

18 May, 2006

Participants in the Summer Ger Camp on Finance and Economics:

Thank you for your responses to the proposal for the Summer Ger Camp on Finance and Economics. We are encouraged by the positive tone and interest in our meetings and in your expressions of preferences. From these EPRC has drawn the structure of the Institute, as below. As you will note, the venue is a delightful resort ger lodge, and the charges, all inclusive, will be covered by you, the sponsoring institutions. There is also a modest \$50 registration fee paid by the participant to reserve a place, motivate full attendance and help cover costs of textbooks, instructional materials, and photocopying. EPRC will cover the salaries, international and domestic transportation, lodging, and per diem of the international instructors, and textbooks. This missive is to invite your nominations of staff members to participate in the Institute, as discussed below. As you will recall, there will be 30 slots positions in the Institute and that it will comprise three courses:

- **Dates**—two weeks from Monday 24 July through Friday 4 August 2006. Students, faculty and staff will arrive at the lodge during the afternoon of Sunday 23 July and depart at the end of the Institute on Friday afternoon 4 August.
- **Venue**—Mongolian Secret History Tourist Camp, located 111 km northwest of Ulaanbaatar. See website at www.mongoliansecrethistory.mn. All meals will be included, starting with dinner on Sunday 23 July. During a visit to the Camp last Friday, EPRC staff were particularly impressed with the facilities—which include excellent meeting rooms, comfortable rooms and gers, and very fine meals. The lodge also has all the amenities of a fine spa resort, and there will be entertainment and weekend activities. See photos at the EPRC website, <http://www.eprc-chemonics.biz/suminst/index.php>. Participants in the Institute will be in residence at the lodge until Friday afternoon 4 August, residing at the lodge overnight and over the weekend of 29–30 July, and the anticipated costs will be \$30/day.
- **Courses**—Courses will be taught by western experts in the relevant specialties, university professors, consultants and government staff members:

Project analysis and financial institutions. This course will combine a shorter version of the project analysis course with a shortened version of the financial institutions course. Instruction will cover very generally the computation of net present value of investment or public service projects, beginning with a comprehensive view of the discounting process, the appropriate choice of interest rate, term of finance, costs of construction and the monetization of benefits. Then it will show how institutions specialized in a particular segment of the duration spectrum. That is, commercial banks specialize in taking deposits from savers and lending to businesses for short-term projects—eg, import finance, material purchases, inventory finance, etc. Mid-way on this spectrum are capital market intermediaries—stock exchange, brokers and mutual fund operators; these frequently merge with or are corporatively allayed with investment banks. At the other end of the duration spectrum are life insurance companies, investment banks and mortgage banks. The nature of risk, investment and portfolio strategies and regulatory oversight will be explored in conjunction with the project analysis, showing how the net present valuation

method of the investment decision is used in common across all financial institutions, but with selection of investments by duration allocating them to different institutions.

Open economy national income accounts (NIA). This course will begin with a high level overview of macroeconomics to establish the basic equations underlying the two approaches to accounting—income and expenditure. Then with the social accounting matrix (SAM) providing structure, the NIA will show how budget and monetary policy affect the distribution of income and how international capital flows alter the saving-investment balance. Issues of the underground economy—shadow and informal—will be addressed. Implications of the newer international accounting standards (SNA93) have impacted GDP measurement and, in particular, the construction of prices indexes by use will be addressed. The income and production indexes are to be based on product rather than industry, and the development of detailed accounts for GDP measurement from the expenditure side will be addressed. Finally, how development leads to greater capital inflows reflected in trade imbalances to effect the financial flows necessary will be emphasized.

Regulatory structure and legal reforms for market economy. A market economy works best when participants can trust their trading and investment partners to abide by contractual agreements. More generally, contractual agreements are simpler when the contracting parties are aware of and abide by regulations that govern their activities. This awareness and agreement requires clear laws and assured consequences of violations. Establishing such financial laws and regulations is complicated but productive. This course will review public procurement rules and requirements for competitive tenders, reforms in investment, accounting, energy, and tax laws as well as implied necessary reforms due to WTO, various free trade agreements, international financial standards and international intellectual property laws. Requirements and the rationales for specific reforms such as Anti-Money Laundering in accord with the Basel Standards will be addressed. The end objective of this course is to chart what is required for an efficient market regulatory oversight, where Mongolia is in that progression and what remains to be enacted and implemented. Throughout the review, the principle of regulation that both good law and efficient implementation are required will be used to evaluate the current regulatory environment in Mongolia.

- **Language of Instruction**—The language of instruction will be English, as most of the nine participating institutions voted for this approach. However, if there are especially qualified candidates whose English language skills are not adequate to participate in an English-language curriculum, EPRC will add simultaneous translation to accommodate them. So when nominating candidates consider how they will benefit from these courses and explain fully why you think so. There will be EPRC staff members who are bilingual in each class to ensure that questions are accurately and fully communicated to the instructors and answered in terms that ensure the participant's understanding.
- **Support**—Of course, USAID will provide the major support for the institute—primarily the fees and logistical support to bring international university professors and private or government experts to provide instruction on these specialized topics. As noted, the participants' lodging and meals and registration fees will be covered by their home institutions.
- **Nominations of participants**—Please nominate up to four staff members from your institution for the Institute. You will find application forms and a CV template for describing your nominees' qualifications at the EPRC website, <http://www.eprc-chemonics.biz/suminst/index.php>. Please use these two forms to describe your nominated staff member's background, education, current

position and employment history, and a brief statement—no more than one page—as to why this person should be included. Return these completed forms, two for each nominee, to me at EPRC as soon as practicable, but in any case no later than the **deadline of June 5, 2006**. EPRC will start processing the applications and evaluating candidates as applications are received, so there will be an advantage to responding early. Remember, there are nine participating institutions, so we will have to select between deserving candidates. Consequently, it is important that you tell us why your candidate(s) is prepared to benefit and your organization to benefit from his/her participation. Include the candidate's English language facility.

- **Correspondence**—In all correspondence related to the Institute, as well as me, please cc the EPRC Operations Manager, Uurtsaikh S., Uurtsaikh@eprc-chemonics.biz and my associate Zoljargal N., Zoljargal@eprc-chemonics.biz.

With best regards and looking forward to a productive Institute,

Mack Ott, PhD
Macroeconomic Advisor
EPRC Project/USAID
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Participating Institutions:

1. Financial Regulatory Commission, Mr. S. Jargalsaihan and Mr. M. Olziibat
2. Institute for Finance and Economics, Mr. D. Batjargal and Ms. B. Marina
3. Khan Bank, Mr. B. Turnbull
4. Ministry of Finance, Mr. B. Batjargal and Mr. N. Enhbayar
5. Ministry of Trade and Industry, Mr. D. Badarch, Mr. V. Enkhbold, and Ms. D. Enkhchimeg
6. Mongol Bank, Mr. B. Enhhuyag and Mr. J. Ganbaatar
7. Mongolian Stock Exchange, Ms. S. Zayadelger and Mr. S. Davaasambuu
8. National Statistics Office, Ms. Yu. Tuul and Ms. B. Saranchimeg
9. Xac Bank, Mr. Ch. Ganhuyag and Ms. G. Zul