

PRIVATE SECTOR DEVELOPMENT: PRIORITY AREAS OF ACTION TO REDUCE RED TAPE AND CORRUPTION

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at

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Cross cutting themes

- Anti-corruption law approved
- Organizational aspect: Private sector working group in place
- GTZ, MIT and MoF co-chairs

Previous GOM-EPs meeting priorities

- **Licensing and permits**
- **Tax**
- **Inspection**

**Implementation within the framework of GOM program
objective: simplifying a licensing, permit and
registration procedure (SME promotion program 3.2.1)**

On-line application, issuance of licensing and permit by every GOM organization	On-line copy of all special permissions and contracts required by all ministries, agencies, cities, aimags	GOM
Review and remove laws and regulations creating obstacles to business and invalidate unnecessary license, permits and fees	OSS to start at district level OSS for exporters in pipeline	SDC USAID
Review regulatory documents issued by local governors and administrations on services and industrial activities		
More immovable property registration's units, simplify a registration procedure		

Implementation within the framework of GOM program objective: simplifying an inspection and monitoring system (SME promotion program 3.2.2)

<p>Reduce a number of standards, except those compulsory standards relevant to public interests, health, environment and state security</p>	<p>Amendments to GOM resolution on implementation of standardization law</p>	<p>GOM</p>
<p>Eliminate an overlap of the inspections and move towards advisory and informatory oriented issues for the businesses;</p>		
<p>Reduce a number of the inspections by accepting the state inspectors' decision at every administrative stage;</p>		

**Implementation within the framework of GOM program
objective: increase participation and transparency in
decision making (SME promotion program 3.2.3)**

<p>Providing the citizens with better access to resolutions on business related issues</p>		
<p>Set a procedure of reflecting a public opinions on business related decisions in the process of developing and discussing of it</p>	<p>Policy council of the MIT</p> <p>Consultative Permanent committee</p>	<p>GOM</p> <p>MNCCI</p>
<p>Establish a Council of Unified Professional Associations and involve them in the process of decision making</p>	<p>Council of Professional Associations established</p>	<p>GOM</p>
<p>Operate a hot-line service for receiving a public opinion, proposal, complain and information on Government services</p>	<p>Domestic investors' conference</p> <p>MIT hotline</p> <p>Ad hoc WGs</p>	<p>GOM</p> <p>MNCCI</p>

Implementation within the framework of GOM program objective: support enterprises through tax and credit policies (SME promotion program 3.3)

<p>Tax code review: deductions, exemptions, reduced employer's payment</p>	<p>Reduces tax levels (CIT by 5%, VAT by 5%, PIT flat 10%), less exemptions, enhances tax admin</p>	<p>USAID</p>
<p>Access to long term, low interest rate loans</p>	<p>Development fund to be dedicated to SMEs 26 mln USD TSL for SMEs 1 bln T for SMEs on-lending Micro business guarantee fund, Enterprise Mongolia UB city inv & dev fund</p>	<p>JBIC GOM UNDP, Khas bank GOM, UB city, UB bank</p>

Way forward: comprehensive approach to reducing red tape and corruption

- Obvious deficiency in creating a favorable legal environment: comprehensive De Soto-like approach
- 5 mln project was designed with ILD and ready for consideration
- Step-by-step revision of all major regulating environments: inspection, land, customs, tax

Way forward: comprehensive approach to industrial policy

- Disparate financial assistance: close to 10 funds, initiatives only on SMEs and micro enterprises
- Realistic look on industrial policy: sectors are currently subsidized, many still government owned, do they require it, how long it should last, how much public funds?
- Priority industrial activities that will enjoy exemptions: how to define?
- UNIDO project: industrial policy, cashmere, leather, wood, meat processing