

Case Study – Development of Mongolian Wild Blueberry Opportunities
Harnessing the Demand-Driven Market opportunities to involve the private sector
in Economic and Social Development for Indigenous Crops

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Abstract:

The Northern territories of Mongolia have changed little from the days of Genghis Khan. The Nomadic people of the region continue to utilize their land resources as grazing land for their horses, sheep, yaks, cattle and goats. With no recognized individual ownership of land Mongolia agriculture is limited to grazing and seasonal crops. The land suffers from the tragedy of the commons with each nomadic family moving two to three times a year for new pasture leaving the old pastures in worse condition than when they arrived.

The nomadic traditions of Mongolia make sustainable agriculture beyond herding a challenge which would require considerable changes in law and customs.

The forests of the Mongolian north provide a wild blueberry crop which has gone greatly unharvested due to limited domestic demand and unrecognized export demand. In the spring of 2006 USAID supported a team of Japanese buyers to visit the growing area for wild blueberries in Mongolia.

The Japanese buyers purchased up to 20,000 cases of Mongolian Wild Blueberry Jam from the 2006 harvest and will work with USAID and the private sector in Mongolia to explore the opportunities for Mongolia to harvest and process the blueberries into dried or powdered forms for future exports.

This study is a prime example of what can occur when the private sector works with development agencies and the government to accomplish mutually beneficial objectives. Sustainability depends upon the private sector involvement.

EXECUTIVE SUMMARY

Few places on Earth are as desolate and isolated as upper Mongolia near Lake Hovsgol, a region where the average mean temperature in January is minus 32°C coupled with no economically significant resources. In this area there are few villages and most of the resident population is nomadic, moving their herds with the seasons and availability of grazing land.

Faced with the challenge of providing a better quality of living for the people of Mongolia the government is faced with seemingly insurmountable challenges. To support the governmental efforts, U. S. Agency International Development (USAID) has a number of programs in Mongolia ranging from assisting in improving the transparency and accessibility of the government to supporting business development.

In Mongolia during October 2005 I discovered a locally produced wild blueberry jam at an Ulaanbaatar (UB) market. Realizing that world demand for blueberries exceeds the available supply, I queried about the local crop and learned that it was estimated that only 2% of the available berries were harvested annually due to limited demand.

Subsequently, I visited several companies in Japan to discuss market opportunities for Mongolian products. I received an overwhelming interest in blueberry products with a solid inquiry for 2,800 cases of blueberry jam for immediate shipment based upon the price that I received from the producer in Mongolia. Learning that there was insufficient product to meet this demand, yet an un-harvested crop and excess labor in the region, we realized that there was an opportunity for profit to be developed.

For economic development to be sustainable it is critical that the companies and individuals involved continue to make a profit when support comes to an end. The Japanese companies that I met with expressed their interest in cooperating to develop this opportunity. They each felt that having the ability to offer Mongolia wild blueberry products would provide them with significant competitive advantages over other sources of blueberries.

USAID Economic Policy Reform and Competitiveness Project (EPRC) began their work to develop a supply chain capable of meeting the demands for quality and volume of the customers. With a firm commitment from a buyer for the final product, the chances of success and sustainability justified USAID and local participation. In May 2006 I traveled to Lake Hovsgol with two buyers from Japan to review the opportunities and determine if there was sufficient supply and technology to provide the customers with product to justify their commitment to the project. On this trip we started the process of exploring the concept of producing other value added products from the available blueberries including dried blueberries, blueberry powder, and IQF frozen blueberries.

The development of an economy associated with the Mongolia wild blueberry crop will help achieve the economic objectives of the government of Mongolia by helping to improve the

standards of living for the local populace without changing their lifestyle or requiring them to give up their centuries old traditions as nomadic herdsman.

This case study documents the efforts, successes and failures of the development of sustainable economic activity around the Mongolia wild blueberry crop. With one harvest season currently working its way through the supply chain to the customer in Japan it is too early to determine the ultimate sustainability of this effort, however, the lessons learned through this effort to date can help others achieve success and sustainability in similar situations.

General Facts	
Country:	Mongolia
Region:	Lake Hovsgol
Program:	Economic Policy Reform Competitiveness
Funding:	United States Agency for International Development (USAID)
Year:	2006 to present
Company:	Pacific Trade Japan – Beneduct Mongolia
Participants:	<ul style="list-style-type: none"> • Nomadic Herdsmen of Lake Hovsgol Region Mongolia • U. S. Agency International Development (USAID) • Jim Krigbaum, marketing specialist, USAID/2020 Development Company LLC consultant • Norio Ide, President HealthNet Japan, a Tokyo, Japan -based importer and distributor of natural and Healthy products • Dr. Junichi Uno – Food Processing and Sanitation Expert – Tokyo Japan • Jigjidmaa Dugeree – Marketing Specialist – EPRC Project USAID Mongolia

Overview – Environmental factors

The environment in the Lake Hovsgol region of Mongolia has suffered greatly from the tragedy of the commons. With private property non-existent the resulting lack of resource management has left nearly all of the Mongolian landscape over grazed, over utilized and suffering from desertification, erosion and degradation as a seemingly unchangeable fact.

The nomadic lifestyle of nearly two thirds of Mongolian citizens coupled with common ownership of the natural resources has kept agricultural production limited to a few annual crops (that can be protected from wondering herds) and herds of livestock that continue to be relocated to greener pastures when the current area becomes over grazed or otherwise unproductive. With no incentive or protection for private investment, the planting and management of perennial crops and fixed facilities is nonexistent.

Sustainable economic development and growth in Mongolia is difficult due to several factors including the environment, the location as a landlocked country between Russia and China, and years of suppressed education, entrepreneurship and incentive under the Communist system. In the area around Lake Hovsgol these factors are amplified by the lack of investment in infrastructure which puts transportation between Lake Hovsgol and Ulaanbaatar a rough 1200 kilometers across valley floors with few paved roads and facilities and inconsistently scheduled flights.

Overview – Market opportunities and first steps

The global demand for blueberries has increased significantly in recent years due to the health benefits of blueberries in the diet including their anti-oxidants and cholesterol reducing benefits. Finding a customer to buy blueberries was not a difficult thing. Many buyers that I talked to wanted to purchase more blueberries than they currently had offered to them.

Getting the blueberries in an acceptable condition to the buyers at a competitive price was identified as the real greatest challenge finding customers was not going to be a problem.

Sustainability of development efforts are greatly enhanced when the private sector is involved from the beginning of a project therefore I set out to identify a buyer that I believed would be willing to take a risk on an unproven product from a primitive packing situation and introduce it into the toughest market in the world – Japan. I identified Lingzhi Technical Institute and Pacific Trading Japan as two companies that were willing and able to source product under these conditions. Lingzhi Technical Institute indicated that based upon the current price and the representative quality of the samples they had seen they were willing to commit to 20,000 cases of product and another buyer had immediate demand for 2400 cases.

By identifying a buyer prior to investing in production and processing we were able to eliminate the risk of producing a product without demand. We were able to integrate the specific demands of the client and to get their cooperation through every step of the process. We also understood a successful program would provide sustainable income to local herdsmen who have historically had few income opportunities without leaving their ancestral lands or selling their herds.

The processor had a risk of producing 20,000 cases for the Japan market because if the quality did not meet the demands of the market they would have product far exceeding local demand. The processor had to commit to the jars and packaging materials well in advance of knowing if the product was going to be acceptable to the market. To help mitigate this problem the buyer provided a pre-processing payment to the local processor to support the supply chain. This agreement between the processor and the buyer ensured that the needs of both the producers and buyer were met; resulting in a win/win marriage between buyers and producers, which provides for the sustainability of this business.



This case study reflects how private and public entities can join together in a demand-driven environment to achieve mutually beneficial, sustainable results providing a harmonic marriage to achieve social and economic development.

IMPLEMENTATION

Step 1: Opportunity assessment

To determine if there was in fact sufficient product available for a commercial wild blueberry processing industry, a trip of discovery needed. In May of 2006, accompanied by two representatives from importers in Japan, I traveled to the Lake Hovsgol region of Mongolia. The blueberries were not growing on the bushes yet; however, we were able to determine the potential of the crop, the system for harvesting and processing. We took the trip as soon as the snow had melted as we realized that if modernization needed to be done to processing technology or supply chain in time for the 2006 harvest, we would have to be accomplished prior to harvest beginning in late August.

The buyers “invested” in this trip by providing their staff to make this trip. In most USAID, and other development projects, this work would have been accomplished by consultants with technical knowledge of blueberry processing but with no authority to purchase product or conclude business. Having businesses involved at this stage allowed the project to save money but more importantly we had buyers that from this point forward were vested in the success of this project. For this trip the private sector paid for the time and local hotels for their staff while USAID funded the travel and transportation for the buyers. By subsidizing the private sectors costs for this research they were able to justify the expenses while without this support they would not have made the trip and the opportunity would have been lost.

Factors that we were reviewing on this trip included:

- ✓ Available crop and accessibility to processing facilities
- ✓ Limited processing technology and experience
- ✓ Unskilled labor
- ✓ Distance from markets
- ✓ A limited number of crops that could be produced effectively and delivered to market
- ✓ Experience locally in producing crops
- ✓ Existing processing plants and market apparatus
- ✓ Comparative advantage in producing crops for the market beyond the local market
- ✓ The need to produce something with local and domestic demand in the absence of a broader market or unmet international standards
- ✓ A crop that minimized the need to introduce new techniques and was quickly adaptable by the local producers
- ✓ Ability to get harvesters in the region to harvest this natural and wild crop

Product identified filling most requirements above

An international market existed for all formats of wild blueberries. Global demand has recently exceeded available supply due to the promotion of blueberries as a high source of antioxidants. Blueberry consumption on a global basis has continued to grow, however, demand in Mongolia was limited due to several factors including; (1) limited cash income; (2) limited ability to transport and store fresh product; (3) limited demand for fresh fruits; and (4) limited knowledge of the benefits of blueberry consumption.

The limitations stated above kept fresh blueberries from entering the market in commercial quantities. Local processing companies developed limited domestic markets for blueberry jam and blueberry liquor. It was estimated, however, that this local demand consumed only about 5% of the available wild crop.

After the review of resources and opportunities blueberry jam emerged as the easiest product to process and introduce into the global market. The factors which contributed to this conclusion include; (1) blueberry jam is shelf stable and therefore can be stored and transported without a problem; (2) a domestic market existed in case production did not meet international standards; and (3) processing expertise already existed in Mongolia.

With a low wage rate and abundant crop, Mongolia could have a competitive advantage on greater value added products.

Step 2: Develop processing procedures and protocol for jam production

To develop a protocol for sanitation of blueberry jam production in Japan the EPRC project hired Dr. Junichi Uno from Japan. Dr. Uno had represented Lingzhi Technical Institute/HealthNet Japan during the May visit and therefore had the respect of the buyer. Dr. Uno's role was to develop standards and to transfer this technology to the pickers, handlers and processors of the berries. Prior to harvest beginning, Dr. Uno developed the techniques and protocol that would take the production of blueberry products in Mongolia from a primitive industry to one which produced a product that would be accepted around the world as a sanitary and safe product.

In July 2006 before harvest began, Dr. Uno returned to Mongolia and transferred the technology to the local staff of the processor Beneduct. Dr. Uno and other representatives of HealthNet Japan returned to Mongolia on several occasions to ensure that production procedures were met and that quality reached minimum standards for brix, foreign matter (stems) and acidity were achieved.

The assistance of Jigjidmaa Dugeree – Marketing Specialist – EPRC Project USAID Mongolia – was critical to the success of this effort. By acting as the translator, mediator and messenger between the Japanese buyer, the Dr. Uno (technical assistance) and the processor (Beneduct) this



business would have failed to survive even before the harvest began. The role of the development industry as a conduit and facilitator of trade between two businesses from different cultures and with different experiences, expectations and expertise is critical.

Japanese businesses have limited exposure to business in Mongolia and likewise Mongolian businesses have little exposure to Japanese business practices and customs. The expectations of both parties going into a relationship, like the one which has been developed between HealthNet and Beneduct, often appear to be very far apart, while an individual with the role as that performed by Jigjidmaa is critical.

The fact that USAID, the EPRC project and the individuals involved with putting and holding this relationship together did not profit from the individual transactions kept their role as a non-bias facilitator was critical to the project's success. By maintaining neutrality and respect of all entities involved Jigjidmaa was an honest broker in the relationship.

Step 3: Organize Supply

In September as the crop began to arrive in UB from the Lake Hovsgol area. Dr. Uno returned to UB to work at the plant to ensure that the protocol he developed was applied and that the resulting product met with his buyers expectations.

Jigjidmaa and the EPRC program worked with Beneduct to ensure that the needs of HealthNet were of constant focus of the Beneduct team. With this being a "wild" crop the harvest time was fully unpredictable with different sides of the hills becoming ripe at different times of the season. Constant dialogue was maintained between the harvesters, collection sites, transportation and processing and the Japanese buyers.

Step 4: Assessing problems and identifying solutions and new opportunities for future seasons

The first shipments of Mongolian blueberries to ship to Japan will occur in early 2007. The level of production did not meet the demands that HealthNet Japan had forecast. The sales in Japan should begin to occur toward the end of the first quarter of 2007. The author and Dr. Uno will continue to monitor the market in Japan to receive feedback and input from Japanese consumers which can be utilized to improve the product in future years.

Dr. Uno remains concerned about the amount of stems which remain after processing and Beneduct struggled with the de-stemming process and costs associated with the labor to de-stem. There is also concern about the sustainability of the crop. Additional research will be done on how other processors remove the stems and this information will be provided to Beneduct directly and through the USAID project.

With success obtainable with the first effort of exportation of Mongolia wild blueberry products, the focus switches to a study of the feasibility of value added blueberry products. USAID and the private sector are supporting the business studies necessary to determine the economics associated with production of various blueberry products including dried and powdered blueberries.

BEST PRACTICES

There were several essential elements to the successful coordination between the public and private companies in sustainable development. These elements are important to consider as this effort matures and for replication elsewhere.

1. *Demand driven:* Export of Mongolian wild blueberries was ultimately successful because a buyer in Japan viewed it as a potentially profitable venture and submitted a purchase order to a Mongolia processor accordingly. USAID/EPRC facilitated the process through strategic interventions to lower initial transaction costs and reduces the risk incurred at each level of the market chain.
2. *Cooperation:* The private sector worked with USAID/EPRC and NGOs to build synergies based on mutually beneficial interests.
3. *Start with a buyer:* At an early stage buyers were the driving force for the development of the supply chain.
4. *Sustainability through profit:* Profit is the motivator and the glue that holds opportunities together after support funding ends. USAID/EPRC played a major role in catalyzing the initial steps for export success. However, project assistance becomes less and less necessary as long as profit exists for buyers and sellers at each level of the market chain.
5. *Importance of a honest broker* – without a honesty broker, who profits is not tied to the transaction but are compensated for their assistance in facilitating the transaction, this and similar transactions and development efforts are doomed to fail.

LESSONS LEARNED

Development projects do not end with a consultancy but require businesses to advance the work begun by the development efforts. The role of performed by a development project oriented to business development, competitiveness and open trade can be a valuable role for both buyer and seller.



EPRC MONTHLY NEWSLETTER

MAY 2006

Ministry organizes weekend retreat with private banks to address housing finance issues

The Ministry of Construction and Urban Development (MCUD), with project assistance, organized a round table discussion on "Housing finance: Modalities of cooperation between the private and public sectors" on May 13. The housing finance retreat was an important step in opening a dialogue on how best the public and private sector can work together to develop primary and secondary mortgage markets and to support an efficient and affordable housing finance market for middle and lower income families in Mongolia.



Minister J. Narantsatsralt and Governor of Mongo Bank, O. Chuluunbat attended the retreat along with their staff and representatives from the National Housing Center, National Council for the Millennium Challenge Corporation (MCC), the Asian Development Bank (ADB) project management unit for their mortgage lending project, and nine commercial banks.

The Ministry of Construction and Urban Development (MCUD), the Bank of Mongolia and Trade and Development Bank (TDB) made presentations on the roles of government, the central bank and the private sector in the development of the housing market and the financial system that supports it. International housing finance consultant, Mr. Claude Bovet, who was brought back by the commercial banks to provide professional consulting services for the establishment of a Housing Finance Corporation (HFC), made a presentation on the principal recommendations of the housing finance report prepared in November 2005 and the role of the HFC.

Minister Narantsatsralt's solid endorsement of the Housing Finance Corporation and Governor Chuluunbat's reaffirmation of Mongol Bank's role as a last resort liquidity

provider for mortgage-backed bonds resonated with private sector bankers. Minister Narantsatsralt urged to get started and do it now without waiting for everything to be ready and perfect as the process can be fine tuned once it starts.

Although the current constraints do not necessarily conducive to the development of a full-fledged self-sustaining mortgage finance system, the participants in the retreat came to a common understanding that:

1. The private sector should move ahead with the establishment of the HFC to extend the primary housing market and lay the groundwork for the secondary market. The HFC can be started with a simple structure and few staff and its first operation can be that of a "swap" securitization
2. MCUD, Mongol Bank and commercial banks should cooperate on addressing the legal, regulatory and institutional issues necessary to promote an enabling legal environment that supports the development of the mortgage market, including the drafting and alignment of the package of mortgage laws with the Mongolian Constitution and the Civil Code.
3. An ongoing forum between the public and private sector is important to identify partnership initiatives to support affordable housing solutions for lower and middle income families.



4. The MCUD's National Housing Center would concentrate on its role as a policy coordinator and facilitator in the housing, land development and construction sectors. The activities of the National Housing Center must be closely coordinated with the activities of the Housing Finance Corporation and geared towards the establishment of an efficient and transparent system to provide market participants with accurate and up-to-date information on the housing market.
5. The Bank of Mongolia would play three major roles in the housing market those of a minority shareholder in the HFC, a "market maker" providing liquidity for HFC

bonds and an enabler by lowering the reserve and capital weighting requirements applicable to HFC bonds.

6. MCUD would work closely with the project on the development of a government subsidy system based on transparent and well-publicized eligibility requirements, implemented through the private sector, to provide affordable housing to lower and medium income people.

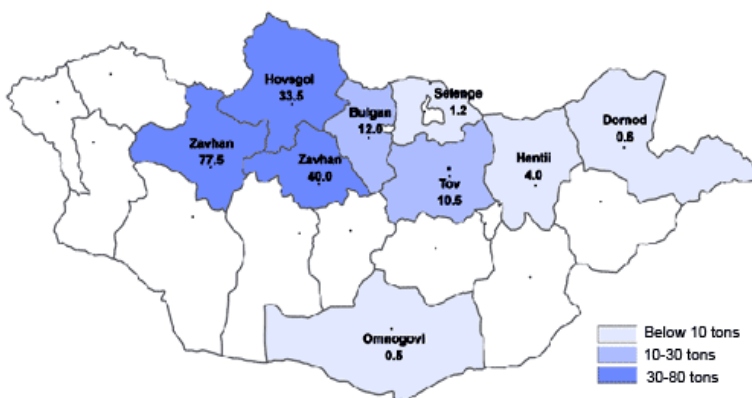
During the next quarter, members of the working group for the establishment of the housing finance corporation (HFC)—nine commercial banks and Mongol Bank—will focus on the development the business proposal to submit to their respective boards and establishment of the corporation. The initial “swap” securitization of mortgages will provide banks with better term matching of their assets and liabilities and introduce further liquidity for onward mortgage lending as Mongol Bank will reduce current reserve requirements of one-hundred percent for mortgage lending to twenty percent for mortgage-backed bonds.

Similarly, over the next quarter, the Ministry with project assistance will focus on improving the legal framework for non-judiciary mortgage foreclosure as an initial step in reducing lenders’ risk and, consequently, the interest rate premium that all borrowers must pay in the form of higher interest rates.

Searching new markets for Mongolian wild blueberries

Two Japanese buyers, Dr. Junichi Uno of the General Institute Co., Ltd, and Mr. Etsuo Nagashima, representing Lingzhi General Institute Co Ltd and Pacific Trading Co., Ltd (a subsidiary of Kikkoman Corporation), arrived in Mongolia on 29 April to explore export possibilities for Mongolian wild blueberry jams to Japan and to visit the crop producing areas of the Khuvsgul aimag.

In Japan, blueberries and blueberry preserves are in high demand and outsell all the other ‘soft’ fruits. They are believed to have therapeutic properties and are known to the Japanese as the ‘vision’ berry. International exports marketing expert, Mr. Jim Krigbaum organized the seven-day visit as part of EPRC’s ‘Routes to Markets’ program that is designed to facilitate Mongolian producers and exporters in identifying and penetrating new target export markets.



In Mongolia around 180 hectares produce an estimated 320 tons of uncultivated blueberries each year. Berries mainly grow in Zavkhan, Khuvsgul and Bulgan aimags. Currently

only about 50 tons or 15.5% is harvested to be processed into final products, such as jams, juices and liqueurs.

Logistic difficulties to bring the berries to market are cited as the main reason why much of the berries crop goes unharvested. While in Khuvsgol the Japanese visited a particularly abundant area around the mountain “Sagsgar uul” located 20 km from Khatgal at the southern tip of the lake. The Japanese buyers witnessed first hand the wild berry shrubs, many of which still had hanging fruit attached, and preserved under the snow.

Two companies, *Batsarai* and *Beneduct*, produce the two leading Mongolian jam brands, accounting for over 90% of all blueberry production; most of this production is sold in the domestic market. The Japanese buyers had several extensive meetings with both companies, studying the supply chain in some detail from harvesting through to processing and bottling. Berries are harvested by herdsman in the local areas and their sale supplements their traditional income generated from cashmere, meat, leather and dairy products.



The *Batsarai* company processes fresh berries in mobile processing units which are positioned in high-yield areas throughout Khuvsgol during the harvest in late July through August. In these two months the company needs to harvest and process enough berries to satisfy the annual demand.

Beneduct has a small scale processing plant in Ulaanbaatar and produces jams, juice and liquors from wild berries. They maintain steady production throughout the year by freezing the blueberries as they come in from various collection points in different aimags. Dr. Uno and Mr. Nagashima toured the plant and observed all stages of the production process including extraction, cooking, bottling and labeling.

On returning to Japan and presenting their findings on wild Mongolian blueberries to distribution companies, the buyers identified an immediate demand for 50,000 bottles (500gm) of jam, requiring around 13 tons of fresh berries. Mongolian companies will now need to implement enhanced quality control to ensure that they can meet the strict hygiene, sanitary, and health standards that Japanese consumers demand. They will also need to consider upgrading their technology to take advantage of the new target export market opportunities. Over the next quarter the project will

continue to work with the companies to prepare them for their first adventures in international trade.

Peace Corps and EPRC team up to develop virtual presence of Mongolian regional tourist sites

According to surveys conducted by the World Tourism Organization, 84% of all travelers in the developed world refer to the World Wide Web for information before deciding on a destination for their next holiday. In the summer of 2005 EPRC, working closely with the US Peace Corps, piloted a program to develop web sites for Mongolia's 'tourism' aimags and take advantage of the growing use of the internet as a travel planning tool.

Indraa Bold, EPRC program coordinator, with Adrian Mummey and Josh Gardner, Peace Corp Volunteers from Khentii and Bayan-Ulgii, respectively, led the workshop. They briefed the group on the basic preparation for the survey, what information to look for, what equipment would be required, and how much provisions to take for their field trips. They explained how the volunteers should plan their work in view of the short tourism season, how they should involve the local administrations and communities, and how to build up trust with aimag residents by carefully spelling out the benefits of the initiative, and improving living standards through increased tourism traffic.

The seven new aimag websites will be completed by end of 2006 and join the already existing Khentii, Uvurhangai, and Bayan-Ulgii websites.

Readers can visit: www.khentii.net or www.ovorhangai.net to see examples of the aimag tourism websites.

'Summer Ger Camp on Finance and Economics' scheduled for to start in late July

With major funding from USAID and from local partners, the Institute of Finance and Economics and the National Statistics Office (NSO), among others, the project will offer an intensive two-week, full immersion "Summer Ger Camp on Finance and Economics" during 24 July through 4 August at the Secret History of the Mongols Ger Camp at 111 km northwest of Ulaanbaatar.

Taught by international experts, the objectives of the finance and economics retreat are to:

- Diffuse knowledge and use of modern principles of finance and economics as well as contemporary quantitative analysis techniques in Mongolia
- Develop skills in and promote use of quantitative analysis to support economic policy and financial decisions
- Increase the supply of young professional Mongolians in the private and public sector trained in these techniques

Details of the course, curricula, eligibility criteria for participants, venue, and application forms can be found on line at: <http://www.eprc-chemonics.biz/suminst/>

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.

In Khentii and Uvurhangai, Peace Corps volunteers enlisted the help of community groups to conduct a 'tourism inventory' in their respective aimags. The teams physically surveyed tourism attractions of the aimags, facilities, and recreational opportunities, spending between ten and fifteen days exploring the aimags by jeep, horse, and on foot. On their return to base, they constructed individual websites based on the audits and placed them on the web. In the spring of this year, a third aimag, Bayan-Ulgii, joined the pilot program, intending to be ready for the celebrations of the 800th anniversary of Mongolian statehood this summer. The three pilot projects have proven to be so popular with aimag communities and site visitors that EPRC decided to expand these pilots into a full program with the ambitious aim of adding a further seven aimags during the summer of 2006.

On 11 May, fourteen Peace Corps volunteers from all corners of Mongolia assembled in Ulaanbaatar to attend a training workshop that the project hosted. The workshop was based on the experiences of the pilot aimags and focused on how to develop the websites as a marketing tool for community-based tourism. The group, five women and nine men, represented the seven potential new aimag websites; Zavkhan, Arkhangai, Orkhon, Selenge, Tuv, Sukhbaatar, and Dornod.





EPRC MONTHLY NEWSLETTER

JULY - AUGUST 2006

Nineteen young professionals graduate from the *Summer Ger Camp on Finance and Economics*

At a ceremony held on 4 August, nineteen young Mongolian professionals graduated from the *Summer Ger Camp on Finance and Economics*. The Institute of Finance and Economics and the project partnered to offer a two-week intensive curriculum of contemporary financial and economic analysis techniques and their relevance to current Mongolian policy issues.



Specific objectives of the *Summer Ger Camp on Finance and Economics* were to:

- Diffuse knowledge and use of modern principles of finance and economics as well as contemporary quantitative analysis techniques in Mongolia
- Develop skills in and promote use of quantitative analysis and project appraisal techniques to support economic policy and financial decisions
- Increase the supply of young professional Mongolians in the private and public sector trained in these techniques
- Improve the capacity of partnering Mongolian institutions to support and provide similar summer course offerings.

The international faculty and courses offered were:

- *Project analysis techniques*, Professor King Banaian
- *National accounts*, Dr Miles Light
- *Government procurement*, Ms Linda Ott
- *Mongolia's informal economy*, Dr Mack Ott
- *Housing finance*, Mr Tim O'Neill

- *Mongolia's tax policy reform*, Mr Larry Jensen
- *Mongolia's energy policies*, Mr Horst Meinecke
- *Roundtable on Mongolia's economic policy issues*, with the participation of faculty and interns.

Course participants came from the Institute of Finance and Economics, Ministry of Finance, Mongol Bank, National Statistical Office, Xac Bank and Newcom group. Participants and the international faculty offering the courses had ample opportunities for intensive interaction during two weeks of residence and instruction at The Mongolian Secret History Tourist Camp.

Based on participants' evaluations, the *Summer Ger Camp*



on Finance and Economics was a success and the vast majority of respondents declared that they would highly recommend the course. The participants' evaluations also indicated that separate curriculum tracks be provided for private versus public sector trainees were the course offered again in the future.

Additional information about the course and the venue can be found at: <http://www.eprc-chemonics.biz/suminst/>.

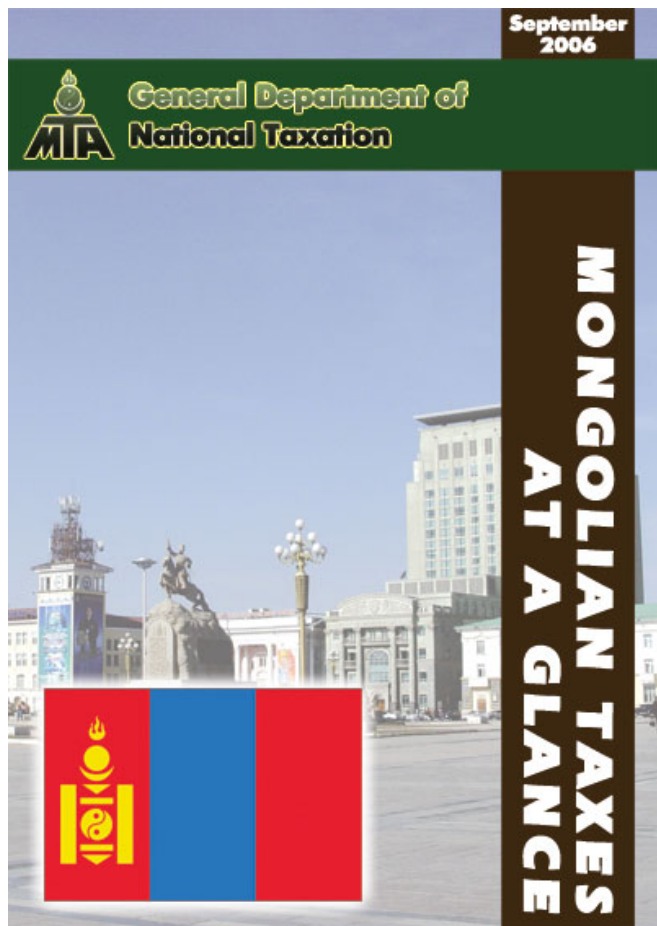
***Mongolian taxes at a glance* brochure completed**

The project completed the brochure "Mongolian taxes at a glance" for the General Department of National Taxation (GDNT). The brochure will be used in the fall public education campaign on taxes that GDNT will conduct with assistance from the project.

The brochure was conceived during the tax retreats that the project helped the Parliament Tax Working Group (PTWG) organize last winter to address the lack of user-friendly information about Mongolian taxes. The brochure uses easy-

to-understand graphics to convey information about Mongolian tax revenues and comparisons with similar countries.

In addition to printed copies for MPs, policy makers, and



postings on websites, current plans are to make the brochure available to Mongolian citizens through national newspapers during the fall educational campaign on the new tax laws.

Contract signed to supply wild Mongolian blueberry jam to the Japan

On 9 August *Beneduct LLC* and a leading Japanese organic food retailer signed a supply contract for 60,000 jars of wild blueberry jam. Signing of this initial order was the result of project assistance provided to identify target niche export markets in Japan, visits to Mongolia of prospective Japanese buyers, and testing of initial product samples sent to potential buyers in Japan. The first shipment is expected to be available on the shelves of Tokyo and Osaka late this fall.

Mongolian processing plants are now beginning to receive harvested wild blueberries from the northern aimags and, with project support, food technologists will assist in the production process and staff training required to meet the rigorous standards of Japanese importers. If successful delivery of the order is accomplished and wild blueberry jam from Mongolia finds acceptance among Japanese consumers, additional larger orders are expected.

The initial samples of wild Mongolian blueberry jam sent to Japan have generated consumer interest due to their high contents of anti-oxidants and make them attractive to increasingly health-conscious Japanese consumers. Anti-oxidants are believed to alleviate the incidence of cancers, heart disease, and reduce the effects of aging. Wild blueberries contain almost twice the amount of anti-oxidants of compared to cultivated varieties.

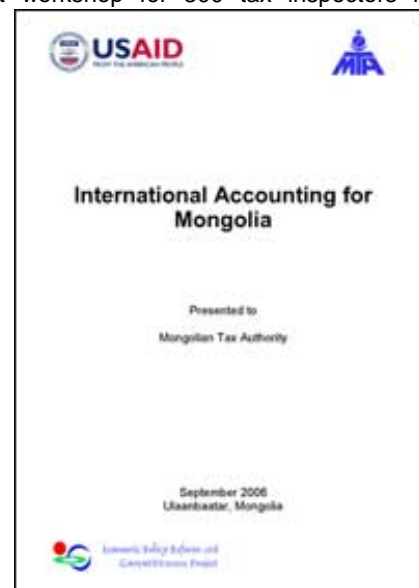
Project to initiate training of tax inspectors on international accounting

At the request of the General Department of National Taxation (GDNT), the project will assist with the selective development of regulations (business expenses deductibility, loss carry-forward provisions, and investment tax credit) as well as public hearing procedures to these regulations to implement the new tax laws.

As the new tax laws introduce accounting concepts new to Mongolian tax inspectors, GDNT will initiate a series of workshops for its tax inspectors in preparation for the implementation of the new tax laws that become effective next year. The first workshop for 300 tax inspectors is scheduled for 7 September and the second for 11 September. The latter workshop will be for five days and 50 participants, including heads of the Tax Control and Inspection Units in all aimags, all six districts in Ulaanbaatar, the capital city Tax Authority, and GDNT. Objectives of these two workshops are to provide training on:

- Accounting principles based on International Accounting and Financial Reporting Standards (IAFRS)
- Concepts contained in the new tax laws.

Preparation for the training is complete, including an extensive accounting manual that introduces tax inspectors to IAFRS.



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