



# EPRC MONTHLY NEWSLETTER

SEPTEMBER 2007

## ***National Committee on Trade and Transport Facilitation holds technical meeting***

On 25 September, with EPRC assistance, the National Committee on Trade and Transport Facilitation (NCTTF) held a technical session at the Ministry of Roads, Transportation and Tourism (MRTT). NCTTF designed the session as a forum for interaction of private sector stakeholders—mostly freight-forwarding companies and the Mongolian National Chamber for Commerce and Industry (MNCCI)—with public sector agencies involved in the programs.



Participants in attendance included:

- Mr. D. Naranpurev, Director for Transport Department, MRTT
- Mr. Yo. Jargalsaikhan, Secretary of National Committee, Transport Department, MRTT
- Mr. S. Altangerel, Secretary of the Single Electronic Window Working Group and Director, IT Department, Mongolian Customs General Administration (MCGA)
- Mr. B. Lkhagvadorj, Director of the Customs Control Division, MCGA
- Mr. A. Nyamkhuu, Director of Policy Planning Department, Information Communication Technology Authority (ICTA)
- Mr. Z. Chinbazar, Officer of Trade and Economic Cooperation Department, Ministry of Industry and Trade (MoIT)
- Mr. S. Oyunbat, Law Specialist, Railway Regulatory Authority (RRA)
- Mr. Ariunsaikhan, Transport and Service Specialist, Railway Regulatory Agency (RRA)
- Mr. L. Khaltar, Vice Chairman, Human Resources and Social Issues, Ulaanbaatar Railway (UBTZ)
- Mr. J. Gantug, Director of Customs Control Department of Ulaanbaatar Customs Unit.

- Ms. L. Gantsetseg, Deputy Director of Customs of Buyant-Ukhaa, Customs Unit.
- Mr. A. Batsuuri, Senior Expert, State Specialized Inspection Unit of Ulaanbaatar city.
- Mr. B. Purevchuluun, Deputy Director, Tuushin Co., Ltd
- Mr. P. Batkhuyag, General Director, IFFC, MTZ.
- Mr. Ya. Erkhembayar, Director of Erin International Co., Ltd
- Mr. D. Enkhee, Executive Director of TransGate Co., Ltd
- Mr. B. Batkhuu, Business Development Manager, Mongolian Express Co., Ltd
- Ms. J. Oyunchimeg, Head of Business and Investment Support Center, MNCCI
- Mr. D. Yondonsuren, Head of Research Division, Institute for Mechanic Engineering.
- Mr. A. Munkhbold, Researcher, Mongolian University of Science and Technology.

Main objectives of the session were to:

- Provide an overview of status of implementation of the national programs on a Single Electronic Window (SEW) for Trade Facilitation and *Transit Mongolia*
- Present current status of agencies relative to the national programs
- Introduce a common framework for Trade Facilitation to subsume activities of both programs, coordinate actions, and avoid duplications
- Identify and seek agreement on priority short-term actions under both programs.

Mr. S. Altangerel, MCGA, presented the major concepts behind SEW, the role of customs, major thrusts of the approved national program, including the intent to establish a separate company based on a public-private partnership (PPP) model to facilitate private investment in the venture. Mr. Yo. Jargalsaikhan, MRTT, outlined the contents of the draft national program on Transit Mongolia. GoM agencies presented a status report on their roles in the Transit Mongolia program and freight-forwarding company representatives provided their comments and concerns about both programs.

Of particular relevance were the presentations of Mr. L. Khaltar, Vice Chairman, Human Resources and Social Issues, UBTZ, and Mr. S. Ariunsaikhan, RRA regarding conditions of the railways and current status of implementation of the new Law on Railway Transportation. Both presenters, on behalf of their organizations manifested the need for and strong commitment to facilitate and expedite much needed investment in logistics centers and railway rolling stock.

In response, freight-forwarding companies declared their readiness to invest in state-of-the-art logistics facilities in Ulaanbaatar and Zamyn-Uud and rolling stock. Private companies expressed strong concerns about the process of decision-making concerning potential re-zoning and re-classification of land use in Ulaanbaatar. Freight forwarders argued that they could invest in potential logistics centers under conditions of uncertainty relative to the re-location of facilities and decisions about planned railway bypasses around the city.

There was agreement that discussions with the Municipality of Ulaanbaatar were needed regarding the process of arriving at re-zoning and re-classification of land use that will affect the location of logistics centers and that this decision needed to be made transparently, as quickly as possible and within a framework of dialogue with the private sector. Participants agreed that EPRC should take the lead in facilitating such dialogue between the municipality and the private sector.

Mr. Khaltar, as a Chairman of the Committee for Logistics at the MNCCI, committed to taking the lead in facilitating a dialogue between the freight-forwarding companies, UBTZ, and the RRA concerning how potential re-location of railway bypasses around Ulaanbaatar would affect the location of logistics center facilities.

Freight-forwarding companies agreed to initiate meetings in early October with the municipality, UBTZ, and the RRA regarding their participation in the decision-making processes of land use re-zoning and railway bypasses around the city. Once these uncertainties are removed, freight-forwarders stated that they are ready to commit investment in logistics facilities.

## **Mongolia Mortgage Corporation (MIK) shareholders capitalize the company**

At a ceremony held on 4 September, the Chairman of the Board of the Mongolian Mortgage Corporation (MIK) presented the shareholders with certificates verifying their increased shareholding following the successful capital increase to MNT 2 billion. The increased capitalization will enable MIK's mortgage purchasing and warehousing operations.



Attending the ceremony were Mr. Narantsatsralt J., Minister of Construction and Urban Development, Mr. Ragchaa Kh., Director, Financial Policy and Coordination Department, Ministry of Finance (MoF), and chief executive officers of MIK shareholder banks.

In his speech, Minister Narantsatsralt said that the Mongolian capital market is at a nascent stage and MIK is pioneering in its further development through issuance of mortgage-backed securities. Minister Narantsatsralt emphasized that "if mortgage securitization is done successfully and goes the right way, it would have a great impact on providing the population with affordable housing and over time low-income families would have greater access to longer term and lower rate mortgages." Minister

Narantsatsralt assured strong support of the Ministry of Construction and Urban Development to MIK.

## **Mongolia National Tourism Organization holds strategic planning workshop**

The Mongolian National Tourism Organization (MNT) executive and governing board held a series of meetings, culminating in a one-day workshop on 19 September to prepare a strategic plan for 2008-2011. Two EPRC international experts, Dr. Hannah Messerli on tourism destination and Mr. Jeremy Condor, on associations, assisted the organization during ten days of intensive consultations.

The goal of the workshop was to develop a viable and practical strategic plan for MNT for 2008-2011. Participants in the workshop included board members representing the Mongolian Hotel Association, the Tourist Information Center, the Sustainable Tourism Development Center, the Mongolian Guides Association, the Mongolian Tourist Camps Association, Battour company, the Executive Director of MNT, and an individual citizen.

Members of the Governing Board, with assistance from the experts, examined in detail development and trends of the tourism industry in Mongolia, tourism product offerings, and factors to take into account in preparing the MNT action plan. Participants focused on the role and positioning of the MNT in the tourism sector, diversification of sources of funding, and priority actions to take during the next six to twelve months.



EPRC is translating the experts' report for discussion by the MNT Governing Board. Current MNT Governing Board plans are to organize an industry-wide presentation in November to introduce the organization and propose an industry-wide plan of action to promote Mongolia as a destination and "speak with a single voice" in overseas markets.

Governing Board members are deeply aware that the new organization, which received its official seal as an NGO on 25 September, needs to position itself rapidly in the market and deliver tangible benefits to gain industry recognition as a viable and legitimate voice of the industry.

## Journalists visit *Shariin Gol* coal mine

On 30 August, eight print, radio, and television journalists visited *Shariin Gol* coal mine to get first-hand information on coal mining operations and their impact on power generation. The event is part of the public education and information campaign on energy issues that the Ministry of Fuel and Energy (MoFE), the Ministry of Finance (MoF), the State Property Committee (SPC) and the Energy Regulatory Authority (ERA) have launched. The Press Institute and the project provided support for the event.



The visit to the *Shariin Gol* mine included a briefing of the energy sector in Mongolia, the role of coal and the impact of price on power generation and consumers. At an informal lunch with mine leaders, reporters ate a typical miner's lunch and engaged mine officials in conversation. Journalists toured mine facilities, held detailed discussions on financial condition of the mine with the financial officer, and interviewed workers on their issues and problems.

## Mongolian Tax Authority launches redesigned website to improve service to taxpayers

Launched experimentally during Tax Week in May, the Mongolian Tax Authority (MTA)—General Department of National Taxation—officially released its revamped website in September. The website ([www.mta.mn](http://www.mta.mn)) was designed using the *Joomla!Mongolia* open-source content management system (CMS) developed with project assistance and released in beta version through the Information and Communications Technology Authority (ICTA) in June 2007.

The MTA website has a modern, user-friendly interface that provides taxpayers with information about tax laws, tax forms, regulations, contact information for MTA offices nationwide, a questions and answers section, tax events, and tools for tax computation such as a personal income tax calculator. The exhibits shown below display the home page and the personal income calculator tool for taxpayers to compute their personal income tax.

The media reported the visit to the mine in:

- Two front-page “just-the-facts” articles in the Daily News; one included a photo and described mine operations, the other discussed a possible looming strike as government-set prices for coal were below cost of production
- A comprehensive article in Montsame News that included three photos; the article was also distributed to papers in all 21 aimags
- Two segments on Mongolian Public Television and a shorter segment on TV station Channel 5.

The public education and information campaign on energy issues began in June with two workshops for print media professionals held on 12 June and early July and a tour of Ulaanbaatar Combined Heating and Power Plant (CHP) # 3 on 10 August organized under the ERA auspices.

The mass media professionals visit to *Shariin Gol* coal mine was timely in view of a looming strike that would threaten coal supplies needed for power generation, especially with winter heating season approaching. Journalists learned that purchases of coal constitute about 56 percent of the cost of power generation and that the price of coal has a direct impact on the financial viability of power generation plants.

Journalists also learned that setting coal prices below true cost of production is not a remedy to mask the financial bankruptcy of the energy sector. This will require, *inter alia*, the following:

- Urgent investment in additional generating capacity to replace aging Combined Heat and Power plants (CHPs) and to meet future electricity and heat demand in the future
- Tariffs/prices that meet cost of production
- Implementation of a tariff design and a transparent system of subsidies targeted to the poor and lower-income consumers
- Time-bound action plans to improve the current dismal operating efficiency of the sector
- A transparent coal sector strategy to develop new deposits and mine-mouth power plants to generate power for exports, support value-adding mining processing operations that generate employment and increased incomes.

The *Shariin Gol* mine visit was one event in a national informational and education campaign that the GoM has initiated to foster the involvement of citizens in a national dialogue to address long-standing problems in the energy sector and use Mongolia's rich coal resources to fuel economic growth.



The new MTA website is a component of the agency efforts to become customer-focused and make it easier for taxpayers to complete and submit their tax returns. VAT returns, for example, can now be filed electronically for the first time and MTA has now received over 3,000 electronic VAT returns. One-stop offices to help taxpayers are now functioning in Ulaanbaatar and Darkhan and the system is rapidly expanding to other aimags. Current project efforts, in addition to the completed Mongolian website and design of tax returns, include technical assistance for the design and launching of an English website for foreign investors, IT security of the MTA networks and public education and customer service centers.

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