

Mongolia's competitiveness guidelines

Mr. D. Dollar leaves WB for US Treasury



A wrap-up meeting of Mongolia's competitiveness scoping mission in Mongolia was held on June 19, 2009

A wrap-up meeting of Mongolia's competitiveness scoping mission in Mongolia was held on June 19, 2009 at the State House. The mission, consisting of Professor Jorge Ramirez-Vallejo of the Harvard Business School's Institute for Strategy and Competitiveness, and a team from the World Bank's International Trade Department in Washington visited Mongolia and consulted with Government and industries on developing a strategy for national competitiveness during the week of June 15-19.

N. Altankhuyag, the first deputy Prime Minister of Mongolia, noted in his opening remarks, "The importance of improving competitiveness and the need to develop a sustainable, diversified economy in Mongolia have become all the more acute in the wake of the global economic crisis". He appreciated the timely response and work done by the team from Harvard Business School and the World Bank as requested by the Government of Mongolia.

Mr. Arshad Sayed, Resident Representative and Country Manager, World Bank Mongolia Office said, "We appreciate that the Government pays special attention to the medium- and long-term development agenda while they make hard decisions and take constructive action against the current economic crisis".

This initiative was undertaken in response to the invitation from the Government of Mongolia following Professor Michael Porter's July 2008 lecture "Competitiveness: Creating a Mongolian Economic Strategy" which generated wide interest on the competitiveness agenda within Mongolia. During Professor Porter's lecture, he highlighted many of the

important opportunities and challenges for Mongolia in diversifying its economy and promoting sustainable economic growth. Mongolia's highly strategic location offers a significant platform for development; yet its poor transport infrastructure, lack of economic diversity, and weak business environment result in the country being consistently ranked near the bottom in global competitiveness rankings from the World Economic Forum.

During the week, Professor Ramirez-Vallejo and the World Bank team held focus group sessions with several key industries in Mongolia, including cashmere, ICT, meat, mining, and tourism. In addition, they consulted with public and private sector stakeholders including ministries, government agencies, business organizations, NGOs, universities, donors and eminent persons from Mongolia such as the MPs and business leaders. These meetings had four main objectives:

- 1) To explore the current situation in Mongolia and the status of ongoing and past competitiveness initiatives;
- 2) To generate a common language in discussing competitiveness;
- 3) To identify the 'national value proposition' of Mongolia
- 4) To start (or re-energize) the process of building a national competitiveness initiative in Mongolia.

These discussions highlighted many opportunities for Mongolia to facilitate greater competitiveness through coordinated action amongst all stakeholders. In order to achieve this, however, two issues were identified as paramount. First, the need to situate the competitiveness initiative within the framework of a 'national value proposition' - a clear

national economic strategy based on a vision grounded in Mongolia's unique geographic location and the enormous potential of its human capital and natural resources. Second, the need for competitiveness initiatives to be driven by the private sector but supported by strong, ongoing public-private dialogue, with the government and other institutions acting as facilitators to the private sector.

Finally, Professor Ramirez-Vallejo outlined a proposal to establish a 'Mongolian Council on Competitiveness' which would act as an umbrella under which a broad program of competitiveness - including cross-cutting national initiatives and specific industry cluster initiatives - could be facilitated. This independent body would be overseen by stakeholders from across the public sector, the private sector, and civil society. He stressed that the mission of achieving substantially improved national competitiveness is not a sprint but a marathon. Countries which have succeeded in raising their competitiveness only do so through a concerted and sustained effort, clearly prioritizing and balancing short, medium and long term issues.

The World Bank and Professor Ramirez-Vallejo of Harvard Business School's Institute for Strategy and Competitiveness both indicated their continued support for the competitiveness initiative. With the active commitment of the Mongolian private sector and the Government of Mongolia, the next steps will be to operationalize the 'Mongolian Council on Competitiveness' and to initiate the development of competitiveness initiatives within individual industry clusters.



Mr. D. Dollar and Prime Minister S. Bayar shake hands

On June 16, 2009 Prime Minister S. Bayar called on Mr. D. Dollar, the World Bank's Country Director in Mongolia in connection with his change of office.

Describing the World Bank, as a significant foreign partner, the Prime Minister said that Mongolians continuously thank the WB for its support given during Mongolia's transitional processes, financial sector reforms, and infrastructural and human resource potential improvements. "During your 5 year's in office in Mongolia, many projects and programs, including the 'Sustainable Livelihoods-II' program, and those on governance, energy, mining techniques, rural education support, and others have been underway. Thanks to your noteworthy efforts to conclude strategic mid-term documents for loans and assistance during 2009-2011 from the WB, a USD 90 million soft loan is to be granted, specifically for the USD 60 million 'Development Policy Funding' program to overcome

State Budget difficulties.

The PM added that financial assistance, soft loans and policy recommendations from international banking and financial organizations had been important to reduce the crisis' negative consequences and overcome it with relatively little loss. Mongolia's Government and the Central Bank are giving special attention to minimizing risks and difficulties, as well as risk management - all of which have been included WB's monthly review of Mongolia's economy.

Although we will miss your future participation in WB activities, we hope you will continue to contribute to future cooperation between the USA and Mongolian governments in your new role as Economic and Financial Emissary at the US Treasury Department.

At the end of their meeting, the Prime Minister invited Mr. Dollar to visit Mongolia whenever it was convenient.



Discussion during the wrap-up meeting

Boro Gold employees' strike ends

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Although Boro Gold had concluded a 15-year Stability Agreement, the site's mineral reserves had been exhausted in just over 6 years and employees had therefore demanded to be paid wages that would have accrued over the remaining 9 years in the form of compensation. Their initial USD 9.5 million demand had later been reduced to USD 5.5 million. As at September 1, 2008 the Company had more than 600 Mongolian employees but this number had since been reduced to over 500. The employees explained that their demands were not groundless and that the Labor Law has no clause disallowing compensation.

While gathering information on the situation the journalists were given a copy of the amended agreement. According to S. Ganbold, chief of the Energy, Geology and Mining Trade

Unions and head of the working group supporting the protest by Boro Gold employees, the agreement has a number of 'good' and 'bad' inclusions, for example a clause saying that where more than 5 employees are to be dismissed, this must be discussed jointly with the relevant trade unions. However, there is no clause to cover the event of 4 people being dismissed at the same time.

Nevertheless, the sides have now reached agreement putting an end to the protest, although all the employees' proposals could not be resolved.

The working group headed by Ya. Sodbaatar, deputy chief at the General Agency for Specialized Inspection, had recently worked at the Boro Gold Company mine and temporarily suspended its License #198A.

At last, the Boro Gold Company, as the employer, and its trade union, as the official employee representative, signed the amended agreement on June 16.