financial Regulatory Committee undertakes drafting of a proposed Securitization Law

The Financial Regulatory Committee (FRC) in leading GoM's efforts to create a legal and regulatory environment conducive to the efficient and transparent functioning of financial markets for security instruments to support housing finance. At their request and to work with FRC legal advisors, EPRC brought Steve Butler, an international lawyer experienced in the functioning and regulation of secondary mortgage markets, especially in emerging economies.

From 28 April through 11 May, Mr. Butler and legal advisors at FRC reviewed existing legislation for securities, consulted with commercial banks, the Central Bank, and an emerging second-tier mortgage finance institution, the Mongolian Mortgage Corporation (MIK). Products of this work included a concept paper for a draft Law on the Mortgage-backed Securities Market and appropriate draft legislation to regulate the secondary mortgage market. Mr. Butler made presentations on the draft securitization laws to the Parliamentary Working Group, commercial banks, and The Bank of Mongolia (BoM).

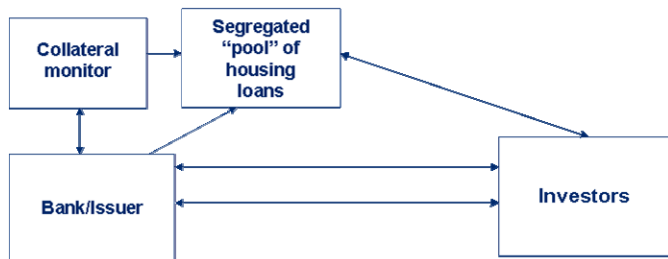


Collateralized Mortgage Bonds draft Law. This draft law would authorize banks and housing finance companies sponsored by banks to issue collateralized mortgage bonds subject to the supervision of the Financial Regulatory Commission and the Central Bank of Mongolia.

Collateralized mortgage bonds are a general obligation of the issuer, where the bank sells bonds and assumes general liability for payment of principal and interest and bondholders purchase bonds and receive principal and interest payments from the bank. Mortgages that back up such bonds remain on the balance sheet of the bank but are segregated in a separate register or "pool" which is equal in value to the amount of the bonds. The bank or banking regulator appoints an independent "trustee" to monitor compliance with the law and periodically audits the value of the collateral pool. In case of failure to pay or bankruptcy of the issuer, bondholders have direct, preferred access to the collateral.

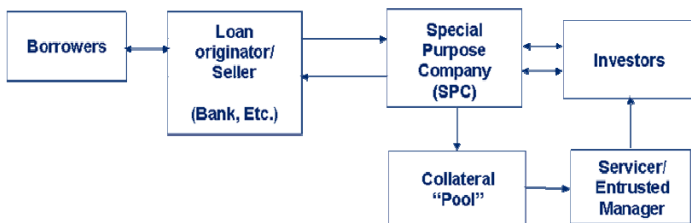
Asset-Backed Securities draft Law. This draft law is intended to provide the framework for implementation of securitization and the asset-backed securities market by authorizing Special Purpose Companies to be created for the sole and exclusive purpose of holding revenue-producing assets and issuing asset-backed securities, subject to the regulation of the FRC.

Exhibit 1: European covered mortgage bonds



Mortgage (Asset)-Backed Securities are a “non-recourse” to issuer securities that depend solely on assets for repayment. In an asset-backed securitization, originators sell assets to a Special Purpose Company (SPC)—a company created and operated solely for purposes of securitization and issuance of asset-backed securities. The SPC sells securities (bonds, equity certificates, notes, limited partnership interests, etc.) to investors. The SPC is obligated to pay principal and interest on securities from the cash flow of loans. Investors pay for securities, receive principal and interest payments from the cash flow of loan repayments. The SPC pledges the loans to investors as collateral, or sells common ownership (participation) interests. A Servicer/Entrusted Manager takes possession of and manages collateral for the benefit of investors and the SPC pays originator/seller of loans from the proceeds of sale of securities.

Exhibit 2: Mortgage (Asset) Backed Securities



The Financial Regulatory Committee (FRC) is currently making the proposed draft new laws concordant with existing Mongolian legislation and drafting amendments to relevant and related laws. Mr. Butler’s second next assignment, projected to begin on 18 June, will be devoted to working with FRC legal staff on draft regulations and procedures for implementation of the securitization legislation.

The project will continue to assist the FRC as required and requested to develop an appropriate legal and regulatory framework conducive to a properly regulated and sound private-sector oriented housing finance system based on best international practices.

A proper legal and regulatory framework, coupled with a direct system of transparent and direct, targeted, subsidies for lower income families meeting eligibility criteria are required policy instruments to provide access to housing finance and make it affordable.

Tourism industry moves closer to agreement on establishing a national tourism organization

At a meeting held at the USAID/EPRC Resource Center on 22 May, senior tourism stakeholders agreed to go ahead with the establishment of a national tourism organization (NTO). The project also agreed to continue acting as a technical secretariat and advisor throughout the formation of the new organization.



The meeting followed a project-sponsored weekend retreat held in April where the NTO working group defined the roles and responsibilities of the NTO and agreed on its legal status and organizational structure.

At the meeting, the working group nominated twenty founding members and elected the first governing board. The board comprises representatives from three government ministries, Roads Transport and Tourism, Education, and Environment as well as five private sector NGOs, the Hotels Association, the Tourist Information Center, the Tourism Development Institute, the Tourism Development Center and the Itgel Foundation. The organization has registered with the General Department of National Taxation as “The Mongolian National Tourism Organization” and has submitted its articles and by-laws to the Ministry of Justice for final approval. The NTO expects to be officially sanctioned by the end of June.

Internationally NTOs are seen as the best vehicle for engaging the private sector in the development of government tourism policy and its implementation. NTOs are usually responsible for country marketing, voluntary classification of hotels and resorts, accreditation of vocational training, and assist the government to establish spending priorities.

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.