

Partnering Against Corruption Initiative Summary Report

Session on Anti-Corruption in Mongolia



Ulan Bator, Mongolia 3 March 2011

World Economic Forum

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Session Summary

The World Economic Forum Partnering Against Corruption Initiative (PACI) and the Office of the President of Mongolia held a joint roundtable in Ulan Bator on 3 March 2011 as part of the Mongolia Economic Forum.

The roundtable, which was opened by President Elbegdorj Tsakhia of Mongolia, brought top executives from Mongolian industry and non-governmental organizations and was co-chaired by the PACI and the Office of the President.

In general, the participants focused on the following questions:

- How does PACI seek to consolidate private sector efforts against corruption globally?
- What are the main corruption-related challenges facing Mongolia and what potential opportunities does fighting corruption offer?
- How can PACI provide a platform to facilitate public-private cooperation in Mongolia towards tackling corruption?

The meeting concluded with a commitment among participants to begin a process to launch a private sector-led, multistakeholder, anti-corruption initiative in Mongolia.

Session Description

In her brief remarks, Sosormaa Chuluunbaatar, Advisor to the President of Mongolia on Human Rights and Civil Participation, who moderated the session, requested participants to use the session as an opportunity for a full and frank discussion on corruption challenges by all stakeholders who included key leaders from government and business as well as representatives from local civil society groups.

She also outlined the need for both the public and private sectors in Mongolia to learn as much as possible from foreign experts on anti-corruption and good governance. She said that, through the media, a wide stakeholder base in Mongolia will also benefit from the deliberations at the roundtable.



Adoption of international best practice in anti-corruption

In his opening remarks, Elbegdorj Tsakhia, President of Mongolia, underscored that fighting corruption is on the top of his agenda. He called on all stakeholders to learn and apply international best practice in anti-corruption.

He outlined how corruption ultimately hurts ordinary citizens the most saying, “The ordinary population is the target for corruption,” and challenged Mongolians to report incidents of corruption whether they occur in the public or private sectors. He said, “Keeping quiet is the same as supporting corruption.”

The president also asked the Mongolian parliament to move faster to enact the necessary anti-corruption legal framework to facilitate the fight against it.

He thanked the World Economic Forum, and especially the PACI, saying that because this initiative is private sector-led it is an especially relevant model for Mongolia which hitherto has focused mainly on public sector-targeted reforms.

Alex Wong, Senior Director, Centre for Business Engagement, World Economic Forum, provided a brief history of the PACI, highlighting the new push by the initiative to support in-country anti-corruption efforts in partnership with governments. This is in addition to the initiative’s work with the private sector.

The Partnering Against Corruption Initiative

In a brief presentation by Arthur Wasunna, Project Manager, PACI, World Economic Forum, participants learned that:

- The PACI is a global multi-sectoral, anti-corruption initiative, developed by and for companies, and established to level the playing field among industry and help consolidate industry efforts on the issue.
- The PACI ensures that companies committed to the fight against corruption are recognized for their engagement.
- To become engaged in the PACI, company CEOs sign the PACI support statement, and commit to:
 - a zero-tolerance policy towards bribery and corruption
 - agree to put in place an internal anti-corruption programme that reflects the PACI Principles for Countering Bribery
- Signature to and engagement in the PACI are free of any charges.
- PACI offers a value proposition to companies at two levels:
 - *Company level*: An unparalleled suite of tools and support mechanisms to help companies in the development, implementation and continuous improvement of their compliance and anti-corruption systems.
 - *Multistakeholder level*: The unique opportunity to allow companies to informally and confidentially liaise with industry peers to jointly assess issues and identify possible industry-wide solutions. This is also an important platform to interface with the public sector and other stakeholders on the issue, and also to influence the evolving regulatory framework.

In conclusion, Wong suggested that the roundtable should:

- Serve to start a broad cross-industry movement to have Mongolian companies subscribe to the PACI principles
- Be only the beginning of an ongoing frank multistakeholder dialogue to ensure that anti-corruption remains at the top of the government and business agendas

Anti-Corruption Challenges and Opportunities in Mongolia



In her presentation, R. Burmaa, Director, Voters' Education Center, a non-governmental organization in Mongolia, highlighted the following:

- As measured by international organizations, levels of corruption in Mongolia have generally been increasing over the last three years
- In terms of perceptions of corruption, Mongolia ranks equal to many African countries

It was also highlighted that Mongolia has made significant achievements in governance and transparency such as:

- The country was certified as being EITI compliant in 2010.
- The country joined the United Nations Convention Against Corruption in 2005.
- A wide-ranging, anti-corruption law was enacted in 2006.
- State officials now have to declare their wealth and income.
- Civil servants are barred from engaging in politics or being affiliated to any political party.
- The president of Mongolia has shown clear commitment to fight corruption.
- The country is a stable democracy.

Major challenges, however, remain for the country as it seeks to cement the gains in transparency it has made. Some of these challenges are:

- The threat of political instability particularly after elections as was seen in 2008.
- The potential for misuse of natural resource revenues.
- Corruption within the public sector makes it difficult for the private sector to operate effectively. Specifically, the lands authority, mining directorate, customs authority and the judicial system were identified as being least transparent.

Burmaa identified the drivers of corruption as:

- Lack of regulations to guard against conflicts of interest with public officials engaging in related private business
- Vote buying by political parties

In her contribution, D. Oyunchinmeg, Deputy Director-General of the Mongolia Customs Authority, shared that the authority has opened a hotline for employees to report any suspicious activity for immediate action. Customs declaration forms are also available online avoiding interaction between customs inspectors and the public. She proposed that this is a model that could be followed by other state agencies as well to reduce the avenues for corruption by making information readily available. All participants supported the idea to have Mongolian companies join the PACI as a means for the private sector to contribute to anti-corruption efforts in the country.



Summary of Next Steps

Following the meeting, these points were agreed as next steps:

- There was a clear commitment from all stakeholders involved to get 50 companies to join the PACI as a first step towards:
 - Strengthening local corporate governance standards
 - Taking the PACI to the country level in Mongolia
- The effort would be business-driven with John P. Finigan, Chief Executive Officer of Golomt Bank, expressing willingness to lead the outreach process with the support of both the Office of the President and the Government of Mongolia.
- Sambuu Demberel, Chairman and Chief Executive Officer of the of the Mongolian National Chamber of Commerce and Industry, also expressed his support in a subsequent follow-up meeting

The World Economic Forum will follow up with the Office of the President, the Government of Mongolia, Golomt Bank and the Mongolian Chamber of Commerce to facilitate next steps.



Session Agenda

Private Session on Transparency in Mongolia

Ulan Bator, Mongolia 3 March 2011

Programme

Thursday, 3 March

- 12.00 - 12.45 Buffet Lunch
- 13.00 - 13.10 Welcoming Remarks by
- **Elbegdorj Tsakhia**, President of Mongolia
 - **Alex Wong**, Senior Director, Head of Centre for Global Industries, World Economic Forum
- 13.10 - 13.30 Forum Session 1
- Introduction to the World Economic Forum Partnering Against Corruption Initiative**
- Presentation by
- **Arthur Wasunna**, Project Manager, Partnering Against Corruption Initiative, World Economic Forum
 - **Alex Wong**, Senior Director, Head of Centre for Global Industries, World Economic Forum
- 13.30 - 14.30 Forum Session 2
- Discussion: Anti-Corruption Challenges and Opportunities in Mongolia**
- Introduced and Moderated by
- **Sosormaa Chuluunbaatar**, Advisor to the President of Mongolia
- Session Discussions
- Government, private sector, NGOs, donors
- 14.30-14.45 Closing Plenary: Summary of Deliberations
- Closing Remarks by
- **Alex Wong**, Senior Director, Head of Centre for Global Industries, World Economic Forum
 - **Tsagaan Puntsag**, Senior Advisor to President of Mongolia

List of Participants

Organizers

Office of the President of Mongolia

Alex Wong, Senior Director, Head, Centre for Business Engagement, World Economic Forum

Arthur Wasunna, Project Manager, Partnering Against Corruption Initiative, World Economic Forum

Participants

G. Bayasgalan, State Secretary for Justice

D. Batkhuyag, Chairman, Mineral Resources Authority

B. Battumur, Chairman, Tax Authority

Ch. Tsogtbaatar, Deputy Director, General Customs Authority

D. Sukhbaatar, Chairman, Public Council, Anti-Corruption Authority

D. Enkhtsetseg, Manager, Open Society Forum

B. Delgermaa, Financial Specialist, Working Group, Extractive Industries Transparency Initiative

Ch. Enkbayar, Research Specialist, Glob International

Josh Friedman, Acting Resident Representative, Asia Foundation

Ts. Orkhon, Executive Chairman, MIAT Co. Ltd

Kh. Oyuntsetseg, Deputy Chairman in Charge of Trade Issues, Mongolia-Russia Joint Erdenet Industry Co. Ltd

B. Enebish, Chairman, Erdenes MGL State Owned Co. Ltd

B. Khaliunaa, President of Jiguur Grand Group

G. Narangerel, Executive Director, Mon Road Co. Ltd

R. Burmaa, Director, Voters' Education Center

David Paterson, Vice-President, Regional Development & Communication, Oyu Tolgoi

John P. Finigan, Chief Executive Officer, Golomt Bank

Roland Verstappen, Vice-President, International Affairs and Corporate Responsibility, ArcelorMittal

Neville Tiffen, Global Head of Compliance, Rio Tinto

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