

No.

**ESTABLISHMENT OF TAX EDUCATION SYSTEM
IN MONGOLIA**

FINAL REPORT

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July 2005

**Japan International Cooperation Agency
Institute for Financial Affairs, Inc.**

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Abbreviations

JICA	Japan International Cooperation Agency
GDNT	General Department of National Taxation
Tg	Togrog

Currency Equivalents

As of June 2005

1,190Tg / USD 1.00

109.11Yen / USD 1.00



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PREFACE

In response to a request from the Government of Mongolia, the Government of Japan agreed to conduct “The Study on Establishment of Tax Education System” which was implemented by the Japan International Cooperation Agency (JICA).

JICA sent a study team, led by Mr. Yoshinobu Watabe of Institute for Financial Affairs, Inc., and composed of members of Institute for Financial Affairs, Inc. and other organizations, to Mongolia six times from December 2003 to June 2005.

The Team held discussions with the officials concerned in the Government of Mongolia and the General Department of National Taxation, conducted field surveys and implemented a seminar. After returning to Japan, the Team conducted further studies and compiled the final results found in this report.

I hope this report will contribute to establishing a proper and fair taxation system and to securing stable tax revenue for the government of Mongolia, I also hope it enhances the friendly relations between our two countries.

I wish to express my sincere appreciation to the officials concerned in the Government of Mongolia and the General Department of National Taxation for their close cooperation throughout the study.

July 2005

Tadashi Izawa
Vice President
Japan International Cooperation Agency

July 2005

Mr. Tadashi Izawa
Vice President
Japan International Cooperation Agency

Dear Mr. Izawa,

Letter of Transmittal

We are pleased to submit our report entitled "Study on Establishment of Tax Education System in Mongolia". The report describes the results of the Study conducted by Institute for Financial Affairs, Inc. in accordance with the contract entered into with the Japan International Cooperation Agency (JICA).

Our Study Team carried out field survey six times within the period December 2003 and June 2005. Substantial amount of discussions were held with Mongolian Government and General Department of National Taxation. Study Team undertook concrete and practical technical assistance including formulation of tax staff training program, preparation of curriculum and teaching materials, accredited tax accountant system seminar, preparation of advertisement intended for taxpayers and follow up on previous tax collection related studies and finally prepared this report.

In view of the necessity of establishment of tax education system in Mongolia and the need for socio-economic development of Mongolia as a whole, we recommend that the Mongolian government implement this Project as a top priority.

We wish to take this opportunity to express our sincere gratitude to your agency and the Mongolian office, the Ministry of Foreign Affairs, and the Japanese Embassy in Mongolia. We also wish to express our deep gratitude to the Government of Mongolia, the General Department of National Taxation and other concerned organizations for the kind cooperation they extended to our Team, as well as for the warm hospitality provided during our stay in Mongolia.

Very truly yours,

Yoshinobu Watabe
Team Leader
Study on Establishment of Tax Education System in Mongolia

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1 Study Summary

1.1 Outline and Objective of the Study

1.1.1 Background to the Study

Japan International Cooperation Agency (JICA) has been providing cooperation to General Department of National Taxation (GDNT) since 1998 with the objective of enhancing the country's tax system to increase tax collection, which is the foundation for the Mongolian fiscal policies. The assistance provided by JICA can be broadly categorized into two types: (1) System Design and (2) Preparation of an Information Management System. Category (1) plans for improvements to the organization and structure. With respect to tax collection, identification of items requiring improvements and recommendations for various systems and methods were prepared in Phase 1 and Phase 2. The objective of Category (2) is to strengthen GDNT's inspection capabilities. This will be achieved through the compilation of taxation related information into a database. Technical guidance was provided in establishing the "Third Party Information System." The development and operation resulted in achieving practical results such as improvements in efficiency and uncovering tax evasion. Through the assistance that was provided, the direction for improvements in Mongolia's tax collection system infrastructure was established and the basis for the foundations for information infrastructure for the expanding the tax base can be said to have been put in place.

The above notwithstanding, there is a lack of human resources who are able to utilize these tools. The dearth of specialized tax knowledge and tax accounting capabilities on the part of GDNT staff have resulted in substantial lost opportunities in tax collection. Taking this into consideration, the Mongolian government has requested the assistance to the Japanese government for support in establishing the tax education system to strengthen the tax collection capability. Based on this request, JICA conducted a preliminary study in August 2003 and exchanged with the government of Mongolia the Scope of Work. The Scope of Work defines the framework for the study thus leading to the decision for the initiation of the study.

1.1.2 Study Objective

The objective of the Study is to create the foundation for the GDNT tax staff education system in order to secure tax revenues over the long term, expand the tax

collection base and reduce the inequalities leading to the reduction to the tax rates. In addition, in order to address the immediate issues, undertake monitoring of the state of recommendations and technical guidance provided heretofore through the JICA Study for the Enhancement of Tax Collection and promote the implementation of measures that are thought to be effective (Component B). In order to achieve these objectives, the following items need to be satisfied.

Component A

Designing and Preparation of Tax Education System

- (i) Joint establishment of and consensus on a long term vision that span 15 years and a plan for a creation of a tax education system based on a short term action plan that will have a 3 year horizon
- (ii) Joint development of and consensus on a tax staff education curriculum
- (iii) Joint development of basic text relating to practical execution for each tax classification such as corporate income tax, individual income tax, value added tax, other taxes, taxation and tax collection, tax accounting.
- (iv) Development of training center faculty and GDNT prospective management staff

Component B

Monitoring and Support of the Progress of Proposals made by JICA Tax Collection Enhancement studies

- (i) Promotion of efficient and effective utilization of the Third Party Information System prepared in the prior Phase
- (ii) Plans for improving taxpayer public information, service and tax education
- (iii) Presentation of operational plan of the Tax Accountant System has been enacted into law
- (iv) Recommendations for the establishment or improvement of the various systems that had been recommended in previous Phases such as Statutory Receipt System, Taxpayer Registration.

1.2 Study Items

1.2.1 Component A

Design and Preparation of the Tax Education System

Year 1

Domestic Preparatory Tasks

(1) Collection and Compilation of Related Data and Information

Materials that had been collected during the previously implemented development studies, “Study on Support for Economic Transition and Development in Mongolia”, “Study on Support for Economic Development in Mongolia (Tax Collection Enhancement Phase II)”, and “Development of Taxpayer Information System”, were sorted and analyzed. In addition, other available information was also collected and sorted and preparatory examinations were carried out with respect to the scope of the study, details, methodologies, processes and the methods to be used for transfer of technology.

(2) Preparation of Inception Report

An Inception Report was prepared containing the basic policies for the study and the study implementation plan.

Initial Field Study

(1) Explanation and Discussion of Inception Report

Using the Inception Report as the base, discussions were held with the Mongolian counterparts regarding how to proceed with the study.

(2) Establishment of Implementation Organization

The implementation organization was established upon confirming the cooperation structure of the GDNT, which is the counterpart organ for the study. A joint tasking organization in which there is at least one counterpart to each study team member was established. The objective was to develop the capabilities of the counterpart staff, through performing of tasks, to a level where it would be possible to take on the role of instructor.

(3) Identification of the Current State of the Tax Education System

The current state of the following items was identified:

Training System (Instructors, trainees, state of operations, facilities)

Personnel system

Training budget and location of relevant authority

Future tax staff education plans in the GDNT

(4) Identification of the Current State of the Tax Staff Education Curriculum

A study was conducted on the degree of execution of the introductory training 80-hour curriculum and the intermediate-level training 112-hour curriculum in 2003.

(5) Collection and Sorting of Tax Laws and Directives and Text

Updated tax laws and directives, which became the basis of the text, were collected. Particular emphasis was placed on corporate tax, income tax, value added tax and accounting, which was the priority. The existing text was reviewed.

(6) Examination of Preferred Preparation of Text

Discussions were held in order to reach a consensus on how the text should be prepared. The direction of introductory text preparation, which was implemented in the domestic tasks in FY2003, would also be determined.

First Domestic Tasks

(1) Instructions on the Method of Text Material Preparation and Unification of Terminologies

The direction of text preparation discussed in Mongolia between the study team and Mongolian counterpart was provided to the staff responsible for the text preparation in Japan. At the same time, tax laws and directives that had been collected and translated were distributed to the study team members and the background was explained. At this time, awareness of particular commercial practices and unification of terminologies was reinforced.

(2) Preparation of Draft Introductory Text

Drafts of the introductory-level text for each of corporate tax, income tax, and value added tax,

other tax, taxation and collection, tax audit, and tax accounting were prepared. In order to ensure consistency, multiple meetings were held depending upon the rate of progress.

Second Field Study

(1) Guidance on Translation of Introductory Material

To avoid any problems with the text as a result of mistranslation, guidance was given in translation tasks paying particular attention to terminologies.

(2) Discussions on Themes for Experimental Classes Using Introductory Basic Text

The theme for the experimental classes was selected together with the Mongolian counterparts and the program structure was established. The decision also took into consideration the period, and the timing and implementation was focused on high-priority items.

Year 2

Third Field Study

(1) On-site Study of Regional Training Centers

Study visits to both the Khovd and Dornod Regional Training Centers were conducted to confirm the usage, facilities, and the like.

(2) Joint Preparation of Introductory Text

Discussions were held with the Mongolian counterparts to ensure that the material content was relevant to the situation in Mongolia. Amendment and improvement tasks were jointly performed and the text was revised.

(3) Implementation of Introductory Experimental Classes

Using the amended text, the Mongolian counterpart held experimental classes for the tax staff.

(4) Verification and Amendment of Text Using the Introductory Experimental Classes and Explanation of Instructional Focus

Based on the results of the experimental classes, improvements were made to the text such as in areas that were difficult to understand. At the same time, the focus points in instructing the text were explained to the counterparts.

(5) Review of Staff Education Curriculum and Discussion on the Contents of the Advanced Training

The current curriculum was analyzed using the results from the field studies and a plan for the curriculum was created based upon identification of the level of knowledge and expertise of the staff and the curriculum requirements. Discussions were held with counterparts and the joint task of compilation was undertaken. Based on the results, a decision was made to place emphasis on the Introductory and Intermediate courses in the Basic Training Curriculum. Discussions on the Advanced Training centered on the direction for implementing the course to management and on executive training.

(6) Examination of the Policy for Preparation of Intermediate Text

The policy for the preparation of intermediate-level text, which was carried out in the third domestic tasks, was discussed with the Mongolian counterparts.

(7) Examination of Experimental Class Program Using Intermediate-Level Text

A program to conduct experimental classes using intermediate-level text was discussed and examined with the Mongolian counterparts.

(8) Preparation, Presentation and Discussion of the Progress Report

The results of the study on the status and the introductory teaching materials were compiled and a progress report was prepared, based upon which discussions were held and consensus was reached. Examination was made of the selection of training candidates and in the follow-up to a previous study, it was confirmed that a tax accountant system would be taken up.

Second Domestic Tasks

(1) Preparation of Draft Intermediate-Level Text

A draft was prepared of intermediate-level text covering each of corporate tax, income tax, value added tax, other taxes, tax and collection, tax audit and tax accounting. Preparation was based on the results of experimental classes conducted using the introductory text. In order to secure consistency, multiple meetings were held depending upon the rate of progress.

(2) Response to Questions Relating to the Draft Intermediate-Level Material

After completion of translation into Mongolian, the draft was delivered to the Mongolian counterpart for examination, and responses were provided for any questions raised.

Fourth Field Study

(1) Formulation of Short-Term Action Plan

Based on the study results, a short-term action plan was put together. The following items were included:

(2) Re-examination of Staff Education Curriculum

At the point of having completed preparation of intermediate-level text, re-examination was carried out and discussions were held with the Mongolian counterparts.

(3) Joint Preparation of Intermediate-Level Text

Discussions were held with the Mongolian counterparts to ensure that the text contents were relevant to the situation in Mongolia. Amendment and improvement tasks were jointly performed.

(4) Implementation of Intermediate-Level Experimental Class

Using the amended text, the Mongolian counterparts held experimental classes for the tax staff.

(5) Verification and Amendment of Text Using the Intermediate Experimental Classes and Explanation of Instructional Points

Based on the results of the experimental classes, improvements were made to the text such as in areas that were difficult to understand. At the same time, the focus points in instructing the text were explained to the counterparts.

(6) Examination of Policies for Preparation of Advanced-Level Text

The policies for preparing a draft of the advanced-level text were discussed with the Mongolian counterparts.

(7) Examination of Advanced-Level Experimental Class Program

Experimental classes using advanced-level text was discussed and examined with the Mongolian counterparts.

Third Domestic Tasks

(1) Preparation of Basic Teaching Materials for the Advanced Course

Basic teaching materials for the advanced class were prepared. Based on examinations made jointly with the GDNT, it was decided that the contents would include international taxation, taxation relating to international trade, tax dispute system and taxation theory.

(2) Response to Questions Raised Regarding the Draft

After completion of translation into Mongolian, the draft was delivered to the Mongolian counterparts for examination, and responses were provided for any questions raised.

Fifth Field Study

(1) Preparation, Presentation and Discussions of the Interim Report

Along with the intermediate-level text, the study results were collected and an Interim Report was prepared. Presentations and discussions were held with the Mongolian side based on the Interim Report.

(2) Tax Education System Formulation Plan: Long-Term Vision

Based upon the study results, a Long-Term Vision was formulated for 12 years after the Short-Term Action Plan.

(3) Joint Preparation of Advanced-Level Text

Discussions were held with the Mongolian counterparts to ensure that the text contents were relevant to the situation in Mongolia. Amendments and improvements were jointly performed to prepare the text.

(4) Experimental Classes Using Advanced-Level Text

The Mongolian counterparts implemented experimental classes for the tax staff using the text.

(5) Verification and Amendment of Text Using the Advanced-Level Experimental Classes and

Explanation of Instructional Points

Based on the results of the experimental classes, improvements were made to the text such as in areas that were difficult to understand.

Year 3

Fourth Domestic Tasks

(1) Preparation of Draft Final Report

The results to date were compiled in a report and text was added as needed.

Sixth Field Study

(1) Presentation and Discussion of the Draft Final Report

A presentation was made to the Mongolian side regarding the Draft Final Report and discussions were held.

Fifth Domestic Tasks

(1) Preparation of Final Report

The amendments to the Draft Final Report were reflected in the Final Report.

Task Flow (Component A)

Task Flow (Cont)	Fiscal 2003							Fiscal 2004							Fiscal 2005													
	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7							
Domestic Preparatory Tasks																												
(1) Collection and Compilation of Related Data and Information	□																											
(2) Preparation of the Inception Report	□																											
Initial Field Study																												
(1) Explanation and Discussion of the Inception Report	■																											
(2) Establishment of Implementation Organization	■																											
(3) Identification of the Current State of the Tax Education System	■																											
(4) Identification of the Current State of the Tax Staff Education Curriculum	■																											
(5) Collection and Sorting of Tax Laws, Directives and Text	■																											
(6) Examination of Preferred Preparation of Text	■																											
First Domestic Tasks																												
(1) Instructions on the Method of Text Material Preparation and Confirmation of Data to Be Collected and Unification of Terminologies				□	□																							
(2) Preparation of Draft Introductory Text				□	□																							
Second Field Study																												
(1) Guidance on Translation of Introductory Material																												
(2) Discussions on Themes for Experimental Classes Using Introductory Basic Text																												
Third Field Study																												
(1) On-site Study of Regional Training Centers																												
(2) Joint Preparation of Introductory Text																												
(3) Implementation of Introductory Experimental Classes																												
(4) Verification and Amendment of Text Using the Introductory Experimental Classes and Explanation of Instructional Focus																												
(5) Review of Curriculum and Discussion of the Contents of Advanced-Level Training																												
(6) Examination of the Policy for Preparation of Intermediate Text																												
(7) Examination of Experimental Class Program Using Intermediate-Level Text																												
(8) Preparation, Presentation and Discussion of Progress Report																												
Second Domestic Tasks																												
(1) Preparation of Draft Intermediate-Level Text																												
(2) Response to Questions Relating to Draft Intermediate-Level Material																												
Fourth Field Study																												
(1) Formulation of Short-Term Action Plan																												
(2) Re-examination of Staff Education Curriculum																												
(3) Joint Preparation of Intermediate Level Text																												
(4) Implementation of Intermediate Level Experimental Class																												
(5) Verification and Amendment of Text Using the Intermediate Experimental Classes and Explanation of Instructional Focus																												
(6) Examination of Policies for Preparation of Advanced-Level Text																												
(7) Examination of Advanced-Level Experimental Class Program																												
Third Domestic Tasks																												
(1) Preparation of Advanced-Level Text																												
(2) Response to Questions Raised Regarding Draft																												
Fifth Field Study																												
(1) Preparation, Presentation and Discussion of Interim Report																												
(2) Tax Education System Formulation Plan: Long-Term Vision																												
(3) Joint Preparation of Advanced-Level Text																												
(4) Experimental Classes Using Advanced-Level Text																												
(5) Verification and Amendment of Text Using the Advanced-Level Experimental Classes and Explanation of Instructional Focus																												
Fourth Domestic Tasks																												
(1) Preparation of Draft Final Report																												
Sixth Field Study																												
(1) Presentation and Discussion of Draft Final Report																												
Fifth Domestic Tasks																												
(1) Preparation of Final Report																												
Time of Submission of Final Report																												

Legend ■ Field Study □ Domestic Study

1.2.2 Component B

Monitoring and Support of Progress of Proposals Made by JICA Tax Collection Enhancement Studies

Year 1

Domestic Preparatory Tasks

(1) Collection and sorting of related data and information

(2) Preparation of Inception Report

Common with Component A

Initial Field Study

(1) Presentation and discussion on the Inception Report

(2) Establishment of Implementation Organization

Common with Component A

(3) Support for Country Focused Training

Support was provided for Country Focused Training, which was implemented in Japan in January 2004.

(4) Identification of the State of the Third-Party Information System

The state of usage of the Third-Party Information System was identified.

(5) Identification of Status of Taxpayer Public Relations and Services and Tax Education

In the area of taxpayer public relations, the state of public relations activities and GDNT's public relations measures and plans was identified. In the area of taxpayer services, the state of the One-Stop Service Centers was identified. With respect to tax education, the philosophy held by the GDNT as well as that of the Ministry of Education was examined.

(6) Identification of the State of the Tax Accountant System

The state of the tax accountant system in Mongolia was studied. Firstly, the 25 tax accountants' activities and the certification process were grasped. The demand for tax accountants was

studied.

(7) Identification of the State of Prior Recommendations

The state of implementation of prior recommendations such as the Statutory Receipt System, the Preferred Self-Assessment System and others was examined.

(8) Identification of Effective Public Relations Measures

Public relations measures that would be effective in Mongolia were identified.

First Domestic Tasks

(1) Analysis of Issues Relating to the Third-Party Information System

Based on the results, examination was conducted on whether the issues were results related to execution, results from computer system processing or results from equipment or hardware.

(2) Extraction of Issues of Taxpayer Public Relations, Services, and Tax Education

With respect to public relations and services, based on the results of local study, the issues were extracted and examined keeping in mind an image of the desired state and measures that would be practical. With respect to tax education, the types of measures that would be appropriate in Mongolia were examined.

(3) Extraction of Issues Relating to the Tax Accountant System

Based on the above local study, the issues were identified.

(4) Examination of Critical Items of Prior Recommendations

Based on the results of the First Field Study, examination was made on which items to address, how to address them, and which items could be implemented.

Second Field Study

(1) Supplementary Study of Component B

A supplementary study was conducted with respect to Component B. During this phase, the differences existing between the tax accountancy system and particularly the certified public accountant system were studied.

Year 2

Third Field Study

(1) Presentation of Plan for Improvements to the Third-Party Information System

Based on the identified state of affairs, a plan for improvement was prepared and submitted to the GDNT.

(2) Presentation of Measures for Taxpayer Public Relations, Services, and Tax Education

Based on examples including that of Japan, the desired state of tax education in Mongolia was presented. In taxpayer public relations, improvements to the One-Stop Service Center were also examined

(3) Presentation of Framework for Penetration of the Tax Accountant System

After considering the demand for tax accountants, a framework for the certification system for tax accountants in Mongolia was presented. Included was the summary plan for implementation guidelines for the creation of the organization for operating the certification system.

(4) Priority Confirmation Tasks of Prior Recommendations

Further studies were performed as to the practicability of the system.

(5) Preparation, Presentation and Discussion of the Progress Report

Common with Component A

Fourth Field Study

(1) Guidance on Specific Plans for Improvements for the Third-Party Information System

The presented plan for improvements was discussed and its implementation was supported to the extent possible.

(2) Sample Tax Education Materials

Text for tax education in Mongolia was created and provided.

(3) Recommendations for Disseminating the Tax Accountancy System

Based on the framework of the former field study, recommendations were made for measures to

disseminate the tax accountancy system in Mongolia.

(4) Workshops Based on Previous JICA Recommendations

Workshops were implemented relating to recommendations that had been made prior to the previous phase. Tax Accountant System was selected as the topic.

(5) Preparation of Taxpayer Public Relations Commercial, Project Public Relations Video, and Pamphlets

The draft plans for taxpayer public relations commercial, project public relations video and pamphlets were created.

Third Domestic Tasks

(1) Creation of Scenario for Taxpayer Public Relations Tools

Scenarios for taxpayer public relations and project public relation video were created. Draft pamphlets were also prepared.

Fifth Field Study

(1) Preparation, Presentation and Discussion of Interim Report

The results of the study were compiled and an Interim Report was prepared and presented to the Mongolian government after which discussions were held.

(2) Completion of Taxpayer Public Relations Commercial, Project Public Relations Video, and Pamphlets

Pamphlets to be used in public relations were completed. Arrangements were made for taxpayer public relations commercial. Location and scenario and rehearsals were held and the filming was undertaken. Project public relations video was also progressing in parallel

Year 3

Fourth Domestic Tasks

(1) Preparation of Draft Final Report

Sixth Field Study

(1) Presentation and Discussion of Draft Final Report

Fifth Domestic Tasks

(1) Preparation of Final Report

The above is common with Component A.

Task Flow (Component B)

Task Items	Fiscal 2003		Fiscal 2004												Fiscal 2005							
	11	12	1	2	3	4	5	6	7	8	9	10	11	12	1	2	3	4	5	6	7	
Domestic Preparatory Tasks																						
(1) Collection and Compilation of Related Data and Information	□																					
(2) Preparation of Inception Report	□																					
Initial Field Study																						
(1) Presentation and Discussion of Inception Report	■																					
(2) Establishment of Implementation Organization	■																					
(3) Support for Country Focused Training	■																					
(4) Identification of the State of the Third-Party Information System	■																					
(5) Identification of the State of the Tax Accountancy System	■																					
(6) Identification of the State of Prior Recommendations	■																					
(7) Identification of the Status of Taxpayer Public Relations, Services and Tax Education	■																					
(8) Identification of Effective Public Relations Measures	■																					
First Domestic Tasks																						
(1) Analysis of Issues Relating to the Third-Party Information System				□																		
(2) Extraction of Issues Relating to Taxpayer Public Relations, Services, and Tax Education				□																		
(3) Extraction of Issues Relating to the Tax Accountancy System				□																		
(4) Examination of Critical Items of Prior Recommendations				□																		
Second Field Study																						
(1) Supplementary Study of Component B					■																	
Third Field Study																						
(1) Presentation of Plan for Improvements to the Third-Party Information System						■																
(2) Presentation of Measures for Taxpayer Public Relations, Services, and Tax Education						■																
(3) Presentation of Framework for Penetration of the Tax Accountancy System						■																
(4) Priority Confirmation Tasks of Prior Recommendations						■																
(5) Preparation, Presentation and Discussion of Progress Report							■															
Fourth Field Study																						
(1) Guidance on Specific Plans for Improvement of the Third-Party Information System										■												
(2) Sample Tax Education Materials										■												
(3) Recommendations for Dissemination of the Tax Accountancy System										■												
(4) Workshops Based on Previous JICA Recommendations											■											
(5) Draft of Public Relations CM for Taxpayers, Video and Bulletin for Project Promotion												■										
Third Domestic Tasks																						
(1) Draft of Public Relations CM for Taxpayers, Video and Bulletin for Project Promotion																					□	
Fifth Field Study																						
(1) Preparation, Presentation and Discussion of Interim Report														■								
(2) Completion of Public Relations CM for Taxpayers, Video and Bulletin for Project Promotion														■								
Fourth Domestic Tasks																						
(1) Preparation of Draft Final Report																						□
Sixth Field Study																						
(1) Presentation and Discussion of Draft Final Report																						■
Fifth Domestic Tasks																						
(1) Preparation of Final Report																						□
Time of Submission of Final Report	Ie/R △									P/R △											N/R △	
																					DR/R △	FR/R △

Legend: ■ Field Study □ Domestic Study

1.3 Counterpart Training Summary

1.3.1 Course Summary

Course Name: Japanese Tax Administration and Staff Education System

Training Period: November 24, 2004 (Wednesday) – December 3, 2004 (Friday)

Implementing Organization: Kinzai Institute for Financial Affairs, Inc.

Number of Invitees: 2; Country: Mongolia

Names of Trainees (Age), Nationality, Current Post:

Mr. Mishiglundden Yadmaa (52), Mongolian

Deputy Director General of the GDNT

Ms. Erdenebayar Ragchaadorj (29), Mongolian

State Tax Inspector – Khovd Province Tax Office

1.3.2 Course Objectives and Background

The two trainees were counterparts to the study. In Mongolia, training and personnel are not very effectively coordinated and in order to improve the efficacy of training, linkage between the two was needed. Thus, a training program was implemented with the objective of achieving linkage between personnel and training, in addition to teaching the structure of tax administration in Japan. Gaining familiarity with the Japanese tax account system would serve as reference for the tax accountant system currently under study in Mongolia and would be useful in the dissemination and acceptance of the study results.

1.3.3 Schedule and Summary

November 24 (Wednesday)

Arrival in Tokyo

November 25 (Thursday)

(AM) Briefing Program and Orientation

(PM) Courtesy call on JICA Headquarters

November 26 (Friday)

(AM) Japanese Tax System

Format: Lecture

Objective: Understanding the collection system and the execution organization for state and municipal taxes

Content: Lecture on the Japanese tax collection system. Information included fiscal revenues

and expenditures as well as the principal tax classifications

(PM) Japanese Tax Administration

Format: Lecture

Objective: Lecture on the organization and the execution organization of the Japanese tax administration and provision of reference for tax operation in Mongolia

Contents: 1. Japanese tax office structure and operation

2. Execution organization of tax administration in Mongolia and issues facing the organization

November 27 and 28 (Saturday and Sunday)

November 29 (Monday)

(AM) Courtesy call on Deputy Commissioner, National Tax Agency of Japan

Format: Opinion Exchange

Objective: To strengthen awareness of how to deal with the recent tax administration and staff training from a management perspective through visiting the National Tax Agency in Japan.

Content: Exchange of views with Deputy Commissioner at National Tax Agency

(PM) Visit to the National Tax College

Format: Site visit and lecture

Objective: Visit to the National Tax College to learn how Japanese tax staff is trained

Content: Matters related to the organization and training program of the National Tax College

November 30 (Tuesday)

(AM) Visit to a tax accountant office

Format: Site visit and lecture

Objective: Provision of reference materials for building the tax accountant system in Mongolia through observation of Japanese tax accounting practice

Contents: Matters related to the current conditions of Japanese tax accounting practice

December 1 (Wednesday)

(AM) Japanese tax and fiscal systems

Format: Lecture

Objective: Points of caution in building the Japanese tax and fiscal system and the tax accountant system

Content: Matters related to the tax and fiscal systems in Japan and Japan's tax accountant

system

(PM) Public Relations for Taxpayers in Japan

Format: Lecture

Objective: Learn about the current state of taxpayer directed public relations in Japan and use of this as suggestions for taxpayer directed public relations in Mongolia

Content: Overview of public relations directed toward taxpayers in Japan

December 2 (Thursday)

Evaluation Session and Closing Ceremony

December 3 (Friday)

Journey home

1.3.4 Observations on CP Training

The GDNT has achieved remarkable improvement in tax collection capabilities since the introduction of the development study (Study on Support for Economic Transition and Development in Mongolia 1998–2000), reflecting in part the fruits of development study and Country Focused Training through JICA. Implementation focused on measures such as tax audit techniques and putting in place taxpayer information that produced results within a relatively short time. However, going forward, in order to ensure the appropriate level of tax revenues commensurate with the economic state, the state tax staff will need to implement taxation and tax collection based on a common interpretation of taxation. The staff will need to take the initiative and continue to enhance his or her knowledge and expertise in order to address the new and different issues that will arise with the development of the economy. The development study “Establishment of a Tax Education System”, which was conducted, was a project for such purpose. Therefore, receiving lectures about the staff education conducted in the Japanese tax administration system and actually observing the site, were extremely valuable experiences for the trainees.

Over a decade has passed since Mongolia introduced the tax system and finally, the government agencies have begun to emphasize the relationship with taxpayers. However, the ground is still untested regarding what measures should be taken. Implementation of effective public relations measures and introduction of a tax accountant system to provide a liaison between the taxpayer and the taxing authorities would be very effective under these circumstances. In this training session, only one lecture was given on public relations, but with respect to the tax accountant system, a lecture was coupled with a visit to an actual accountancy office in practice.

1.4 Outline of the Seminar on Tax Accountant System

Date : December 13, 2004

Place : Ulaanbaatar

2 : 00 Opening Speech

L. Zorig

Director General, GDNT

Y. Kanzaki

Resident Representative, JICA Mongolia Office

2 : 30 “Needs for Tax Accountants”

Speaker: Ya. Mishiglunden

Deputy Director, GDN

3 : 00 “Introduction of Tax Accountant System from the Experience of Japan”

Speaker: S. Wada

Member of JICA Study Team

3 : 30 “Coordination of Services by Certified Public Tax Accountants and Certified Public Accountants”

Speaker: L. Dondog,

PhD in Economics

Chairman, Accounting Policy & Methodology Department, Ministry of Finance

4 : 00 Break

4 : 20 “Issues to be Considered in Preparing Tax Accountant System”

Speaker: Prof. Y. Hirano

Member of JICA Study Team

4 : 50 “Tax Accounting System and Further Perspectives”

Speaker: Dr. G. Altanzaya.

Executive Director, Mongolian and Japanese Association of Tax accounting

5 : 20 Comments on the Seminar

L.Gansukh

Member, Standing Committee on Economic Policy of the State Great Khural

G.Zandanshatar

Member, Standing Committee on Budget of the State Great Khural Chairman

Ch.Ulaan

Deputy Prime Minister

6 : 30 Closing

L. Zorig

Director General, GDNT

2 Summary

2.1 Tax Education System in Mongolia

2.1.1 Training Classification and Status of Implementation

The Phased Education Plan was adopted in 2001, and a training system has gradually been structured. The programs implemented by the Training Center consist of basic training, specialized training and others. Basic training is categorized into introductory, intermediate, and advanced courses according to the relevant stage of training.

(1) Basic Training Program

The objective of the Basic Training Program is to foster ethical standards as tax staff and to ensure that applicants acquire the requisite expertise. Currently, however, the program's main purpose is to obtain professional qualifications and pass the renewal examinations (every other year).

① Introductory Training Course

The Introductory Training Course is provided to newly hired employees just prior to the National Tax Inspectors qualifying examination. The objective of this course is to teach the applicants the basic knowledge required by tax staff focusing on ethics as a public official, tax laws and international accounting standards.

② Intermediate Training Course

This course covers staff in their third to fifth years of employment. Since this coincides with the time that the qualification renewal examination is required, providing the training course just prior to the examination serves to support successful exam results. The training curriculum includes taxation, collection of taxes and tax audit.

③ Advanced Training Course

This training course was given only once for management, covering national administration and tax policies, due to the necessity to give managerial knowledge to new management as soon as possible because of the replacement of the majority of directors of the tax offices after the general election.

(2) Specialized Training

Specifically, the curriculum includes: international taxation, special tax, computer processing of tax-related information, ethics training for inspectors, tax audit, and settlement of tax-related disputes. These are specialized and efficient training programs. However, some of the planned programs have not yet been implemented due to budget constraints and a shortage of instructors.

(3) Other Training Course

This type of training course is not directly related to the operation, but is provided to educate staff about the basic knowledge needed to carry out operations as smoothly as possible. For example, training to acquire sophisticated accounting expertise, English education, and computer skills have been implemented.

2.1.2 Selection of Participants, Level and Effectiveness of Training

(1) Selection of Participants

Newly hired employees must take the Introductory Training Course within one year from the

date of employment. The Intermediate Training Course may be taken by staff preparing for their qualification renewal examination.

(2) Level of Training Course

The level of the Introductory Training Course and that of the Intermediate Training Course held almost solely for the qualification renewal exam were about the same up until 2002. This is an inevitable consequence of the fact that the purpose of both training courses is to pass the National Tax Inspectors examination.

(3) Effectiveness of Training Courses

As the purpose of the Introductory Training Course and the Intermediate Training Course organized for qualification renewal is to successfully pass the examination, the effect of the training is significant. For other training courses, we cannot draw any conclusions about their effectiveness because completion examinations have not been implemented (this type of examination started only recently) and inquiries have been conducted only since about 2002.

2.1.3 Future Training Program

In December 2003, the basic policy on training, "Education Program and Curriculum for National Tax Inspectors" ("New Education Program") was published by the GDNT.

(1) Features of "Education Program and Curriculum for National Tax Inspectors" ("New Education Program")

The Phased Training Program, consisting of "Introductory Training Course", "Intermediate Training Course", and "Advanced Training Course", is now classified into "Introductory Training Course", "Intermediate Training Course", and "Specialized Training Course" in the New Education Program.

The "Specialized Training Course" is divided into "Tax Collection" and "Tax Audit Method" in line with the actual operations. The program covers an extensive range of matters indispensable to each operation, including international accounting standards, financial statements, cost accounting, tax investigation, convention for the avoidance of double taxation, and computer processing of tax-related information, and aims to provide advanced levels of training. Participants are required to have passed the qualification renewal examination for National Tax Inspectors at least once and thus should be staff who have tax operation experience of at least three years as well as satisfactory evaluation of their services.

2.2 Short Term Action Plan

2.2.1 Current Training Program and Short Term Action Plan

Currently, training courses for the tax staff of Mongolia are implemented in accordance with the "Education Program and Curriculum for National Tax Inspectors" (hereinafter referred to as the "New Education Program") approved in December 2003 as a basic training policy for human resource development by the management board of the General Department of National Taxation (GDNT). The Short Term Action Plan is based on this program and has been revised to ensure that it is more systematic and suitable for implementation during 2006-2008.

2.2.2 Proposal to the New Education Program

The Intermediate Training Course is currently being implemented as preparatory training for the qualification renewal examination for National Tax Inspectors in the New Education Program. In the Short Term Action Plan, the study team suggests that it be changed to "Other Training Course" because it has less significance as part of the basic training program (phased

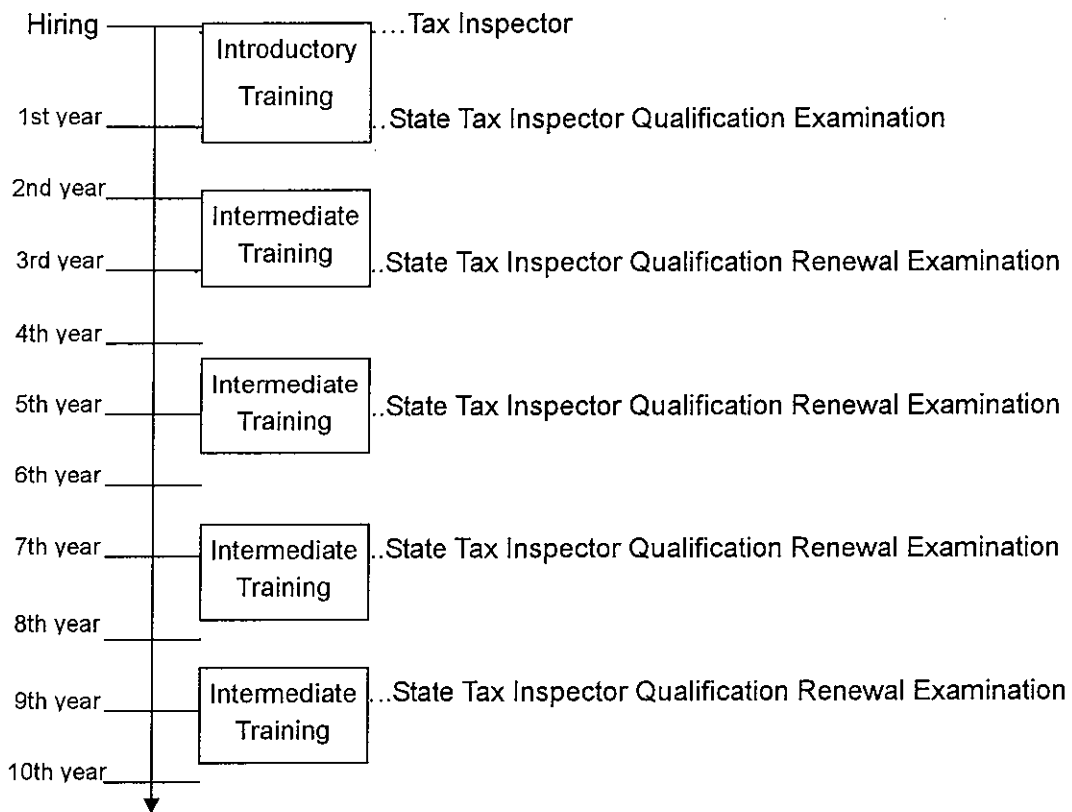
training program). Accordingly, the professional training course of this program should be changed to the Intermediate Training Course by operation area. The Advanced Training Course is composed of two courses, one for staff newly appointed as managers (training course for new management staff) and the other for future leaders of the GDNT and tax offices (senior management development course).

2.2.3 Structure of Training Courses

- ◆ The Basic Training Course (phased training program/long term training program) consists of the “Introductory Training Course” for newly hired employees, “Intermediate Training Course (a) Taxation and Collection; (b) Tax Audit” for staff with 7 to 10 years experience in the GDNT; and the “Advanced Training Course (a) New management staff; (b) Senior management development” for staff with more than 10 years of employment experience.
- ◆ The Specialized Training Course (short term training course) is implemented as needed to cover urgent matters to be addressed by relevant divisions of the GDNT and to enhance skills and expertise in immediately dealing with such issues, such as carrying out a tax audit of excise taxes.
- ◆ The Other Training Course (short term training course) is carried out to educate the staff about basic knowledge to facilitate the smooth performance of their duties. For example, (a) special training to be implemented within the country (preparatory course for qualification renewal exam for National Tax Inspectors) and (b) overseas training course.
- ◆ Distance Training Course (long term training course) is carried out via correspondence courses. Training materials on accounting are sent by mail and in return participants send their self-study results and questions. The answers and exam evaluations are returned by mail.

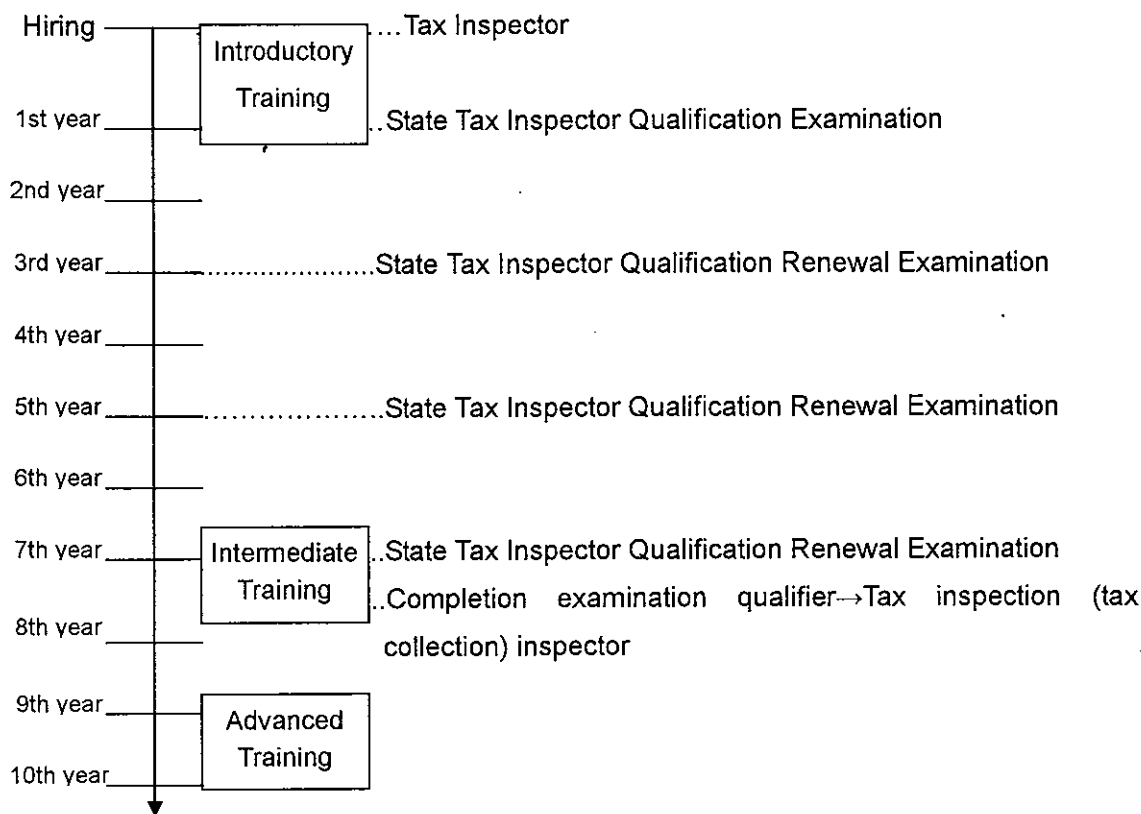
A Schematic of Basic Training <Phased Training>

Table1 The Training system adopted in the past by GDNT



(Note) In the training system adopted in the past by the Mongolian GDNT, Intermediate Training meant preparatory training of qualify in the state tax inspector qualification renewal examination. Therefore, it differs from the Intermediate Training within the phased Basic Training.

Table 2 Basic Training <Phased Training> in the Short Term Action Plan, Long Term Vision



(Note) With respect to “Operational Training” and “Special Training”, they differ from the Basic Training (Phased Training) and are offered while on the post, held as required and, depending upon the type of training, may be taken multiple times.

2.2.4 Relationship Between Significance of Training System and Human Resource Development System

Immediately after the completion of each course, and taking into consideration the importance of a particular subject, the results of training should be measured by giving an examination if necessary.

Participation in a training course and the results of examination should be recorded as part of training performance by the staff at the training center and sent to the Resource Management and Internal Control Division of the GDNT to be entered in the master file of National Tax Inspectors. Those records can later be used in making decisions with respect to personnel changes, promotions, and salary increases.

2.2.5 Relationship Between Training System and Qualification Renewal Examination for National Tax Inspectors

Regarding the qualification renewal examination, for example, those who have completed the Intermediate Training Course set out in the Short Term Action Plan may be exempted from the examination or the interval between examinations may be extended so that it is implemented once every four to five years instead of once every two years.

2.2.6 Equipment for Training and Human Resource Supply

The Central Training Center is presently located in a building of the UB City Tax Office and

two local training centers have been established in Khovd aimag and Dornod aimag (Choibalsan), which are in the east and west, respectively.

The Central Training Center has a classroom with a capacity of 66 people, a director's room, instructors' room, taxpayer service room and library, which are adequate for conducting any type of training. There are no full-time instructors in the west and east training centers. Tax inspectors of those aimags are responsible for communicating with the Central Training Center and managing their equipment. Each local training center has a classroom with a capacity of 30 people and tax materials, reasonably adequate for training purposes.

If the effectiveness of training is a priority issue, it would be more efficient to organize basic training courses at the Central Training Center and have all participants attend the same lectures at the same time, but local training centers should be appropriately used to save on training costs (travel and accommodation) since tax staff are dispersed throughout the vast territory of Mongolia.

With the preparation of phased training courses and those implemented by the local training centers, the number of staff should be increased to a level where the Training Center has at least 5 teachers. In this case, candidates can be selected from among existing counterparts in this project. Counterparts who are not selected to be instructors will be posted to tax offices or to the GDNT headquarters. However, they can also act as course instructors when needed.

As a result of collaboration between the study team and the Mongolian counterparts, the basic training course materials have been developed.

Although the materials do not entail all necessary issues to be covered during the training courses, they generally purport to increase the effectiveness of training courses by addressing major points such as "tax theory", "value added tax law", "personal income tax law", "corporate income tax law", "other taxes", "legal acts pertaining to taxation and collection", "tax accounting", "tax audit techniques", "international taxation", "taxation of international transactions" and "resolution of tax disputes" and the like.

2.2.7 Development of Annual Training Plan

With respect to the New Education Program, in November the staff of the training center starts to draw up a plan for the next year based on the basic policy of the New Education Program. In December, the prepared plan is submitted to the GDNT Management Meeting for approval. Prior to the start of a new quarter, a precise course schedule is fixed focusing on classification, time and place of training courses, etc.

The Short Term Action Plan is generally developed through similar procedures. Particularly careful consideration should be taken in developing basic training courses such as the Introductory and Intermediate Training Courses since they cover a broader scope in terms of quality and content. Since the Introductory Training Course is conducted within a year after recruitment of new staff, the following points should be decided on a priority basis:

- (1) Whether or not to organize centralized training at the Central Training Center gathering all participants once a year;
- (2) Whether or not to schedule central and local training courses at different times; and
- (3) How to schedule the time and place of training courses in the case of (2) above (including the number of staff at the training center who will be assigned to provinces)

Therefore, prior clarification is needed for issues pertaining to the number of participants and the training site as well as the sufficiency of the budget allocated for assigning staff to the training center and other similar issues.

Regarding the Intermediate Training Course, arrangements should be made with care. Questions remain as to whether or not the courses on taxation, tax collection and tax audit will be implemented at the same time. The timing of implementation should be set giving due

consideration to the workload of the tax officials. Criteria for the selection of candidates for this course, accommodation, curriculum, instructors, and materials are to be prepared prior to the start of the course.

Specialized and Other Training Courses can be provided upon request by divisions of the GDNT, UB City and its district tax offices. In such a case, an annual plan should be developed prior to the commencement of the next year.

2.2.8 Short Term Action Plan and Budget

To the extent possible, the Short Term Action Plan would not result in budget increases and therefore, the proposal takes this into consideration.

Looking at the current training budget, 21 million Tg are allocated for overseas training and 15 million Tg for training courses within the country, which has remained relatively unchanged over the past few years. In 2005, the training budget was increased. The budget consisted of 28.16 million Tg for overseas training while the domestic training budget totaled approximately 18.22 million Tg. Under the domestic training, if there is a background of increased tax revenues, an increase in the training budget may be likely, but even if that is inadequate, measures such as diverting a portion of the budget from overseas training to domestic training should be examined.

2.3 Long Term Vision

2.3.1 Establishment of a Regular Recruitment System with the Increase in Retirement

One of the important requirements in the stable establishment of a tax staff education system in Mongolia is the maintenance of a certain level of participants in the training programs each year. Achieving this would facilitate training plans and enable efficient preparation for training.

With respect to new hires, a system is presently being adopted whereby staff is recruited to fill vacant posts as needed throughout the year. One reason for this practice is the limited number of staff reaching retirement age or leaving for other reasons.

In the future, as the number of staff reaching retirement age increases, a legal system should be put into place where the date of retirement is concentrated at a fixed time each year and the hiring of new recruits to fill the vacancies is concentrated at a fixed period each year.

2.3.2 Training Structure

The training structure in the Long Term Vision will basically adopt the training structure presented in the Short Term Action Plan, but further enhancement in terms of both quality and quantity will be needed. For the Basic Training, the Introductory Training Course should be lengthened to 2 months and the Intermediate Training Course to 3 months. Introduction of new curriculum to meet rising needs will be possible and training can be implemented on a more measured schedule. In some cases, in addition to the study of laws including civil and commercial laws, the introduction of a more rounded education with the aim of character development will be considered. Both "Specialized Training" and "Other Training" will continue to follow the training content and training period in the Long Term Vision as those contained in the Short Term Action Plan, but efforts will be made toward improvements including increasing the frequency and making adjustments to the teaching materials.

2.3.3 Linkage Between the Training System and the Personnel System

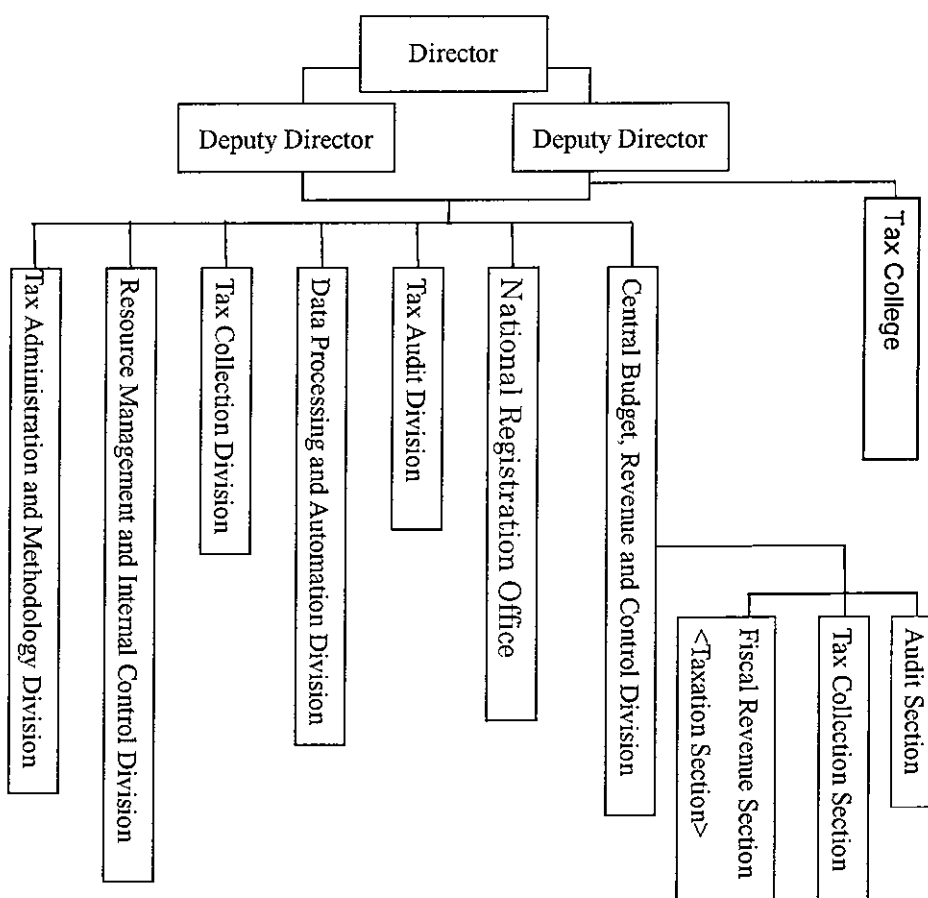
A recommendation was made in the Short Term Action Plan for improving the linkage between the training system and the personnel system, and its implementation needs to be continued in the Long Term Vision.

2.3.4 Physical and Human Resources for Training

In order for the training system to achieve truly efficient and effective results, as stated in the Short Term Action Plan, it is essential to put in place the required physical facilities including classrooms and teaching materials as well as human resources including teaching and administrative staff. Although a certain level of facilities are already in place, once the Basic Training (Phased Training) is implemented and if expansion is planned including Operational Training and Special Training or if increase in frequency is planned, the requisite physical and human resources will need to be put in place.

In order to enrich the current training center, we would recommend the creation of a tax college, similar to ones established in Japan and in other countries. A tax college, attached to the GDNT, would be organized as shown below.

[Organizational Diagram of GDNT]



2.4 Training Curriculum

2.4.1 Issues Considered In the Course of Developing Training Curriculum

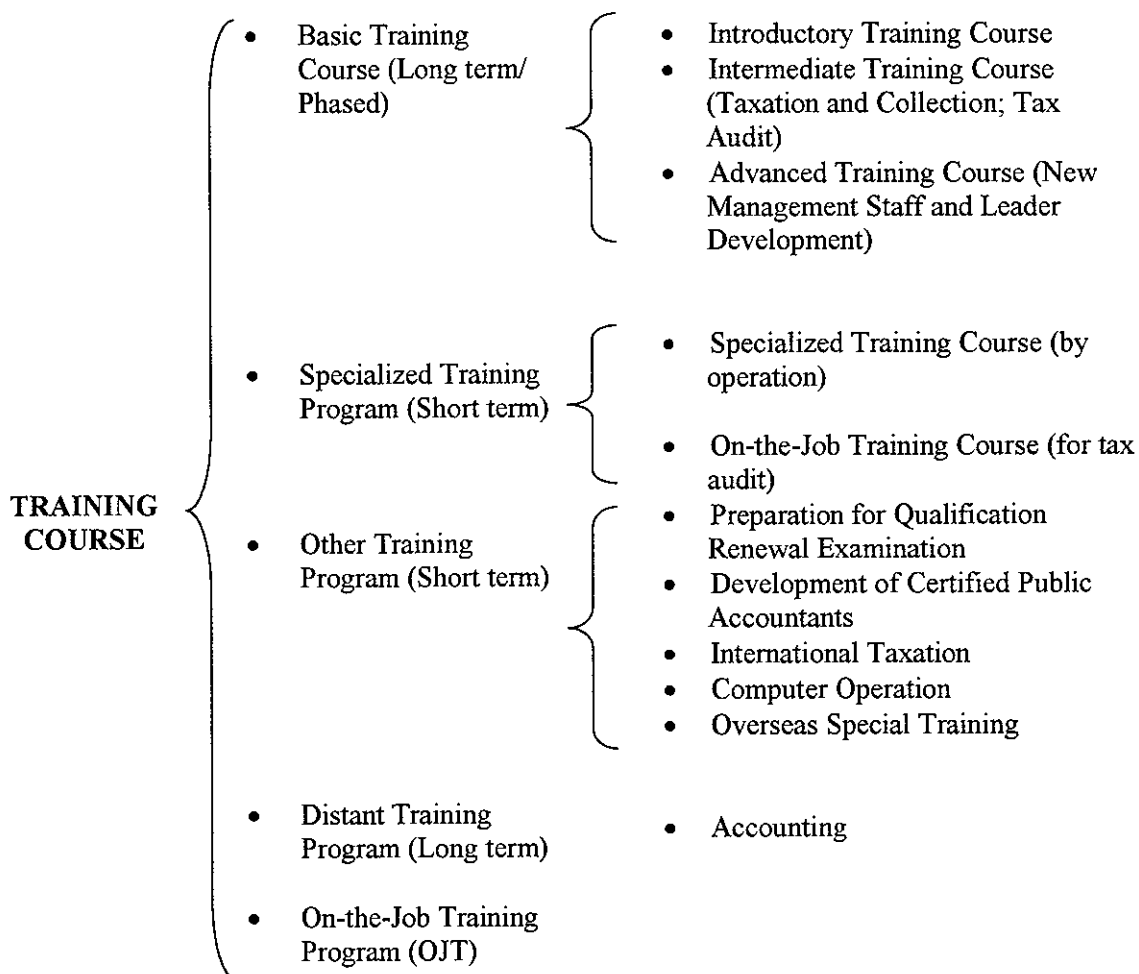
In developing the training curriculum, the following items are to be considered:

- All courses should be systematized and organized so that all staff can attend necessary courses during their period of employment; and
- Training curriculum should be prepared in a manner that is consistent not only with the desired outline of training curriculum, but also with the present circumstances of

Mongolia.

2.4.2 Purpose and Classification

Proposals on purpose, coverage and timing of each course are defined below. Structure and classification of training courses are illustrated as follows:



Issues we have considered:

- The purpose of the Introductory Training Course is to provide basic knowledge and ethical standards needed by newly recruited tax staff in performing their duties. To ensure efficiency and effectiveness of the courses, it is appropriate to conduct this training on a unified basis immediately after the date of employment, but we propose here to train new employees within one year after employment through the central and local training centers considering the constraints of the Mongolian training budget and the nature of hiring whereby vacancies are filled as required throughout the year.
- The Intermediate Training Course aims at preparing personnel who are specialized by type of operation. Therefore, we suggest organizing this as two different courses through the selection of participants. Looking at the status of instructors and purpose of training, it would be more effective to organize centrally, but, as in the case of the Introductory Training Course, it is only feasible to implement this course at 3 training centers.

- To date, training for tax staff has been provided solely by the Central Training Center based on an annual training plan approved at the GDNT Management Meeting and there has been no other courses provided or arranged by the affected divisions to address particular topical needs. We propose that fostering training courses such as specialized and on-the-job training courses on tax audit be organized by the relevant division of the GDNT because such training courses are essential for the smooth implementation of tax administration.
- It goes without saying that it is important that a well-implemented training program be put in place for local tax staff in Aimags and in the case of Mongolia that is characterized by its large geographic area and poor road infrastructure. Therefore, we plan to implement a distant training course covering Bookkeeping and Accounting, the highest priority subject.

2.4.3 Training Schedule

- **Training hours** Total training hours is fixed at 8 hours per day (including 2 hours of self-study).
- **Schedule** Schedule for the Introductory and Intermediate Training Courses is shown as an example.
- **Schedule by subjects** Schedule of each training course takes into account the purpose of the training course and the level of knowledge of participants. The Introductory and Intermediate Training Courses are supposed to last 20 days, a total of 160 hours.

2.5 Third-Party Information System

2.5.1 Status of the Third-Party Information System

Database entries by PC processing initially included (i) customs information, (ii) VAT invoices, (iii) third-party information papers, (iv) information relating to the manufacture of alcohol, and (v) information relating to the sale of alcohol. Subsequently, (vi) information relating to withholding taxes from juridical entities, was added. With respect to third-party information papers, “bank loan information”, “subsidiary company information”, “bid information”, and “special tax information” (information relating to seals attached to liquor and tobacco products) were added.

Currently, the system runs trouble-free. With the future development of software programs, there are plans to add (i) information relating to the transfer of title for real estate including land from State Registration Department of Immovable Property, (ii) information on monies paid to the private sector from the State Treasury for bids relating to goods and services procured by the state, and (iii) information relating to salary payments by juridical corporations from General Authority for Social Insurance. For this purpose, approaches have been made to the related agencies (State Center for Civil Registration & Information, State Registration Department of Immovable Property, General Authority for Social Insurance, General Police Department, Mineral Resources Authority of Mongolia and the like) but due to delays in program development, lack of cooperation and other factors, progress in achieving this has been impeded.

From among the types of information, VAT invoices had been entered entirely by the GDNT but the number of entries is voluminous and concerns have risen over potential delays due to manpower shortage. In order to improve the efficiency of operational processing, it was decided that portions relating to the Ulaanbaatar Tax Office and district tax offices would be entered by the collecting tax office and this has been implemented since 2004.

With respect to the utilization of third-party information, a degree of success has been demonstrated through cases of being able to identify transactions that were not recorded on the books through the customs information.

2.5.2 Issues to Be Addressed

As mentioned above, the results of hearings from the GDNT headquarters and Ulaanbaatar Tax Office with respect to the collection of third-party information show the progress being made in the utilization and operating conditions of the third-party information system.

What is most important is the heightened awareness of third-party information by the management staff of each state's taxing institutions and the tax inspectors. This may be largely influenced by the business agreement relating to the collection and utilization of data and information between the Director General of the GDNT and the directors of each tax offices. In particular, with respect to the inspectors' utilization of information stored in the database, "Rules for Use" have been established and utilization in tax audits is becoming more accepted, with the result that the effects from utilization in audits have improved significantly.

In the future, it will be important to further expand the type and scope of information to be collected and to expedite the development of environment and systems that will facilitate collection of information from not only inside the taxing institutions but also from other state organs and large private enterprises. This issue is not limited only to taxation and many issues including the complex nature of individual privacy must be cleared.

In addition, with respect to the utilization of the third-party information database, although there is a high level of awareness of its importance among the inspectors in the central regions such as Ulaanbaatar, the level of awareness in the outlying regions remains low and stronger guidance on this particular aspect needs to be addressed.

With respect to the volume of information from Customs, although it has exceeded 50% of the original planned level, due to the system operations on the Customs Agency side, not all of the required information has been stored. The GDNT will need to approach the Customs Agency for strengthening the internal checking system.

2.6 Public Relations, Services and Tax Education for Taxpayers

2.6.1 Public Relations for Taxpayers

A well-organized execution system and cooperation from taxpayers are indispensable for the smooth operation of tax administration.

When looking at tax payment circumstances in Mongolia, we observe the following characteristics:

- (1) Taxpayers are relatively few in number compared to the total population.
- (2) Mongolia is extensive in area and type of land. The tax rate differs depending on the area.
- (3) Tax payment often starts only after registration.
- (4) A number of tax offices have only one staff.
- (5) There are many penalties related to tax.

Considering the above points, we believe it would be beneficial to implement public relations for the invisible taxpayers from the following perspective:

- (1) Increasing the number of taxpayers and helping taxpayers understand the necessity of learning general tax knowledge, and especially the utilization and necessity of tax.
- (2) Selecting media suitable for diverse taxpayers (newspaper, radio, television, video, web site, etc.)
- (3) Considering the variety of areas and not regarding them as identical. Part of the description should be changed according to the area.
- (4) Timely public relations should be conducted for registration as well as for publicizing of the due time.
- (5) Selecting uniform and extensive public relations methods for tax categories relevant to many taxpayers.

(6) Selecting public relations methods taking into account the fact that there are relatively few tax categories with large tax amounts (PR method suitable for concentration of areas, business affiliations, existence of industry and industry groups)

2.6.2 Taxpayer Services

For the purpose of increasing the number of self-assessed taxpayers, GDNT opened up the fourth “Taxpayers Service Center” inside the Ulaanbaatar Tax Office on October 5, 2004, as part of the services for taxpayers. The operations of the Taxpayers Service Center are as follows:

- (1) Registration (registration to the database, processing of individual information)
- (2) Helping with tax return (assistance to corporations with only one person, etc.)
- (3) Advice (wide range of assistance at the time of incorporation)
- (4) Acceptance (acceptance of documents from taxpayers)
- (5) Issuing of certification (issuing of certification of tax payment)

GDNT intends to upgrade the services provided by such centers as well as increase the number of centers. Although tax administration focusing on services is an ideal model, it is also true that the effectiveness of providing these services is limited in tax administration. Consequently, it is important not to be misled by temporary gains during a good economy, and to consider the overall circumstances surrounding taxes and properly verify the results of the Taxpayers Service Centers. Furthermore, sufficient review should be carried out regarding coordination with the existing administration, contents, scale, location, period, etc. followed by a review of the need to develop an environment to bring about sufficient utilization of the services.

2.6.3 Tax Education

Taxes are essential for the state and are relevant to all citizens. It would not be an exaggeration to say that the consequence of taxation determines the status of the country and its citizens, making it essential to understand tax. Tax education targets all citizens and is broad and all encompassing.

In order to educate the people from an early stage, and taking into consideration the importance of tax, tax education should be implemented as an integral part of school curriculum. However, in the current state, hardly any classes are being given until the higher education level. From the perspective of securing tax revenues to meet the fiscal demands of the state, the GDNT wishes to implement tax education at the school level in order to maximize taxpayer cooperation.

For this reason, in order to enhance the practical effects of tax education, discussions on the subject between the GDNT and the Ministry of Culture, Education and Science would be desirable.

2.7 Tax Accountant System

2.7.1 Status and Issues of the Certified Public Accountant System

According to the Mongolian Ministry of Finance and Economy, in the 11 years since the country initiated certified public accountant examinations in 1993, some 1,100 people have acquired certified public accountant qualification.

To become eligible to take the examination for certified public accountant qualification in Mongolia (hereinafter the “CPA”), the first step is to obtain an accountancy title from a university accounting faculty (equivalent to a bachelors degree in Japan). The next step is to either acquire 2 years professional experience in an accountancy function within a corporation

or 2 years practical experience working in a bank, which fulfills the eligibility requirements for taking the examination.

In Mongolia, there are 262 state-owned enterprises, 158 regional public corporations, 420 joint-stock companies, 22,978 limited liability companies, 2,429 limited partnerships, 1,817 unlimited partnerships, and 2,787 cooperatives • savings and loan associations in operation in Mongolia. However, as of the end of 2003, 46 accounting audit companies performed accounting audits of 3,356 juridical entities. The existing accounting audit companies have the collective capacity to undertake accounting audits on 4,600 juridical entities.

The business of certified public accountants is “auditing” and only certified public accountants are able to perform audits. In addition to their duties, tax questions are also referred to auditing firms. In enterprises, distinctions between deductible items and non-deductible items are not adequately categorized in the bookkeeping and in many cases, rather than consulting with the tax office, questions are brought to the auditing firms.

2.7.2 Status of Tax Filing by Taxpayers

In Mongolia, comprehensive reform of the tax system has been undertaken including the introduction of a new accounting law in 1993. Taxpayers are obligated to file tax returns according to their tax classification and the need for tax accounting has increased not only for the taxpayers but also for the GDNT.

2.7.3 Issues of Tax Filing by Taxpayers and the Need for a Tax Accountant System

The current tax accounting theory for computing taxes is not based on the bookkeeping accounting standard. Bookkeeping is treated in the university course materials as accounting and there are no teaching materials intended for the general taxpayer.

A fundamental reform of the tax system is expected in the future when the quality and quantity of the contents required in the returns are increased. In the current status, it is likely that the taxpayers will not be able to respond. However, to place total reliance on taxing authorities through the Taxpayer Services Centers to respond to such taxpayers would be an excessive burden. As tax payment is based on autonomous filing of returns, the returns should be declared from the taxpayer side.

If issues relating to the returns of juridical entities or individuals are dealt with and resolved by tax accountants, it would enable the preparation of original documentation and accounting book records, which would become the operation evidence of each business. Therefore, it would lead to a reduction in the workload of tax audits and bring about favorable results in the quantity and quality of tax audits.

2.7.4 Items to Bear in Mind in Creating a Tax Accountant System

The mission for a tax accountant is to make every effort to properly realize the tax payment obligations provided for in the laws and regulations relating to taxation, as a professional on tax matters from an independent and fair perspective pursuant to the spirit of the self-assessed taxation system and responding to the confidence placed in him or her by the taxpayer. A tax accountant will undertake the following tasks.

(1) Tax Representation

Represent and perform an agency role in filing returns, applications, demands, and claims against tax audits or dispositions including lodging protests to the tax officials. A tax accountant, when engaging in tax representation, must receive a power of attorney from the client and submit the same to the tax office. On-site observation during tax audits is also an important task for a tax accountant.

(2) Preparation of Tax Documents

A tax accountant prepares documents including tax returns and applications to be submitted to the tax office. When preparing and submitting tax returns to the tax office, a tax accountant must affix his or her signature and stamp.

(3) Tax Counseling

Relating to declarations, claims and testimonies, preparation of returns to the tax office, provide counseling services with respect to items relating to the computation of the tax base and the like.

(4) Accounting

Associated with the tax accountancy tasks, a tax accountant will also perform the tasks of bookkeeping, preparation of financial documents and other financial operations on behalf of clients.

(5) Assistance in Legal Disputes Relating to Taxation

In a legal action relating to taxation, a tax accountant will appear in court with the legal agent (lawyer) and offer testimony to support the taxpayer.

The above tax representation, preparation of tax documents, and provision of tax counseling can only be provided by a tax accountant whether such service is provided gratis or on a fee basis. A tax accountant may not provide advice for tax evasion. If a client takes any illegal actions, the tax accountant must provide advice to remedy such acts. To respond to the confidence of the taxpayers, a tax accountant must maintain information gained through the performance of his or her duties in confidence. A tax accountant is prohibited from taking any actions that will damage the credibility and dignity of a tax accountant and must maintain books relating to the public tax accountancy practice and must exercise supervision over his or her employees.

In creating a tax accountant system to undertake such mission and tasks, the following items must be provided for in legal statutes:

(i) Items relating to the certification of qualification of tax accountants, (ii) items relating to the implementation of the tax accountant examination, (iii) items relating to the registration of tax accountants, (iv) items relating to the rights and obligations of tax accountants, and (v) items relating to the legal obligations of tax accountants.

2.7.5 Draft Plan for the Mongolian Tax Accountant System

A specialist engaged in tax representation shall be called a “registered tax accountant” and a registration system shall be implemented for the specialists engaged in tax representation. A tax accountant shall acquire “registered tax accountant qualification certification” and those who are registered may engage in tax representation. A tax accountant is an independent professional and must possess a certain academic level and practical professional abilities as in the case of accountants and lawyers and by possessing such qualities, a tax accountant will be able to provide specialist services to clients. Therefore, not all persons engaged in economics or law would be able to become tax accountants. In order to become a registered tax accountant, he or she must fulfill certain qualification certification procedures.

The qualification certification system for tax accountants is an important factor of the tax accountant system and is the generic term for the series of measures and method of screening for tax accountants. Establishment of a registered tax accountant system will guarantee the quality of tax representation and protect the legal rights of the clients, and is necessary to maintain the proper authority of the profession of registered tax accountants. This will include the “examination system” and the “certification system”.

2.8 Monitoring and Support of the Progress of Proposals Made by JICA Tax Collection Enhancement Studies

2.8.1 Taxpayer Registration, Tracking of Unlocated Persons and Transfer of Paper Information

(1) Clarification of Unlocated Taxpayers

For example, although it is required for a corporation to register at the competent tax office after registering at the GDNT's National Registration Office and obtain a certificate of such registration, there are some corporations that do not follow the procedures, resulting in mismatched registration between the National Registration Office and tax offices. According to the "Taxpayer Registration Rules", the status of registration to the database must be crosschecked once a week, and if any mismatch is found, the tax staff in charge at the tax office should clarify the location of such taxpayer. If no return is filed despite the obligation to file a return, the actual location must be checked first. If an unlocated status is confirmed, the records of the State Center for Civil Registration & Information are referred to in order to check for a new address or the records of the National Registration Office or Customs are checked. If these measures fail, inquiries are made to the neighbors. If necessary, the police are asked to assist.

(2) Countermeasures for Delinquent Corporations

Since October 2003, corporations have been checked and their statistics taken in accordance with the new law regarding registration of corporations. A Sanction Committee for delinquent accounts has been set up at the GDNT. The Committee extracts delinquents from the statistical data of corporations, and asks Customs or the National Registration Office to confirm their addresses. For confirmed corporations, a notice of back duty tax payment will be sent. If the corporation cannot be located, its address shall be tracked by asking for assistance as described above.

2.8.2 Statutory Receipt System

Implementation of this system is presently being sought through an official notice from the Minister. Although the GDNT will be working with relevant authorities to have the proposal enacted, it is understood that the existence of a number of difficult problems would most likely hinder obtaining the consent of Congress. For example, many members of Congress are against this enactment, and it is expected that taxpayers would object to charged delivery of statutory receipt.

The JICA Study Team proposed this statutory receipt system based on the situation of Mongolia during the period of 1998 to 2000. At that time, the majority of taxpayers did not prepare or keep any books with original entries, such as transaction books, invoices and receipts. Thus, identifying their taxable income was quite difficult. In such a situation, it was considered effective to have taxpayers prepare material that would help identify their taxable income, even if this was against their will. The introduction of a statutory receipt system was proposed against such a background. However, in order to establish a true self-assessment taxation system, and under the current circumstances in which knowledge about tax and bookkeeping is gradually prevailing among taxpayers, it seems appropriate to promote the practice of bookkeeping for the establishment of a self-assessment taxation system.

2.8.3 Preferred Return System for Good Taxpayers

The GDNT has a thorough understanding of the preferred return system for good taxpayers through research on the "blue return system" in Japan. The study team received an explanation from the GDNT that they would compare and analyze such systems of other countries as well to introduce the most appropriate system for Mongolia.

2.8.4 Real Estate Tax

After enactment of the Land Law and the Land Privatization Law, a proposal for amendment of the Real Estate Tax Law to impose real estate tax on land was discussed at Congress on January 10, 2004, where the amendment was approved and enacted. At the same time, the “Ordinance Concerning Land Tax” was established. The amount of the tax is 0.6% of the assessed value of the land. The assessed value of the land is 44,000 Tg per square meter. The final value was determined by region, based on the above value, with the ratio taking into account the difference in each region.

However, when computed simply with the calculation formula above, the tax burden appeared fairly heavy compared with the rent for the land. Considering that point, in actual taxation, enough exemption measures are taken so that the tax for land will not exceed the rent.

In any event, imposition of real estate tax on land has just started. The type of problems that might occur and the amendments needed depend on future developments.

1. Tax Education System in Mongolia

1.1 Current Status of Personnel System

(1) Recruiting of Staff

Currently, GDNT employs a total staff of 1,260, out of which 1,094 staffs are tax inspectors. 97.8% of such inspectors graduated from a university or a high school. For the future, although it is difficult to find university graduates to staff certain districts, especially for staff working at Soums under the tax authority of each province, it is expected that majority of tax staff will be recruited from among university graduates, especially those from Economics Department. Currently there is no age limit. Staffs are recruited to full a vacancy at GDNT headquarter or other tax offices.

Recruitment and personnel affairs thereafter are carried out in following ways:

(A) When employing candidates who passed “Qualifying Examination for Public Officials”.

Employ necessary number of staff as “Tax Inspector” from the candidates who passed the Qualifying Examination for Public Officials (Note) and were registered as a candidate for an administrative staff.

(Note) Qualifying Examination for Public Officials is implemented by the National Public Official Committee. A training program of roughly two-week duration is given to the applicants prior to such exam.

The people employed shall participate in the “Introductory Training Course” implemented within one year from their employment, after which they will take the “Qualifying Examination” implemented by Resource Management and Internal Control Division of GDNT (Employment Rules 2.7 and 3.2). The staff who pass the examination will be qualified as “National Tax Inspector”, while those who fail will be dismissed (Employment Rules 3.6). The qualification of National Tax Inspector is renewable every two years acquisition. At that time, “Qualification Renewal Examination” implemented by Resource Management and Internal Control Division must be taken after participating in the “Intermediate Training Course”. Qualification Renewal Examination consists of Evaluation for Practical Operation (50 points) and Examination results (50 points), for a total of 100 points. In order to pass the examination, at least 60 points must be achieved. The applicants may renew their Qualification as a National Tax Inspector by passing the examination. If a candidate fails, however, such qualification shall be revoked and an unsuccessful applicant shall revert to being a mere tax inspector. Such unsuccessful

applicants will be given a grace period of six months, during which they may be able to take renewal exam again after taking the Intermediate Training Course (Employment Rules 4.9). If the candidate fails that examination again, such applicant shall be dismissed. In other words, after two unsuccessful the renewal examinations, the applicant will lose the position as a tax staff.

The renewal examination of National Tax Inspector is given every two years. Chief National Tax Inspectors (Director-General of GDNT), Senior National Tax Inspectors (Division chief of headquarter, Section Managers, Director of Tax Office of Ulaanbaatar City and each province, Head of District Tax Office of UB City) and Certified Public Accountant are exempted from the renewal examination.

(B) When Employing a person who has not passed “Qualifying Examination for National Public Officials”.

Invite people who desire to be tax staff, but have not passed the Qualifying Exam for National Public Officials, give them a training course of approximately two weeks and then implement the employment examination. The person who proves him or herself as suitable to become tax office staff, in terms of qualification requirement provided in National Public Official Laws and appropriate knowledge about tax laws, may be employed upon application to tax offices of UB City and provinces and individual district, subject to the approval from Director-General of GDNT (latter half of Employment Rules 2.1). The subsequent training, qualifying examination and renewal examination are the same as those for staff employed under above (A). Such person may only become regular staff after passing the Qualifying Examination for National Public Official within one year after acquiring qualification of National Tax Inspector (Employment Rules 3.8).

(C) Special Pattern of Employment in Local Areas

In General, the areas where tax staff located are divided into “Central area”, which is UB City, and “Local area”, which consists of 21 provinces. UB City is divided into 9 districts. There are Soums (one of administrative unit) under the tax office of each province. There are approximately 300 Soums nationwide. A Soum’s population is about 1,500 to 3,000 and normally one tax inspector works for a Soum. Some Soums that are responsible for major national institutions or manufacturing companies employ two or three inspectors. There are about 360 inspectors in Soums nationwide (accounting for approximately 30% of all staff). They are mainly in charge of collecting cattle tax, vehicle tax and firearm tax, and handle all administrative works. There appears to be

no relocations of tax staff to other tax institutions.

Tax inspectors working for Soums in such circumstances are employed through very different pattern from tax inspectors at Central area. In other words, it is difficult to hire university graduates. Consequently high school graduates or the persons who have experiences in other professions, such as teachers, engineers and doctors, are employed as needed. Accordingly, the requirements such as qualification exam for National Public Official are applied with some flexibility.

As described above, in order to continue working as a tax staff, it is required to pass the qualification renewal examination every two years. For that purpose, it is necessary to continue learning tax laws and accounting as well as receiving good performance reviews at the job. "Introductory Training Course" and "Intermediate Training Course" are positioned as basic training courses to help such efforts. Basic training curriculum of current Mongolian training system is aimed only for passing the professional qualifying examination. Accordingly such curriculum, although it could help mastering professional knowledge, may not achieve true human resource development such as fostering sense of ethics and cultivating the personality suitable as a member of society, which should be the aim of basic training.

(2) Administrative System and Personnel Affairs

UB City Tax Office, Provincial Tax Office, District Tax Office are the substructure of GDNT. Main functions including taxation and collection of taxes and tax audit are carried out under the following organizations.

(A) General Department of National Taxation (GDNT)

Tax Collection Division (provides management and guidance for administration of Tax offices of UB City and provinces and district tax offices, relating to reception of all tax returns, examination of returns and collection of taxes.)

Tax Audit Division (provides management, guidance and duplication check for administration of tax offices of UB City and provinces and district tax offices, relating to tax audit for corporations and individuals)

State Budget, Revenue Control Division

(provides tax management, tax collection and tax audit for corporations with capital of Tg 500 million or more and large corporations operating across Mongolia)

(B) UB City Tax Office

Tax Collection Division (in charge of receiving of tax return, examination of returns and tax collections for corporations and individuals)

Tax Audit Division (in charge of tax audit for corporations and individuals)

(C) District Tax Office

Tax Collection Division (in charge of receiving returns, examination of returns and tax collections for corporations)

Tax Audit Division (in charge of tax audit for corporations and individuals)

Individual Tax Division (in charge of receiving returns, examination of returns and tax collection for individuals)

(D) Provincial Tax Office

Tax Collection Division (in charge of receiving tax returns, examination of return and tax collection for corporations and individuals. Also, in charge of management and guidance for tax collectors in Soums)

Tax Audit Division (in charge of tax audit for corporations and individuals))

Soum Tax Staffs (It is similar to a branch of t Provincial Tax Office and the tax collection officers stationed in the Soum receives the tax returns of all corporate and individuals and undertake the task of collection.)

It is understood that staff with relatively less experience is mainly in charge of individual income tax whereas more experienced staff are put in charge of corporation tax, and the staff with five years experiences or more are in charge of tax audits.

Tax staffs are rotated among tax offices every two years. However, there are not many transfers between the Central area and Local area. In particular, tax staffs in Soums typically do not move.

Furthermore, as assignment of tax staffs are not systematic according to the administrative lines, personnel transfer often causes changes in such lines.

1.2 History of the Training System

The Training Center was established in 1993 when GDNT was inaugurated. Since it was urgently required to foster many staff with specialized knowledge and skills relating to tax,

training measures with immediate necessity had been implemented one after another by year 2000. Such measures are described below.

The Training Center has assumed the responsibilities for not only training for staff but also for the public relations and education for the taxpayers since 2001. The public relations activities are now performed at the GDNT headquarters to where it has been transferred in 2005.

1993 : ★ Carried out the training program for bookkeeping and audit for 150 inspectors in UB City.

 ★ Dispatched 30 management staffs and inspectors to overseas training held in U.S, Austria, Germany and Japan.

1994 : ★ Sent 50 students in local area to Mongolian National University and Institute for Finance and Economics with National Education Fund.

 ★ Sent 99 inspectors who had not studied finance or economics to the nighttime course or correspondence courses of the universities above.

 ★ Implemented 28 training programs each of 72 hours in length to the 806 inspectors in all provinces and Soums.

 ★ Sent 22 inspectors to the overseas training programs held in Turkey, Austria and Denmark, financed by International organization.

 ★ Dispatched nearly 40 inspectors, 67% of which were local staff, to on-the-job training courses in Russia and China financed by GDNT's own funds.

 ★ Implemented English training course for 28 staff.

1995 : ★ Sent 2 instructors of the Training Center to Ankara to have them participate in 2 weeks training course for tax teaching staff.

 ★ Invited overseas specialists through international organizations and implemented seminars for staff. 30 inspectors participated to the tax training course in Turkey.

1996 : ★ Trained certain inspectors for international accounting standards, and implemented training programs for inspectors in UB City and local areas.

 ★ Nearly 40 inspectors participated in 13 training programs within the country and overseas.

From 1997 to 1998:

 ★ Implemented qualifying examination to inspectors, to grant qualification of National Tax Inspectors. As a result, 1,000 inspectors were qualified.

 ★ Planned the training programs for Introductory, intermediate and

advanced.

1999 : ★ Implemented special training programs for each responsibility (e.g. public relations of tax).

From 2000 to 2003:

- ★ The Phased Education Plan got into full swing and has been implemented since 2001. During 2001, 350 inspectors took Introductory Training Course.
- ★ Intermediate Training Course has been implemented since 2002. During each year of 2002 and 2003, 480 inspectors and 15 staff who completed Introductory Training Course took the course.
- ★ Since 2001, accounting training courses have been implemented for inspectors. Total of 120 inspectors took the course, of whom 63 acquired the qualification of accountant.

1.3 Training Classification and Status of Implementation

As described above, the Phased Education Plan has been adopted since 2001, and the training system has been gradually organized.

The organizations in charge of implementing tax office staff training are Tax Administration and Methodology Division and the Training Center. Generalized training such as basic training program is mainly carried out by the Training Center.

International training programs or the training program based on highly political decisions are implemented by Tax Administration and Methodology Division. They are not, however, based on the long-term basic plan.

Implementation status by training classification from 2001 to 2003 is as follows:

(1) Implemented by GDNT by itself

(A) Overseas Special Training Program

Selected the trainees from management staff and inspectors of each operational area and sent them to “Ankara Training Center in Turkey”, “Korean Training Center”, “Special Training Program by Country at the National Tax College of Japan” to have them participate in such courses.

Also, sent a few people to U.S. and other countries to have them participate in sophisticated legal training program.

(B) Specialized Education within the Country

Sent management staff and selected inspectors to be educated about national administration to Administration Academy and to acquire bachelor of law degrees at a

national university.

(2) Implemented by Training Center

The training programs implemented by the Training Center consisted of Basic training, Specialized Training and Other training. Basic training is categorized as Introductory, Intermediate, and Advanced according to its stage.

(A) Basic Training Program

Aim of the Basic Training Program is to acquire ethical principles as a tax staff and to have the applicants acquire required technical expertise. Currently, however, as described above, acquisition of professional qualification and supporting the success at renewal exam is its main purpose.

① Introductory Training Course

Introductory Training Course is implemented to newly hired employees just prior to the qualifying examination of National Tax Inspector.

This training course aims to have the applicants study basic knowledge as a tax staff with focus on ethics as a public official, tax laws and international accounting standard.

The position of Introductory Training Course in connection with specialized qualifying exams is as follows: Newly hired staff must take "National Tax Inspector Examination" within one year from their employment (Employment Rules 1.3 and 2.7). This examination consists of accounting (60 points) and tax laws (40 points). Any staff that fails the examination may not be qualified as a National Tax Inspector and must resign. Thus, preparatory training course is given for that exam. In 2001, total 108 hours (18 days) of training program, consisting of 84 hours of international accounting standards and 24 hours of tax laws was implemented. That is Introductory Training Course (Employment Rules 1.3). As Introductory Training Course has such features, it is provided once a year for newly employed staff. This system has been adopted from about 1998, the staffs who were hired prior to that time were to take the training course and qualifying examination sequentially together with newly hired staff. This treatment was completed at the training course in 2001 since all such staff had taken the training course.

Requirement for tax staff of Mongolia, currently, is to be a graduate from a university with bachelor's degree with in principle, economics or accounting major. As those people are familiar with accounting, necessity of receiving training in international accounting standards has been mitigated since 2002 when the training and examination for the staff who were hired before economics or accounting degree was made a prerequisite. Consequently, the training hours of international accounting standards

were reduced to 80 hours (14 days) in 2002. Since 2004, international accounting standards will be eliminated from the training curriculum and ethics and information processing will be added in its place, thus, a total 110 hours of Introductory Training Course was implemented.

② Intermediate Training Course

This course covers the staff in third to fifth years of their employment. Since they are at a stage when qualification renewal examination would be required, giving this training course just prior to such examination aims to support their success at the exam. The preparatory training program for this qualification renewal examination, given just prior to such exam, is the Intermediate Training Course. The training curriculum includes taxation and collection of taxes and tax audit, aiming to give advanced knowledge for the staff that has some experiences in operations. The qualification renewal examination described above needs to be taken every two years (Employment Rules 4.1). The approval criteria for this qualification renewal examination is as described above ((A) of (1) of 1.1).

Intermediate Training Course is implemented every two years corresponding to the qualification renewal examinations. Its curriculum consists of tax laws and international accounting standards and the length of the course is from 10 to 14 days. On the contrary to the qualification renewal exam, which are mandatory for all of National Tax Inspectors, this training course is not mandatory and both of its level and curriculum are similar to those of the Introductory Training Course. Consequently, there appear to be many staff that does not take this course.

Since the above described situation of this training course, and the Intermediate Training Course is not expressly provided in the Employment Rules, some people do not regard this training course as an “intermediate training Course” in the Phased Training Program.

The 112 hour long Intermediate Training which was to be implemented in 2002 was truncated due to budgetary constraints and, in particular, no implementation was made in the local areas. Further, in 2004 it was planned to be implemented in a shortened 60-hour version but for similar reasons implementation was passed over in some of the local areas.

③ Advanced Training Course

Advanced Training Course is to be given to the management staff. This training course was given only once for management and inspectors, covering national

administration and tax policies, due to the necessity of giving managerial knowledge to new management as soon as possible because of the replacement of majority of director of tax offices after the general election. Currently, GDNT does not plan continuous implementing this training course.

For the management staff, including director of tax offices, the conference covering basic plan and improvement measures of administrative operation is held for about three days in February in every year. This may be regarded as a training program.

The training program described above was implemented by the Tax Administration and Methodology Division. There has been no such training program implemented or planned by the Training Center.

(B) Specialized Training

This type of training course is implemented to give education of advanced knowledge and latest information in each operating area and carried out as needed, to the inspectors who need them.

Such training is indispensable for a smooth and efficient operation. The plan for the following year is determined in a GDNT Management Meeting held every December. The Training Center prepares specific curricula for every quarter based on the plan and implements them.

Specifically, the curriculum includes: international taxation, special tax, computer processing of tax related information, ethical training for inspectors, tax audit, tax related disputes. We can say that these are specialized and efficient training programs. However, there are some programs that were planned but have not been implemented due to shortage of budget and instructors.

In year 2003, training program for staff in charge of public relations, training program of amended law for inspectors in charge of collection at each tax office, information processing training for operators, training of introduction of special stamp duty were implemented under a four to five days schedule. The training given when tax law is amendment or upon the necessity of transmitting information as soon as possible to the staff in charge are also included in these Specialized Training. In order to conduct such training programs in a timely and in an appropriate manner, it is better for the authorities such as Tax Collection Division or Audit Division to plan and implement such programs.

(C) Other Training Course

This type of training course is not directly related with operation, but educate the staff on the basic knowledge that facilitates the smooth performance of the operation. For

example, training for sophisticated accounting expertise helping to acquire qualification of public accountant, English education for preparing internationalization of tax, training for computer operations have been implemented.

Tax Administration and Methodology Division implemented English Training Courses at two levels in 2001 aiming for enhancement of English capabilities of the staff. The future plan, however, is not clear, as is the case of Advanced Training Course.

(D) Charged Training

This training course is targeted toward taxpayers and is an effective way for conducting tax related public relations and services, including disseminating tax knowledge and enhancing the awareness of tax payment responsibility. Although provision of the course without charge would be desirable, due to the limitations in the budget, this is not feasible. .

The curriculum of these training courses already implemented includes: education for commissioned tax accountants; education for tax consultants; trainings related with accounting, returns and taxation; accounting and taxation for foreign currency and; preparation of tax return.

(3) Implemented by UB City Tax Office, Provincial Tax Offices and District Tax Offices

In reality, staffs in charge of personnel affairs at tax offices of cities and provinces as well as district tax offices are coordinating the communication with the Training Center and the personnel department of GDNT and UB City Tax Office. Dedicated person in charge of “training in the workplace” is not assigned. The personnel staffs placed at that position simply coordinate communication and are not in charge of planning and implementation of such training. Training in the workplace, however, is implemented from time to time primarily by the management of each division and section. Specifically, this includes arrangement of administrative matters, study sessions for new tax laws, administrative guidance targeted to newly hired staff.

On the other hand, on the job trainings (OJT) are implemented for new staff by senior associates at all tax offices.

(4) Training Instructor

For the training course implemented by the Training Center, a teacher of that center, in principle, acts also as an instructor for the course. However, the outside people such as managerial staff of GDNT or professors of national universities may be asked to be an instructor as needed.

(5) Opening of Local Training Centers

Preparation of opening local training centers in Khovd Province and Dornod Province (Choybalsan), which are in east area and west area, has started since 2001. Currently, necessary classrooms have been arranged and prepared.

Under the present circumstances, trainings in local area are provided about once every two years by the staff of the Training Center visiting there and conducting rather irregular training programs, such as giving Introductory Training and Intermediate Training at the same time. This is due to the particular situation of local region, where few staffs are dispersed over an extended area, which makes securing of participants difficult. Thus, experienced and un-experienced staffs are forced to take training course together. In the future, better organization of personnel and physical facilities at local training centers will allow more efficient and effective training.

1.4 Future Training Program Based on Basic Policy of Human Resource Development

In December 2003, GDNT presented “State Tax Inspector Education Program” for human resource development (hereinafter the “New Education Program,”). The training is divided into Introductory, Intermediate, Specialized Training (by operation) (NOTE). Based on the New Education Program, detailed implementation items of training plan for each quarter is formulated and implemented at the Training Center.

Reviewing the implementation to date, a 2-week Introductory Training has been held in UB while local training courses (Introductory and Intermediate) have been implemented in 5 Aimags.

The Basic Policy for training sets out the plan up to year 2005. Each type of training program is expected to be implemented according to the plan for the time being. The summary of that policy is described in the table below.

(Note) In the past, a short-term training that had been provided for each operation (training relating to implementation of operations by each operation or training especially implemented when amendments to the tax law take place) has been referred to as Specialized Training. However, the “Specialized Training” in this “New Education Program” is a Long-Term Training as Basic Training (Phased Training) and it is important to be aware of the differences in nature between the two.

A. Phased Training Program

Training Classification	Period	Participants	Purpose	Curriculum (selected)
Introductory Training Course	30 days to 40 days	All staff who are in their probationary employment period	<ul style="list-style-type: none"> • Acquisition of basic knowledge needed in the course of operation • Success at the qualifying examination for National Tax Inspector 	<ul style="list-style-type: none"> • Principles of tax theory and practice • Knowledge about tax laws • Preparation of tax payers' file • Practical knowledge of confirmation and acceptance of financial statements and tax returns
Intermediate Training Course	7 days to 10 days	All of National Tax Inspectors	<ul style="list-style-type: none"> • Success at qualification renewal exam for National Tax Inspector 	<ul style="list-style-type: none"> • Amendments of laws regarding tax, financial affairs and bookkeeping; -rules, guidance associated with them , -operation of tax litigation committee (methodology of taxation and accounting)
Specialized Training Course	21 days to 30 days	Inspectors in each operation, who renewed the qualification of National Tax Inspector at least once and recommended by the tax organization to which they belong.	<ul style="list-style-type: none"> • Acquisition of knowledge about tax collection, tax audit and information processing • qualifying exam for staffs in charge of tax audit and tax collection 	<p>i) International accounting standard; cost and expense item; -cost accounting by manufacturing process and toll manufacturing; -cost accounting of by-products and others; -inclusion of standard expenses</p> <ul style="list-style-type: none"> • round number of expenses • (utilization of financial statements and cost accounting in tax imposition, tax collection and tax audit, accumulation of practical experiences, acquisition of tax

				<p>effect accounting)</p> <p>ii) Knowledge about Mongolian tax system, tax investigation, operation of tax litigation committee, tax system of foreign countries, Mongolian tax laws and treaty regarding double taxation</p> <p>iii) Computer processing of tax related information, information output through internet, and utilization of national tax organization's website</p>
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B. Training Program by Course

Training Classification	Participants	Purpose	Curriculum
Distance Education (education through mails or internet)	All inspectors at each national tax organization except those in Soums	• Provide information to inspectors at regular basis and nature the spirit of self-learning.	• Amendment of laws concerning tax, financial affairs and bookkeeping. Interpretation of guidance, rules and manuals associated with such amendment. Submission of homework to inspectors and checking the implementation
Other training courses for short period of specialized area with the cooperation of international organizations or foreign countries	Select the participants according to the opinion from divisions that control and implement the training.	• Implement as a part of technology cooperation of international organization and foreign countries.	• Tax collection, audit, etc.

(1) Features of “Education Program and Curriculum for National Tax Inspectors” (“New Education Program”)

The Phased Training Program, which consisted of “Introductory Training Course”, “Intermediate Training Course”, and “Advanced Training Course”, is now classified as “Introductory Training Course”, “Intermediate Training Course”, and “Specialized Training ” in the New Program. “Specialized Training ” is divided into “Tax Collection” and “Tax Audit Method” in line with the actual operation. The program covers extensive range of matters indispensable to each operation, including international accounting standards, financial statements, cost accounting, tax investigation, double taxation treaty, computer processing of tax related information, and aims to give advanced levels of training. Participants are required to have passed the qualification renewal examination for National Tax Inspector at least once.

Thus, the participants should be staff who has tax operation experience of at least three years and has received favorable performance evaluations .

On the contrary, “Intermediate Training Course” is supposed to be taken by all National Tax Inspectors, and is implemented on the assumption of taking the qualification renewal exam for National Tax Inspector. Thus, its contents and length is substantially different from those of “Specialized Training Course”.

Thus, in light of the meaning of the Phased Training Program, Specialized Training should be the “Intermediate Training Course” in its original sense. “Intermediate Training Course” which is taken by all National Tax Inspectors, is only preparatory training course for qualification renewal examination.

1.5 Selection of Participants

(1) Introductory Course

According to National Tax Inspector Employment Rules, newly hired employees must take Introductory Training Course within one year from their employment. (Employment Rules 2.7)

(2) Intermediate Training Course

In the past, Intermediate Training for preparation of qualification renewal examinations was open to those who requested but in the New Education Program all inspectors who correspond will participate in the training.

(3) Advanced Training Course

In the New Education Program, there is no mention of the Advanced Training but historically, the candidates for the Advanced Course was selected from among inspectors with at least 5 years of professional experience as state tax inspectors and who have successfully completed the Intermediate Training (Employment Rules 4.13). However, there are no specific selection criteria and there has not been any implementation as a Training Center provided training and there are no plans for such in the future. According to the Employment Rules, for designation as chief inspector or in selection of participants to overseas training, preference is given to those who have successfully completed the Advanced Course but as noted above, there has only been one course given directed at Tax Office directors and there has never been an implementation of the said rule being applied for preferential selection for promotions.

(4) Specialized Training

In the New Education Program, “Tax Collection Course” and “Tax Audit Course”, are

planned and it is stipulated that a person who has renewed state tax inspection qualifications at least once and recommended by the tax organization with which he or she has affiliation shall participate.

(5) Other Training

This is a training that has been implemented from the past. Although the inspectors who are suitable for the purpose of the training and curriculum should be selected for those programs, it is not clear whether necessary training is provided for the people who need them because: specific operations and degree of difficulty are different from the Central area and Local area; responsibility is not specialized in Local area; and neither GDNT Resource Management and Internal Control Division nor the Training Center have identified the participation history in training courses of each staff.

1.6 Contents and Level of Training Course

(1) Introductory Training Course and Intermediate Training Course for the preparation for qualification renewal examination

The levels of the Introductory Training Course and Intermediate Training Course for the preparation for qualification renewal examination were about the same until 2002 and basic international accounting standard and outline of tax laws were included in these courses. This is an inevitable consequence from the fact that the purpose of both training courses is to achieve success in National Tax Inspectors examinations.

(For example, Intermediate Training Course for qualification renewal exam in 2001 was implemented as a part of Introductory Training Course due to shortage of instructors and budget as well as consideration for efficiency of the program.)

For 2003 and thereafter, Introductory Course was reviewed. Then international accounting standard was deleted from its curriculum, then ethics as a public official and information processing were added.

In General, Introductory Training Course should be given to all staff immediately after their employment and provide ethics training, reception, administrative procedures indispensable for public officials or tax officials, as well as basic knowledge of laws. On the other hand, Intermediate Training Course should be given to all staff after certain period of experience on the job, aiming to provide them more sophisticated administrative processing capabilities and expertise as a tax staff. Looking at the Phased Training Program from this standpoint, it seems that curriculum of the Intermediate Training Course needs to be reviewed. There were same opinions from several tax office staff of Mongolia to whom we conducted hearing.

(Some Opinions from Mongolian Staff)

- If Introductory Course were implemented for longer period and with deliberately organized curriculum, Intermediate Course may not be necessary.
- Current Intermediate program should be more sophisticated, or should be made more closely related with the actual work of each inspector.
- Although qualification renewal examination is appreciated as it gives appropriate pressure to staff, it may be too much for GDNT to prepare the training course for the examination. GDNT should send preparation materials for the examination to encourage self-learning, and should discontinue Intermediate Training Course.
- Inspectors, especially those in city districts, are studying on their own expense to keep pace with their taxpayers. The Intermediate Training Course should be upgraded and be given to all staff, however, the contents should be different for the Central area and Local area.

(2) Specialized Training

The contents and level of Specialized Training Course do not have any particular problems since these courses are implemented in timely manner associated with tax law amendment, changes in tax system, any problem in the course of executing tax administration and based on the request from the work front. There are, however, not negligible levels of mismatches, as pointed out in “1.5 Selection of Participants”. It might be necessary to tailor the contents and levels of the training course for Central area and for the one in Local area.

1.7 Effectiveness of Training Course

As the purpose of Introductory Training course and Intermediate training course for the preparation for qualification renewal examination is achievement of success in the examination, the effect of the training should be significant.

On the one hand, up until now, no training completion examination has been implemented for either the Basic Training or the Specialized Training and inquiries have been conducted only from about 2002. Thus, it would not be appropriate to rush into conclusions on the effects of the training. However, as mentioned in “1.5 Selection of Participants” and “1.6 Contents and Levels of the Training Course” above, it is not possible to say that all training courses have been effectively and efficiently implemented.

More specifically, following matters may be pointed out:

- There were some mismatches between participants and curriculum, such as participants of special training course were not the staff in that specialization.

- Time allocation for each training subject was not well organized, resulting in the situation where teaching sophisticated economics to the people not familiar with economics.
- Training for the staff working at local area and the staff having been transferred are not adequate due to the training system not having been based on a long term perspective.

1.8 Connection between Training and Employee Evaluation

In Mongolia, training system and personnel system are not related at all except for acquisition and renewal of qualification of tax inspectors.

As shown in the fact that completion examination has not been implemented and that there is no record of participation in the training course in the personnel files, Resource Management and Internal Control Division has not been involved at all in the selection of participants in training courses, identification of the participation history in training courses, or in the evaluation of capabilities based on the results of training courses. In other words, training courses themselves do not affect pay raises, promotions and bonuses for staff.

It is needless to say that participants' motivation for study is most important for effective training. Thus, it is necessary to clarify the linkages between training and personnel affairs to enhance the effectiveness of training.

1.9 Others

(1) Current Status of Training Centers

[Facilities]

- Central Training Center (inside the tax office of UB City)
 - Opened in 2002 (previously located inside GDNT).
 - Staff: Chief 1, instructors 3, PR 1, driver 1
 - Facilities: Chief office, instructors' room, PR office, library, Class room (capacity :66 people)
 - Equipments: Microbus, OHP, projector, speaker, 3 copy machines, video materials, portable power generator
- Local Training Center
 - Since 2001, their own facilities have been established.
 - 1) Khovd: implemented training courses two times in 2002, and none in 2003
 - 2) Choybalsan: have not implemented any training course due to lack of

instructors

- instructor (also occupies a post of an administrative staff)
appointing 1 staff from inspectors
- Facility: Class room (capacity :45 people)
- Equipment: OHP, TV, video deck, video camera, copy machine one microbus

[Training Budget]

In addition to the severe budget allocations each year, from 2003 the training budget was incorporated into the budget framework of GDNT and situation where securing sufficient budget was difficult due to the various limitations. However, on the other hand, there has been increase in tax revenues and the training budget has begun to see increases from 2005.

- Training Budget of GDNT for year 2005
Overseas Training Program: Tg 28 million
Domestic Training Program: Tg 18 million
- Domestic training expenses include compensation for instructors from outside, round trip travel expenses between central area and local area and accommodation expenses for instructors and study materials costs. Salary of the instructors in GDNT, heating and electricity charges and equipments and fixtures expenses are separately budgeted.

[Instructors]

Although in the past there were 9 instructors, this number was decreased to 6, and currently is 5.

In addition, out of 5 current instructors, 1 is in hospital, and 1 is just out of hospital after a long-term hospitalization. The members are not adequate.

[Administrations]

In addition to the administration regarding staff training, they are in charge of administration for Public Relation (PR) for taxpayers.

Due to the fact that staff training and PR for taxpayers are completely different and that current members of the Training Center are not sufficient, it seems impossible to process both administrations smoothly.

However, with respect to public relations activities, it has been transferred to the GDNT headquarters since January 2005 and the improvements relating to the operational responsibilities of the Training Center has been completed.

2. Short Term Action Plan (2006~2008)

2.1 Introduction

The current JICA Study Team recommendations and preparations of teaching materials are made to further the establishing of systematic and permanent staff education system taking into consideration the situations existing in Mongolia. The purpose behind joint tasking with the Mongolian counterparts was to develop human resources who, in the future, would be able to put together and develop training programs.

In this report, direction for improvements in the action plan for the future educational system will be discussed. The proposed improvements have been discussed with Mongolian side and views have been exchanged and are based on the joint tasks by both parties.

2.2 Education Program Currently Being Executed and Short Term Action Plan

Currently the education for the tax staff in GDNT is being implemented based on the "State Tax Inspector Education Program and Curriculum" as set by the GDNT Management Meeting as the basic policy for human resource development (hereinafter the "New Education Program"). The New Education Program has a target span of 3 years from 2003 through 2005 and part of the program is already under way. The Short Term Action Plan while based on the New Education Program, modifies it to one that will be systematic and permanent with the target been placed during 2006 and 2008.

The following table shows the annual (by phase) targets set for the action plan.

(New education program, Short term action plan, Long term vision)

Year	2003	2004	2005	2006	2007	2008	2009	~	2020
Training	3 years			3 years			12 years		
program	New education program			Short term action plan			Long term vision		

2.3 Changes to be Made in the New Training Program

(Principle Improvements)

- The intermediate training course for qualification renewal examination of state tax inspector is implemented as the Other Training Course. Specialized training by operation in New Education Program is implemented as intermediate training course of a phased training course.
- Advanced training course consists of two courses. One is manager training, which is targeting managers of tax offices and the other is leader development course that is targeting directors of GDNT and managers of tax offices. In the latter leader development courses, the person trained is selected from those who completed the intermediate training course. The selected person will study and conduct research in institutes and universities in foreign countries for master degrees.
- Information offering of law and regulation amendments and manuals in distance learning should be conducted by divisions of GDNT that are in charge of related operation at the Training Center.

2.3.1 Specialized Training by Operation as Intermediate Training Course of Phased Training Course

Before settling on the New Program, GDNT segments the basic (phased) training course into introductory course, intermediate course, and advanced course. In the New Program, the basic training course consists of an introductory course, an intermediate course and a Specialized training course by operation.

Upon a casual review, it would appear that it is a mere substitution of advanced training by Specialized training by operation but in the past advanced training was run just once when there were numerous changes made in tax office directorships and a need was present to quickly develop management staff. Manager training containing a similar content has not been actually planned or implemented as an advanced training course since then.

Therefore, how the advanced training would be treated is an important issue for the improvement plans for the future and more will be noted in a later part.

The current introductory training is positioned as providing the new recruits with basic knowledge to perform tax related tasks in addition to provide them with the training to qualify under the "Specialist Qualification Examination" in order to become a State Tax Inspector which is generally acquired within 1 year of recruitment. Therefore, there is no issue of the introductory training being the first training for the tax staff upon hiring and that in terms of both timing and content it is one step in a phased training program. However, the intermediate

training appears to differ somewhat in content from a phased training. In other words, the State Tax Inspectors are to qualify biannually to renew their qualifications after acquisition of the specialist qualification and the intermediate training is positioned as a preparatory training for this. Of course, the training contents are those intended to acquire specialist knowledge as tax staff but the training period is only one third or one quarter of that of the introductory training and the focus is on the acquisition of knowledge relating to revisions in tax laws and ordinances.

The same level of course is also repeated immediately prior to the biannual qualification renewal examination, thus, it would be more reasonable to position the intermediate training with the objective of taking the qualification renewal examination should be positioned not as a part of Basic Training (phased training) but as more of an Other training course with a specific objective (tentatively titled here as "Specialist Qualification Renewal Preparatory Training" as one of the Other training).

Therefore, we would consider that in future intermediate training, slotting in the Specialized training by operation indicated in the New Education Program would enable a more systematic Basic Training (phased training). In other words, targeting those with 7-10 years experience as a tax staff, provide courses that are specialized such as taxation, tax collection operation and tax audit operation to allow them to acquire a higher level of specialist knowledge would be truly appropriate for Basic Training (phased training).

The target for the training, given that it is introductory training, would be all new recruits but for intermediate training, taking into consideration motivation of the staff toward training, the anticipated training effect and subsequent treatment of the successful candidates as managers, it would enhance the training effect if a selection examination (written examination and interviews, and performance records and recommendations from division managers) with a 60-70% qualification target be given to those staff.

By limiting the eligibility for intermediate training by service years or age, it would negate training availability to all staff but the effect of enhancing the level of motivation to study and appropriate level of tension among those taking the test should not be overlooked.

2.3.2 Regarding Advanced Training

Basic knowledge and specialist knowledge needed to perform the duties of tax staff will have been acquired by the time the above mentioned intermediate training is completed (Note) and the next issue will be to develop human resources who are able to provide leadership across the organization as a leader of the organization.

(Note) By deeming the specialist training as phased training completed at the intermediate training level is due to the fact that the future recruits as tax staff will have acquired

economics and accounting and the like in university. And by raising the level of the intermediate training we recognize that this would suffice as the final specialist training program

A Management Training

After elapse of certain number of years after the completion of the intermediate training, when posted to a position of a manager and for the first time having to manage staff, it would be important to provide education that will foster knowledge and leadership worthy of a manager. With that objective, a new advanced training course, "Manager Training" in the phased training targeting new managers will be implemented.

The course will consist of management theory, tax theory, international taxation, taxations on overseas transactions and tax disputes among others providing wide breadth of knowledge and education needed by a manager and at the same time teach leadership aspects including giving directions, raising job motivation among the staff, understanding the staff and giving guidance to staff.

B Senior Management Development Training

In addition, with respect to advanced training, the course that involves partaking in research activities at universities and graduate schools in Mongolia and overseas to foster staff who are able to contribute as a senior management candidate or policy formulator will be important. Particularly, with respect to senior managers including division heads at GDNT or directors of tax offices, knowledge of higher level of laws, economics, tax administration and international taxation will be sought.

With respect to such senior management staff, long term training has been implemented at international agencies or domestic and foreign universities and graduate schools but in the future, these will be positioned as one of the senior training courses and the training targets would be selected based on recommendations from responsible division chiefs from among those completing intermediate training based on job performance, personal assessment and the like. Preparation of a way to becoming a senior management staff will lead to the rise in morale of the staff and the upgrade of human resources across the organization.

The selection of participants in the senior management development training will be based on recommendation of GDNT senior management. 1-3 participants should be selected in a 2-3 year cycle in the meantime until the intermediate training becomes a permanent program and sufficient number of staff to make recommendations is developed.

The participants in addition to attendance in courses stipulated in domestic or foreign universities and graduate schools, will each select a research topic relating to tax policy or each

tax law issues and conduct research and complete a thesis prior to graduation. The candidate will also earn a masters degree in the process and after graduation become active in policy formulation of as a senior management candidate.

2.3.3 Regarding Distance Education

Using the mail and Internet to transmit information relating to revisions of laws and associated guides and rules and manuals as a part of staff training is extremely valuable method of providing new information on a timely manner.

However, this type of information should be provides by each responsible division of GDNT on a day to day basis to the directors of tax offices and other subsidiary taxing institutions. Thus, these would be considered as instructions and different from staff training that is provided by the Training Center. In other words, revisions to laws and the amendments of rules and manuals should naturally be prepared and delivered by each responsible division. And each such division should provide to their jurisdictional taxing institutions as information.

Therefore, if such provision of information is to be positioned as training, it would be appropriate to position this as “workplace training” where the manager play the central role providing training to his staff at each workplace to enable appropriate and speedy processing of tasks.

Basic knowledge such as bookkeeping and accounting or studies of various tax laws that can be provided as distance learning differs in nature to the abovementioned workplace training. This can be managed by the Training Center.

2.4 Training Organization

Taking into consideration the plans for improvements noted in the above, a schematic training organization in the Short Term Action Plan would be as follows:

(Training Organization Table) (In the Short Term Action Plan)

Name of Training	Purpose	Target	Duration	Responsible divisions	
1. Basic Training <Phased Training • Long Term Training>	Introductory Training	Provide basic knowledge of ethics and laws necessary as a tax staff.	All newly recruited staff and to be implemented within 1 year of hiring.	1 month	Training Center
	Intermediate Training	<u>A. Taxation • Tax Collection Course:</u> Provide staff with high level of operational processing capabilities and provide learning in specialist knowledge needed as a taxation • tax collection official	Selected from among State Tax Inspectors with 7-10 years experience. Taking into consideration training effect and potential selection as managers, selection target of 60-70% of eligible targets.	1 month	Training Center
		<u>B. Tax Audit Course:</u> Provide staff with high level of operational processing capabilities and provide learning in specialist knowledge needed as a tax inspector			
	Advanced Training Course	<u>A. Management Training Course</u> Acquisition of needed knowledge as a new manager and how to provide leadership to subordinate staff	Those newly becoming a manager	1 week	GDNT Resource Management and Internal Control Division
<u>B. Senior Management Development Course:</u> With the objective of developing senior management candidates, will study at universities and graduate schools domestically or overseas and engage in research activities at the university or graduate school or engage in research through participating in seminars and training provided by international organizations. Each participate will complete a thesis for graduation. The aim is to develop human resources that are versed in high level laws, economics, tax policies and international taxation and the like as a senior management staff.		State tax inspectors with 10 or more years of experience (graduate of intermediate training course) with favorable work performance and training records as determined by GDNT Management Meeting.	Period as stipulated by the universities	GDNT Tax Administration and Methodology Division	

Name	Purpose	Target	Duration	Responsible Institution
2.Specialized Training <Short Term Training >	<p>With respect to issues currently confronting GDNT divisions and UB City Tax office, take steps for early resolutions</p> <ul style="list-style-type: none"> • As required by operations convene on ad hoc basis (e.g.) • International taxation and double taxation treaties • Audit of Special tax • Taxing institution registration reports • Computer processing of corporate income tax data • Computer processing of tax related information • On-site Audit training • Dispute resolution, etc. 	<ul style="list-style-type: none"> • Staff in charge of operations at divisions and tax offices • Staff in charge at the Taxpayer Service Centers at divisions and tax offices • Operators at divisions and tax offices 	3 - 5 days	Each responsible division

Name	Purpose	Target	Duration	Responsible Institution
3.Other Training <Short Term Training >	<p>Provide specific training to have knowledge necessary for smooth performance of duties</p> <p><u>A. Domestic Training</u> (e.g.)</p> <ul style="list-style-type: none"> • Specialist Qualification Renewal Preparatory Training • Certified Public Accountant Development Training <p><u>B. Overseas Training</u> (e.g.) Training in Turkey, S. Korea or Japan</p> <ul style="list-style-type: none"> • Computer Training and the like 	<ul style="list-style-type: none"> • Those taking the renewal examination that year • Inspectors in charge of large scale taxpayers and the other similar officials • New recruits, economists and the like • Senior management staff of GDNT, Inspectors and the like 	<ul style="list-style-type: none"> • About 3 days Designate period • About 3 days 	<ul style="list-style-type: none"> • Training center • Contracted training • Training center • GDNT, Tax administration and methodology division

Name	Purpose	Target		Responsible Institution
4.Distance Training (Long Term Training)	<ul style="list-style-type: none"> • Correspondence Bookkeeping Training • Acquire basic bookkeeping knowledge as taxation staff • Send training materials (bookkeeping text used in the introductory training) for self-study • Periodically send questions and have submissions of answers for grading 	<ul style="list-style-type: none"> • Those deemed to have requirement of bookkeeping knowledge 	6 - months	<ul style="list-style-type: none"> • Training Center

2.4.1 Regarding Responsible Divisions

In the above table, in addition to “Training Center” the names of “GDNT Resource Management and Internal Control Division”, “GDNT Tax Administration Policy Division” “UB Tax City Tax Office” and the like are mentioned but except for the case of Training Center, it indicates the actual division responsible for the training and it should be kept in mind that the actual training will be conducted at the Training Center.

In other words, in cases where each responsible division implements training, it will decide on the training duration, determination of training contents, preparation of training materials, selection of training targets and selection of training instructors in discussion with the Training Center and other administrative matters such as determination of training location, notification to the participants, and recording of training results, implementation of questionnaires and the like will be undertaken by the Training Center.

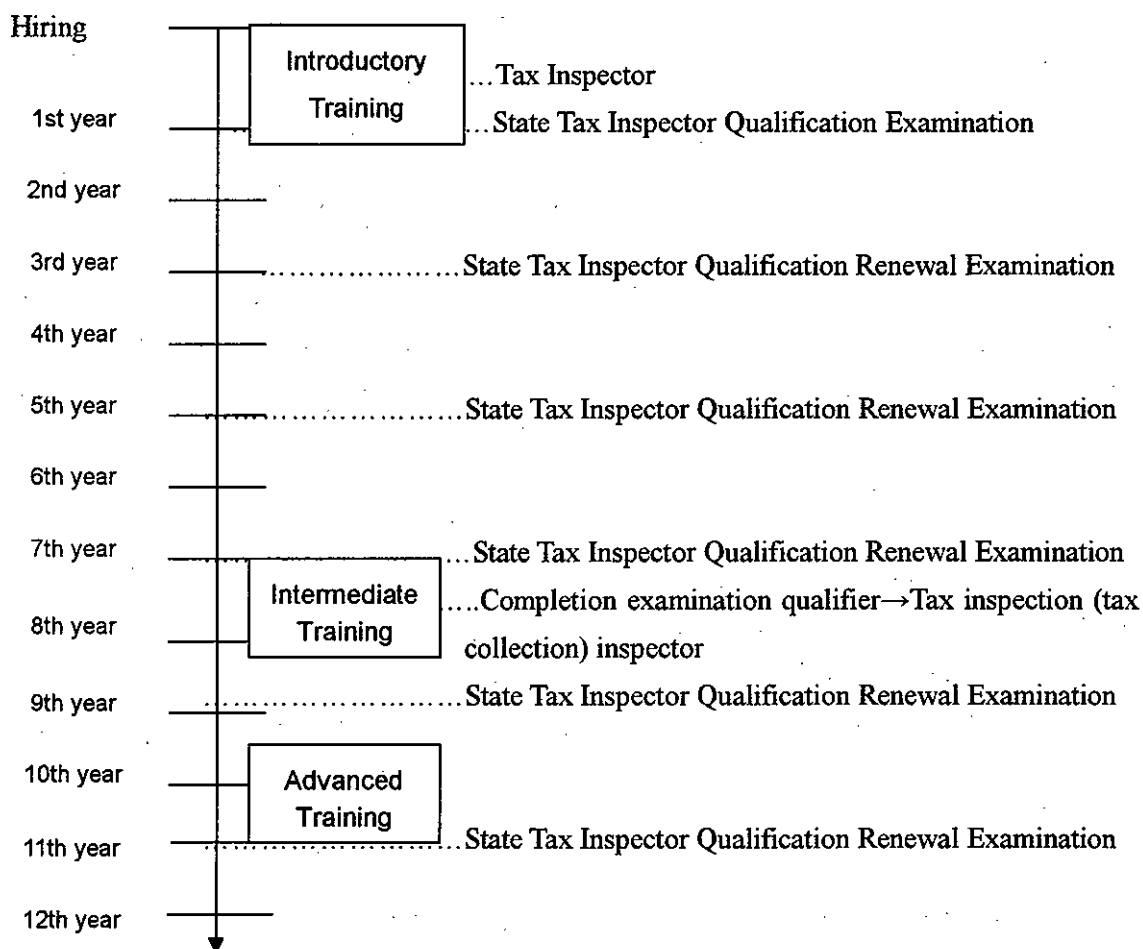
2.4.2 Certified Public Accountant Development Training and Contracted Training

With the increasing complexities in corporate accounting, in order to properly execute tax administration, the tax staff will need to acquire high level of accounting knowledge in order to respond to these changes. Especially, staffs that are responsible for performing tax audits on large corporations are required this knowledge. Staffs who require such knowledge will be selected and trained with the objective of acquisition of Certified Public Accountant. While holding a course with the objective of passing an examination within GDNT is an option, as the “Bookkeeping Accounting Special Committee” of the Ministry of Finance and Economy is currently conducting training with the objective of developing CPAs, it would be an efficient training method if GDNT sent the selected staff to the development training and after completion of the training qualifying under the Certified Public Accountancy examination

(contracted training).

2.4.3 Basic Training <Phased Training>, Specialist Qualification Acquisition and Renewal Examination

A schematic of Basic Training <Phased Training>, Specialist Qualification Acquisition and Renewal Examination in the Short Term Action Plan is shown below.



(Note) With respect to “Specialized Training” and “Other Training”, these differ to the Basic Training <Phased Training> and are held on an ad hoc basis as needed.

2.5 Significance of the Training System and the Relationship with the Personnel System

For the smooth operation of tax administration, a strong organization supporting tax administration and the confidence of the taxpayers toward tax administration is essential. To achieve the former of strengthening the organization, this is only possible by enhancing the

quality of each and every tax staff that constitutes the organization. In other words, wisdom of each staff as a tax staff and as a member of society and high level of specialist knowledge in performing the tasks are demanded. The significance of the training system is the development of such staff and naturally will become deeply relevant to the personnel system.

Next, we will look at the improvements from the perspective of the relationship of the personnel system and the training system.

(Principle Improvements)

- At the time of completion of each training, taking into consideration the importance of the subject and the class duration, for subjects that are deemed high in importance will have identification of training results through implementation of examinations.
- Training results and results of the examinations will be recorded at the Training Center as training results and will always sent to the GDNT Resource Management and Internal Control Division to be recorded in the staff personnel file to be used as reference in personnel rotation, and evaluations.
- Particularly in cases of basic training such as the introductory training and intermediate training, a method of commending the attendees who achieved excellent results will be considered. A method such as presentation of letter of commendation, giving prizes and if possible salary increases and/or promotion or personnel posting for those with excellent results will be examined.
- A questionnaire regarding degree of comprehension and requests will be implemented after completion of training to measure the training effectiveness and gain material to use as reference in planning future training courses.

If training is to be implemented, it will be necessary to formulate policies and measures to ensure the achievements of desirable training results. A method that will facilitate the learning motivation among the participating staff will need to be formulated.

A method that is generally effective is to implement examinations after the classes and present some sort of commendation to those who excelled. Presentation of a letter of commendation and a memento at the closing of training will not require a great deal of budget and is a simple method to reward those who put out the effort. If it were possible, it would enhance effectiveness if the results could be reflected in raises, promotions or personnel posting after the completion of training.

Obviously, such consideration should not be given to all training but is more appropriate for longer training such as basic training but introducing such a scheme should be weighed on the merits of each individual training content and importance

In any case, training results and examination results, if implemented, should always be recorded in the personnel records of the staff and used as personnel related materials throughout his career.

In the appropriate posting in personnel and selection as managers are not judged solely on the results of training but determined based upon the overall judgment on work performance, human character, leadership qualities but in making evaluations of capabilities of young staff just after hiring, the training results has value as one of the objective tool for evaluation.

In addition, at the time of completion of training, a simple questionnaire will be implemented to gather information regarding the level of comprehension of course materials, usefulness to the job, what changes would be desirable to not only measure the effectiveness of training course but also to use as reference in planning future training courses.

2.6 Relationship between Training System and Specialist Qualification Acquisition Examination and Specialist Qualification Renewal Examination

(Principle Improvements)

- Consider changes including those in which the Specialist Qualification Renewal Examination are exempted for those who completed at least the "Intermediate Training" as indicated in the Short Term Action Plan or at least renewal period (for example extend from current 2 years to 4 or 5 years) extended

As stated, the people employed shall participate in the "Introductory Training Course" implemented within one year from their employment, after which they will take the "Specialist Qualification Acquisition Examination" implemented by GDNT. The staff who pass the examination will be qualified as "National Tax Inspector",

In any case, it is necessary to have the tax staff to gain basic knowledge and skills at the earliest possible time so that he or she may appropriately perform duties and for this purpose, the introductory training course has been prepared as a basic training. In combination to this, a personnel system where specialist qualification acquisition examination is held at the same time as the introductory training and the qualification of National Tax Inspector is granted and upon its receipt is recognized as a full tax staff is being adopted. As an end result the learning effect of the introductory training is reflected in the qualification acquisition examination and thereby the training system and the personnel system are in delicate concert.

After acquiring the designation as National Tax Inspector, the qualification needs to be renewed every 2 years and the requirement for renewal persists until the staff reaches the post of GDNT division head or director of a tax office (including those who have qualified as a CPA). Prior to taking the renewal examination, an intermediate training is taken and this is repeated

every 2 years (plan for improvement where training for the preparation of renewal examination has been removed from being positioned as intermediate training in basic training and implemented as Other Training Courses has already been outlined.

With respect to the desirability of implementing the renewal examination every 2 years, at this point in time, it increases the sense of belonging of the staff to the workplace and there is a need to constantly learn new tax knowledge, It may be said to have certain benefits.

However, in the future when the phased training becomes further enriched, the renewal examination should be exempted for staff completing for example the intermediate training (in the improvement plan the specialized training by operation as it is referred to in the New Education Program will be positioned as intermediate training) or the renewal period extended. Some consideration should also be given to giving the same treatment to managers who is beginning to have subordinates. There is concern that the requiring biannual renewal examination even of staff with 10 or more years of experience with heavy management responsibilities would be too onerous. If the burden of taking the renewal examination is lightened, there would be the benefit of being able to expend more energy toward his duties.

With respect to the above issue, it should be judged based on an a comprehensive examination of issue of awareness of the GDNT staff, issue of quality of the staff, and how the personnel system and tax administration ought to be and an early resolution would be difficult but it would be necessary to make such examination.

2.7 Preparation of Equipment for Training and Human Resources

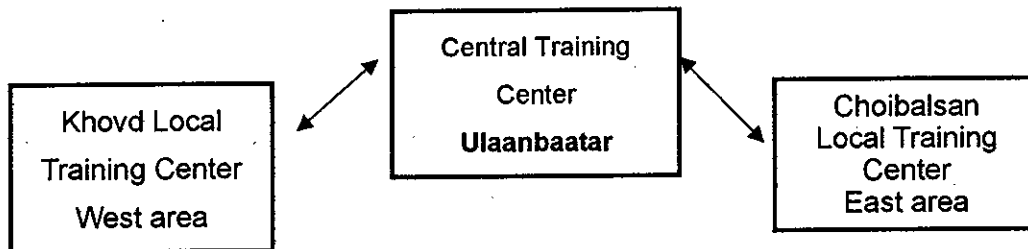
Even if the training system and training materials were prepared, without sufficient lecture rooms and equipment, it is difficult to expect adequate effectiveness in training.

Especially for Mongolia, taking into consideration its territory, the capital city Ulaanbaatar, and local 21 aimags exist in a vast area. Under the Ulaanbaatar City Tax Office, there are 8 tax offices. Under 21 aimags' tax offices, there 321 tax officials (the total number of tax inspectors are 1,100). Local area is far from center and there is less developed infrastructure near the state border and substantial travel expenses are required. Concerning transportation, there is a railway connecting Ulaanbaatar with the Russian border in the north and with Chinese boarder in the south . Regarding the east and west boarders, means of transportation is by air. However, in the case of using automobile to Khovd aimag in the west, it takes 3-4 days. As a reference, the air fare to Khovd from Ulaanbaatar is Tg 200,000. The accommodation in Ulaanbaatar city is Tg 10,000. Those costs are onerous for ordinary people of Mongolia.

Therefore, in designing the training system, the items below need to be considered.

- Tax officials are stationed scattered across a large territory of Mongolia.

Schemes of Training Centers



Expansion of Regional Training Centers

(Principle Improvements)

The current coverage by the Main Training Center is 13 aimags and such coverage is excessive in comparison with the other two regional training centers (Western Region 5 aimags and Eastern Region 3 aimags). In order to ensure the efficient training, two additional regional training center will be established: one in northern area and one in the southern area of the Central Region.

The training centers to be added, taking into considerations of the geographic conditions, will be located in north in Daarkhan-Uul Aimag while the one in the south will be established in Uvurkhangai.

Training centers will use one of the rooms within the prefectural tax office.

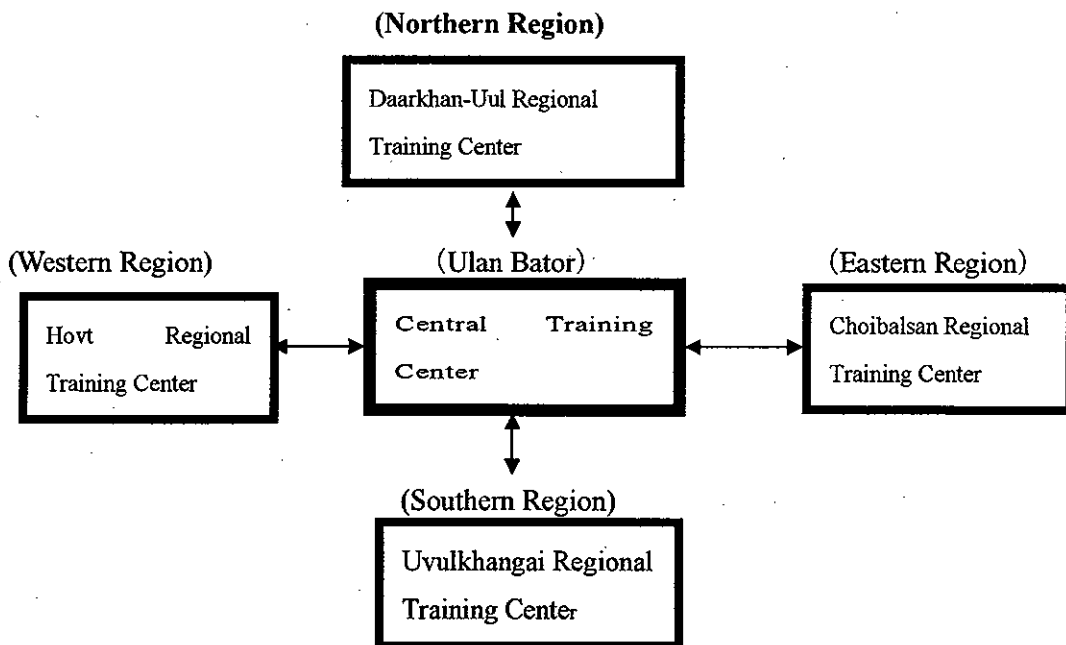
- "Daarkhan-Uul Regional Training Center" will cover the 5 aimags of Daarkhan-Uul, Selenge, Bulgan Orkhon, and Huvsgul
- "Uvurkhangai Training Center" will cover the 5 aimags of Uvurkhangai, Arkhangai, Bayankhongor, Umnugobi, and Dundgobi

The intent behind locating the Northern Region training center in Daarkhan-Uul Aimag is that it is the next developed region after UB and the transportation access from the surrounding aimags are good. And also the existing government buildings can be used as is making it convenient for securing classroom space, from an expense point of view. In the future when the budgetary situation permits construction of a new building, a consideration may be given to relocating the training center to Orkhon which in the central location of the 5 aimags.

In addition, the intent behind locating in Uvurkhangai in the Southern Region is that it is the central geographic location among the 5 aimags and the road access from UB is deemed to be good.

A schematic of the aimags covered by each training center after the expansion of regional training centers and the training centers is as follows.

- Central Training Center.....Tuv, Gobisumber, Dornogobi
(Central Region) 3 aimags
- Daarkhan-Uul Regional Training Center.....Daarkhan-Uul, Selenge Bulgan Orkhon
(Norther Region) 5 aimags, and Huvsgu
- Uvurkhangai Regional Training Center.....Uvurkhangai, Arkhangai, Bayankhongor,
(Southern Region) 5 aimags Umnugobi, and Dundgobi
- Hovt Regional Training Center.....Hovd, Bayan-Ulgii, Uvs, Gobi-Altai,
(Western Region) 5 aimags and Zavkhan
- Choibalsan Regional Training Center.....Sukhbaatar, Khentii, and Dornod
(Eastern Region) 3 aimags



2.7.2 The Role of Central and Local Training Centers

(Principle Improvements)

- In the case of Intermediate Training in the Short Term Action Plan being implemented, the Central Training Center would be desirable from the point of view of training efficiency. In such a case, "A Taxation and Tax Collection Course" and "B. Tax Audit Course" would be divided. For classes with the same content, both A and B trainees would receive the training together but for others where the course content differs, it will be necessary to use different classrooms; therefore, a minimum of two classrooms will need to be made available. In cases classrooms or other items cannot be made available, the timing of A and B would need to be staggered but from the point of view of training efficiency, it would be desirable to have the implementation at the same time.

Considering the territorial and transportation conditions, as mentioned before, the role of local training centers is important. The role of central and local training centers should be considered based on the time and travel expenses of trainee to the training center.

In case the priority of training is placed on efficiency, basic training courses should be conducted in the Central Training Center with gathering all of the trainees. Instructors do not have to repeat the same lecture and every trainee will be able to receive the same lecture contents. However, If the effectiveness is a priority, small number of trainees in local training centers will be more effective than transporting all of the trainees to a large Central Training Center. In the future, it will be necessary to examine the appropriateness of choice taking into consideration the results of the training.

With respect to operation training, this is a training program intended to instill the revised tax laws or to ensure the smooth performance of the operations processing and the particular features of central region and the local regions need to be taken into account and this would be a training that would be more effectively conducted in the regions.

If budget were selected as the priority, all training would need to be implemented divided between Central and Regional Training Centers including the Basic Training. In such a case, by comparing the time required to travel to the Central and to the Regional or the travel expenses (travel and accommodation expenses) involved in dispatching instructors to the regions and the expense of bringing all trainees to the Central Center, then would determine which alternative is to be chosen from an economic standpoint.

Training held in regional centers would mean the same training contents being repeated in several locations and if these were to be implemented using a single instructor, there would be substantial traveling burden placed upon such instructor and it will be necessary to ensure availability of sufficient number of instructors who are able to travel.

2.7.3 Instructors

(Principle Improvements)

• With preparation of the phased training program and those implemented by the local training centers, the number of instructional staff should be increased to a level where the training center has at least 5 teachers. In this case, selection can be made from among the existing counterparts in this project. The counterparts who are not selected as instructors of the above will be posted to tax office or to GDNT headquarters. However these staff can also act as instructors for the courses when needed.

When increasing the regional training centers by 2 locations, examination will be made of increasing teaching faculty by two instructors

Concerning instructors of all training, in many cases instructors at the training centers will conduct training. However, depending on the contents of the lectures, managers, staff from respective divisions of GDNT, and, in some cases, professors of universities or institutes may be invited to deliver lectures. In the current situation, staffing consists of 1 director, 3 instructors. The 3 instructors are actually in charge of training.

In the future, if the content of training conducted at the local training centers is expanded or introductory and intermediate level training are enhanced and text books, which have been prepared in this project can be used, then there will be a necessity to increase instructors and improve their capabilities.

In this project, 10 counterpart personnel from the Mongolian side are gaining knowledge and skills that can be applied in instruction. It is not realistic to make all of them to instructors, but it would be important to select from among them staff who can act as instructors in the training centers. The number of staff should be increased to a level where the Training center has at least 5 teachers. The counterparts who are not selected as instructors of the above will be posted to tax office or to GDNT headquarters. However, these staff can also act as instructors for the courses when needed.

In addition, for local training centers, considering the achievement of training there is a need to appoint full time instructors. 1-2 instructors should be appointed as permanent instructors.

Depending on training work burden, if there is no need to appoint permanent instructor, instructor, who is responsible for education in central center should be ready to conduct training with the communication of the personnel of managing local center and to go on trip.

2.7.4 Training Materials

The introductory and intermediate training materials have been developed as a result of collaboration of the study team and the Mongolian counterparts.

Introductory training course materials are designed provide newly hired employees with basic knowledge needed as a tax staff focused on tax laws and accounting.

Intermediate training course materials are designed for the experienced staff who have certain period of experience on the job, with the aim of providing them a more sophisticated professional abilities and expertise in the field of taxation, collection and tax audit. Therefore, these materials aimed to provide explanations of particular provisions of tax laws along with the theory and principles based on relevant practical cases in order to provide them with precise and deep understanding of taxation and enforcement of the law.

Although these materials do not include all necessary issues to be covered during the training courses, they generally contribute to the increased effectiveness of training courses by addressing main points of taxes such as "Tax Theory", "Value Added Tax Law", "Individual Income Tax Law", "Corporate Income Tax Law", "Other Taxes", "Taxation and Tax Collection", "Tax Accounting", "Tax Audit Techniques", "International Taxation", "Taxation of International Transactions" and "Tax Disputes Resolution".

Training materials were developed with the participation of the Mongolian counterparts in a manner consistent with current circumstances of Mongolia and incorporate changes and amendments that arose in the course of the pilot training courses. It is necessary to frequently update the training materials in parallel with any amendments to tax laws and their revised edition, but it is difficult to do so on an annual basis due to the budgetary and workload constraints. Training would be more effective if original materials are used with supplementary materials covering any changes in laws. After 5 years or so, a new version would be completed that would incorporate all of the changes that had taken place in the 5-year period (or some other interval depending upon the budgetary limitations). This means that frequency of renewal, nature and content of materials should be taken into consideration when fixing time of formulating new materials.

2.8 Development of Annual Training Plan

With respect to the New Education Program, development of the plan for the next year is initiated in November by the staff of the training center, based on basic policy of the New

Education Program. During December, it is submitted to the management meeting of GDNT for the approval. Prior to start of a new quarter, they fix precise schedule of the course focusing on classification, time and place of training courses etc.

Similarly, the short term action plan is generally developed through similar procedures. A particularly careful consideration should be taken in developing basic training courses such as Introductory and Intermediate training courses since they cover broader scope in terms of quality and content. Since introductory training course is conducted within a year immediately after recruitment of new staff, the following points should be decided on a priority basis:

- (1) Whether to organize centralized training at the Central training center gathering all participants once a year;
- (2) Whether to schedule central and local training courses at different times; and
- (3) How time and place of training courses should be scheduled in case indicated in (2) (including number of staff at the training center who will be assigned to provinces)

Therefore, a prior clarification is needed for issues pertaining to the number of participants and the site and the sufficiency of the budget allocated for assigning staffs of the training center and other similar issues. Collecting relevant information from GDNT Resource Management and Internal Control Division is an important prerequisite for the developing the plan.

Regarding the intermediate course, arrangement should be made with care. Questions remain whether the taxation, tax collection course and tax audit course will be implemented at the same time. The timing of implementation should be set giving consideration to the workload of the tax officials. Criteria for the selection of candidates for this course, accommodation, curriculum, instructors, and materials are prepared prior to start of the course.

If requested by the divisions of GDNT headquarter, UB City and its district tax offices, the Specialized and Other Training courses can be provided and, in this case, an annual plan should be developed prior to commencement of next year.

2.9 Short Term Action Plan and Budget

To the extent possible, Short term Action Plan will not result in increases in the budget and therefore, the proposal took this into consideration.

Looking at current training budget Tg 21,000,000 are allocated for overseas training while Tg 15,000,000 are for training courses within the country which had been relatively unchanged over the past few years. Recently, certain training courses have been scheduled at Local training centers, but it has become impossible due to shortage of budget for travel and accommodation of teachers to be assigned. Actually, this is a true fact today that training courses are implemented within a very tight budget.

Training budget is usually allocated out of the consolidated budget of GDNT and the budget for salary of employees of the training center, water and heating, equipment and appliances are estimated separately from the training budget. Therefore, training budget is mainly disbursed for assignment expenses (travel and accommodation costs) of instructors traveling between central and local training centers, payment to experts out of GDNT and expenses of developing training materials etc. Assignment expenses to travel between central and local training centers are relatively high and those will increase to the extent of increased need for training courses for tax staff in Aimags and soums. Therefore, additional funding should be allocated when implementing the Short Term Action Plan.

In 2005, the training budget was increased. The budget consisted of Tg 28.16 million for overseas training while the domestic training budget totaled approximately Tg 18.22 million. Under the domestic training, based on this budget training was held for total of 154 staffs in 30-day training sessions held in 8 regions. GDNT currently has plans to increase the staffing partly as a result of increased tax revenues and partly as a reaction to the staff reductions undertaken 3 years ago (about 50 persons would be incremented to normal hiring levels during the next recruitment). The number of staff attending this year's Introductory Training was about 60. Therefore, in 2006, over 100 members would be expected to attend the Introductory Training. If the Intermediate Training were to be started also in 2006, about the same budget as that in 2005 would be required for Introductory and Intermediate Training, and this would cause shortages in Specialized Training, Other Training and Correspondence Training. If there is a background of increasing tax revenues, increase in training budget may be likely but even if that is inadequate, measures such as diverting some of the budget money from overseas training to domestic training should be examined.

2.10 Transfer of Public Relations Operations to Other Departments

(Principle Improvements)

- Public relations operations for which the Training Center is responsible from the nature of the operation and their importance should be transferred to a more appropriate division within GDNT Headquarters and allow the Training Center to focus its efforts to fulfilling its training responsibilities.

Public relations operations was under the responsibility of the Training Center and 1 staff is assigned to the execution of the operation. However, public relations operations should properly be performed centrally by the tax execution area.

The reasons for the necessity for the transfer are outlined below.

The inherent purpose behind public relations activities relating to taxes is to ensure the smooth operation of tax administration through gaining the understanding and confidence of the taxpayers toward tax administration. That is to say, public relations activities can be positioned as a priority item directly related to the execution of tax administration. Specifically, measures to induce taxpayers to properly file tax returns, measures to disseminate most up to date information needed to accomplish such, measures to gather views from taxpayers and reflecting them in appropriate tax executions can be raised.

Such public relations activities tie directly into the daily tax execution operations. Therefore, public relations activities are activities that ought to be carried on a daily basis centrally by the GDNT.

(Addendum) With respect to the transfer of public relations activities to an other division in GDNT, based on the recommendations of the Study Team, it has already been transferred to GDNT Tax Collection division during the project implementation.

2.11 Schedule for the Implementation of the Short Term Action Plan

The Short Term Action Plan is a plan that spans the three years from 2006 to 2008.

Included in the Short Term Action Plan are Specialized Training (Short Term Training) and Other Training (Short Term Training) that are carried over from existing training programs. Implementation will be conducted with priority on these programs and the newly revised phased training programs including Introductory Training and Intermediate Training, both of which are long term training lasting about one month, and correspondence training (bookkeeping accounting).

In particular, the Intermediate Training which is currently implemented every 2 years as a training to qualify renewal certification will be implemented in the category of Other Training. And the new Intermediate Training will have both qualitative and quantitative enhancements as phased training.

In the revised phased training a newly prepared training text will be utilized. In addition, there will be a need for internal instructors and instructors who will be invited from the outside including university professors to take charge of training by curriculum to make careful preparation in advance. Therefore a preparation period would be needed. Further, it would be ideal to initiate Introductory Training and Intermediate Training simultaneous with the initiation of the Short Term Action Plan but if this is not feasible, all of the programs should be initiated within the 3 years during the Short term Action Plan in order to tie them into the subsequent Long Term Vision.

The following schedule shows as illustration to be used as reference in planning the

objectives of the measures and for preparing items to be implemented with a focus on in particular the Introductory Training and Intermediate Training. In actually preparing the schedule, in addition to using the schedule below as reference, the current conditions prevailing in GDNT need to be identified and all of the required items need to be exhaustively identified. It is important to determine what is or is not feasible and then to ensure its implementation.

In making preparations, the number of instructional staff at the Training Centers will be increased (select 5 or more staff from among the counterparts) and appoint the Director of the Training Center as the overall responsible person and select from among the instructors one chief instructor. All instructional staff will work together in the tasks.

Period	Priority Objectives	Preparatory Items
<p style="text-align: center;">Preparation Period</p>	<p style="text-align: center;">May 2005 To December 2005</p> <ul style="list-style-type: none"> • Increase staffing of the training centers • Expansion of Regional Training Centers • Formulation of summary of Training Implementation Plan (Draft) for 2006 – 2008 • Preparation to training material (texts and the like) and equipments • Prepare classroom 2 at the Central Training Center • Record training results to the staff personnel record cards • Implement questionnaire surveys after completion of training • Ensure wide awareness of the Qualification Renewal Examination Preparation Training 	<ul style="list-style-type: none"> • Select 5 or more staff from among the counterparts as active instructional staff and assign them the responsibility for preparation of implementation of Short Term Action Plan • Newly establish 2 new Regional Training Centers (Daarkha-Uul and Uvurkhangai) in the central region which is covered by the Central Training Center • Decide on implementation timing • location • target participants • curriculum and the like for each training • Order printing of materials to be distributed such as texts • Secure classrooms (1 large classroom with a capacity of 60 and a smaller classroom with a capacity of 30) to be used for each of Intermediate Training Courses • Establish a system of reporting training results (examination results, leadership • attitude in attendance and the like) from the training center to Resource Management and Internal Control Division • Prepare format of questionnaires to be implemented and the items to be included • Ensure that the Qualification Renewal Preparation training will be offered as Other Training.

Period		Priority Objectives	Preparatory Items
1 st Year	January 2006 To December 2006	<ul style="list-style-type: none"> Initial implementation of the Introductory Training (Annually thereafter) 	<ul style="list-style-type: none"> Preparation of new texts and other necessary teaching materials Finalization of training targets, implementation timing, implementation location and instructional staff Selection of subjects to be tested after completion of training, preparation of examination questions and the like Preparation of outline for implementation of commendations during the training completion ceremony
2 nd Year	January 2007 To December 2007	<ul style="list-style-type: none"> Initial implementation of the Intermediate Training (Annually thereafter) 	<ul style="list-style-type: none"> Preparation of new texts and other needed teaching materials Finalize training implementation timing, location, instructional staff and the number of trainees Preparation of trainee recruiting summary Implementation of selection examination (prepare examination questions, implement examination, mark the examinations) Final selection of qualified applicants based on examination results, recommendations from direct supervisors, job performance records, and interview results (if interviews are held in addition to written examinations) Examinations after completion of training and commendations handled same ways as in Introductory Training

Period	Priority Objectives	Preparatory Items
<p style="text-align: center;">3rd Year</p>	<p style="text-align: center;">January 2008 To December 2008</p> <ul style="list-style-type: none"> • Initial implementation of Correspondence Training (Bookkeeping Accounting) (Annually thereafter) 	<ul style="list-style-type: none"> • Preparation of trainee recruiting summary • Prepare teaching materials and other needed materials to be sent • Prepare questions to be sent by mail and prepare for grading by correction