

**REPORT ON VISIT TO ULAANBAATAR,**

**MONGOLIA,**

**7-9 MAY 2008**

**BY**

**ASOCIO AMBASSADORS**

**Dr Lee Yong Teh & Mr Bill Liu**

### **(A) Objectives**

As part of ASOCIO's Ambassador's visit programme, Dr Lee Yong Teh from Korea and Bill Liu from Singapore made a trip to Ulaanbaatar, Mongolia between 7-9 May 2008. The main objectives of the visit were to:-

1. Gain an understanding of the Mongolian ICT Industry and local ICT Association
2. Share the Ambassador's experience in ICT development and Association building
3. Advise on ICT Outsourcing Opportunities for Mongolia

### **(B) Programme and Companies/Organizations Visited**

MIDAS/MONITA arranged for the ASOCIO Ambassadors to visit a total of 9 organizations from both the public as well as private sectors as part of their familiarization exercise to gain some first hand knowledge about the IT scene in Mongolia. Apart from briefings by the organizations' officials, there were useful exchanges of views. In addition, the Ambassadors were also speakers at an ICT "Open Forum" Conference organized by MIDAS/MONITA as part of knowledge sharing.

We summarize below the visits to each of the organization.

1. **MIDAS/MONITA**: Mongolia ICT Industry Association. (Met with the Board Members & SecGen, including the President Bayasgalan Danzandorj)  
This was more of a social event (dinner) on the day of arrival to get the ambassadors "acclimatized". From the discussions we get the sense that the Mongolian ICT industry is growing and developing rapidly, especially its telecoms infrastructure. However there are also many challenges and growing issues.
2. **Mongolia Government ICT Agency (ICTA)** (Met with Mr Sansar Jiimen, Vice Chairman)  
  
As the national agency for ICT development and policy, ICTA's focus, since it was established in 2005, was to develop the country's ICT infrastructure and to implement its eMongolia vision. Fibre optic network has grown from 2,100km to 12,000km. Mobile phone network has been installed at a rapid pace countrywide in the last few years resulting in access to all towns and provinces.  
eGovernment effort has been going well although not without challenges and issues, one of which is uncertainty caused by change of Government and continuity of policies and strategies.  
  
eMongolia's mission is to create new social environment and to improve the country's competitive advantage as well as provide sustainable growth through improving quality of life. Mongolia aims to become one of the top ten ICT developed countries in Asia by 2012.
3. **Mongolian National IT Park**: (Met with Mr Ayush Batjargal, Director General)

Much progress has been made since the park was established 5 years ago with US\$1M aid from the Korean Government. From the initial less than 10 employees per company, some of the incubatees have become top software companies with 40-80 employees. Many companies have focused on Software development outsourcing targeted at the Japanese market. The experience and success gained to date can be built upon. The IT Park today houses 17 companies out of a capacity of 20 companies.

New initiatives include a new IT learning showroom sponsored by Mobicom, the largest local telco; a US\$1.7M government grant for ICT staff training and upgrading and a database for scientific research.

**4. Communications Regulatory Commission (CRC): (Met with Mr Bat-Amgalan Boldbaatar, Chairman & CEO)**

The Commission oversees the Telecoms, TV and Broadcast sectors. It is responsible for standards and standardization issues. CRC derives some of its funds from the 2% levy of the Telcos' revenue. There are approximately 500,000 mobile phone users and 250,000 Internet users today out of a population of approximately 2.8 million. There are 4 major telcos viz. Mongolia Telecom, Mongolian Railway Authorities, Mobicom, and Skytel who are establishing open competition, resulting in lowering price of communication by many fold! For example, 256kb Internet service subscription have gone from US\$160/- per month to now \$15 per month!

**5. United Solution Inc (USI): (Met with Mr Ts. Buyantsogtoo, President)**

Company was started in the National IT Park in May 2004. It is into Software outsourcing, targeting the Japanese market. For the past 2 plus years, it has been completing a major software development project for a Japanese client. At its peak, the company employed 120 staff. Skillsets include dot.Net, C programming, Java, J2EE and J2ME, Linux, etc. It has a strong in-house training programme which converts vocational students into IT software engineers.

Major challenges seen by the company is HR, upgrading and retention of staff, Japanese language capability, company branding and promotion and Government's policy and vision for IT.

Would like to see Mongolia develop an IT town akin to US' silicon valley in Ulaanbaatar. Mr Buyantsogtoo is a founding member of Mongolian Software Association (MOSA).

**6. GrapeCity Inc: (Met with Mr Sukhdorj A, President.)**

GrapeCity Mongolia LLC is a software company established by BSB Service LLC. Mongolia and GrapeCity Inc. Japan. BSB Service LLC, is a pioneer in Banking Software development in Mongolia, whose core banking applications were developed in early 90s and still

being used by many local commercial banks. It also provides internet and phone banking systems and mobile banking applications.  
GrapeCity Mongolia is a Microsoft Gold Certified Partner.  
GrapeCity employees are one of the highest paid in the ICT industry in Mongolia.  
There are currently no plans to expand overseas with its banking software.

**7. Interactive Company Ltd.** (Met with Mr Uuganbayer Badamsuren, General Director)

The company which started in 1996 is the dominant supplier of general accounting software in Mongolia with more than 1,500 customers.  
Its 80 staff comprises account managers, software engineers, systems analysts, maintenance and support staff.  
It plans to develop a complete ERP software and offer its solutions via the web such as Software as a Service (SaaS).  
It has also a partnership with Microsoft.  
Key challenges are to manage expectations of customers and to increase its recurring and support revenue. Also need to cut down on customization of its software and focus on some key verticals.

**8. ECM LLC.** (Met with Mr TS Otgonbagana, Director)

Company founded in 2001 is involved in software development and SI mainly for The Mongolian Government and has a branch office in Japan. It employs about 28 Staff, many with higher degrees. Have developed software (across 20 projects) for eg Mongolian Customs, Banks, Stock Exchange, Universities and Colleges and Social Insurance. It aims to get more business in Japan and develop intelligent e-Commerce applications.

**9. ITEM Co. Ltd.** (Met with Ms Sayanaa Lkhagvasuren, Executive Director)

Set up as a Private IT Education and Training school partnering India's APTEC through a franchise arrangement and approved by the Ministry of Social Welfare and Labour. Two different courses are offered, APTEC for software engineers and ARENA for interactive multimedia, which is first of its kind in Mongolia. Current enrolment are 180 students (10+ grades) for the former and 80 for the latter. Lecturers (expatriate) are currently provided by the franchiser. Cost fees which are relatively highly priced at US\$1,800/- and US\$2,000/- respectively for a 2 year course. The school runs on 3 shifts, i.e. morning, afternoon and evening. It also provides short term courses and corporate training. ITEM hopes to become an IT University in late 2009 by offering a 3 year programme.

**ICT4D “Open Forum” Conference On Day 3 Of The Ambassador’s Visit**

Dr YT Lee and Bill Liu were speakers at the above conference organized by MIDAS/MONITA.

Dr Lee spoke on “The Korean IT Industry – Personal Experience”. He shared with the audience, comprising members of MIDAS/MONITA, some of the challenges and breakthroughs Korea experienced in its development of the ICT industry in which he was deeply involved since the 1970s.

Mr Bill Liu shared some of the Best Practices of ICT Outsourcing in Singapore and IDA’s role in promoting Singapore as an ICT outsourcing hub.

There were many questions asked of the speakers at the end of their presentations.

### **(C) SWOT Analysis of Mongolian ICT Sector**

The following is an attempt to analyze the Strengths, Weakness, Opportunities and Threats of the Mongolian ICT industry.

#### **1. Strengths**

- High literacy rate
- Very competitive labour costs
- Hardworking workforce
- Good engineering and technical education
- Resourcefulness

#### **2. Weakness**

- Shortage of skilled IT professionals
- Small domestic market
- Unfavorable geographic location
- Lack of brand awareness
- IT infrastructure & investments required due to size of country

#### **3. Opportunities**

- Software development outsourcing to Japan, US & other developed countries
- IT services outsourcing
- Niche areas involving technical skills, eg embedded software, security
- Interactive Digital Media
- Potential Mongolian Government’s outsourcing projects

#### **4. Threats**

- Other low costs countries, eg Vietnam, Pakistan, Bangladesh, Eastern Europe
- Lack of political will as a result of changes in Government
- Fractional development of the IT industry associations
- Rising inflation and potential costs escalations

**(D) Recommendations**

The following recommendations are mainly confined to Mongolia’s aspirations in **IT Outsourcing**, although they would relate to the ICT industry in general.

- 1) Mongolian companies should continue to built on the experience in Japan
- 2) In addressing the Japanese market it is worth noting that Japan needs lots of specialist software engineers, especially in embedded software. So it is good to find a niche where companies could focus and excel in.
- 3) The sales cycle in Japan is necessary long, therefore one has to have the patience and stamina to stay the course
- 4) Software engineers who works in Japan must speak Japanese
- 5) It is important for Mongolian companies to find creditable partners when vying for overseas projects, especially in Japan as barriers of entry are high
- 6) Trust and reliability is more important to the Japanese than costs
- 7) Staff who have worked in Japan should return to transfer skills and technology to Mongolian staff .
- 8) Both the Mongolian Government and the companies must have a long range plan to address the IT outsourcing and the Japanese market
- 9) The Government can provide the stimulus by outsourcing more work to the industry
- 10) There is a need to continuously upgrade the skills of ICT professionals
- 11) Due to the small size of most companies they should explore teaming up for bigger projects locally and especially overseas
- 12) Another market worth looking into is US and the UK given the increased proficiency of English amongst IT professionals in Mongolia.
- 13) Mongolia companies through MIDAS/MONITA/MOSA should leverage on the ASOCIO platform to reach out to potential partners and business opportunities.

***Acknowledgement:*** We wish to thank MIDAS/MONITA for hosting the ASOCIO ambassadors and for their kind hospitality and the efforts in preparing for the visit. We wish to thank Mr Enkhjargal Sukhbaatar, the SecGen for accompanying & chauffeuring us around during our visit

Report Prepared by:  
Dr Lee Yong-Teh & Mr Bill Liu (19 May 2008)

**Appendix 1 Agenda for ASOCIO AMBASSADORS’ VISIT TO ULAANBAATAR, MONGOLIA**

Date	Time	Activity
6 May Tuesday	2110	Arrival <b>Dr. Lee</b> Airport Pick up & Check in - Korean air
7 May Wed. (Day 1)	1035	Arrival <b>Bill Liu</b> Airport Pick up & Check in – CA901

	1200	Meet at Hotel Lobby Dress code & Venue: <b>business attire</b>
	1200 – 1330	Lunch – - <b>MIDAS – Losbanditos</b>
	1400 – 1630	<b>Part 1: IT Parks and its tenants</b> 14:00A: <i>IT Park and its tenants – Batjargal, General Director</i> 15:30 B: USI Co.Ltd – Buyantsogtoo 88110159
	1700-1900	<b>Part 2: Meeting with MIDAS/MONITA Council Member 2<sup>nd</sup> floor, Ix Xuraldai</b> <b>Presentation of MIDAS/MONITA</b> <b>Possible topic for discussion</b> - Understanding the local association - Sharing the Ambassadors experience in association building - Outsourcing possibilities
	1900 – 2100	<b>Dinner Reception with MIDAS/MONITA Council Members</b> Dress code & Venue: <b>Ix Xuraldai</b>
<b>8 May Thurs. (Day 2)</b>	0900	Meet at Hotel Lobby Dress code & Venue: <b>business attire</b>
	0930 – 10.30 10.45-12.00	<b>Part 3: Meeting with Government Organizations</b>  <u>Organization Name</u> <b>E: ICTA – vice chairman Sansar-330781;</b> <b>F: Cabinet Secretariat or CRC- Boldbaatar – 91910246</b>
	1200 – 1400	Lunch - Kempinski – Japanese hosted Grapecity Mr. Sukhdorj
	1500 – 1700	<b>Part 4: Companies</b> A: Grapecity Co.Ltd - lunch 15:00 B: Interactive Co.Ltd – <i>Uuganbayar -99118587, 315365</i> 16:00 C: ECM Co.Ltd – Otgonbagana - 17:00 D: ITEM Co.Ltd - Sayanaa –Aptech and Arena center
	1900 – 2100	<b>Dinner Reception – With company representatives</b> Dress code & Venue: Modern Nomads hosted by ECM and Mr. Natsagdorj
<b>9 May Friday (Day 3)</b>	0900	Meet at Hotel Lobby Dress code & Venue: <b>business attire</b>
	0930-1100	<b>Part 5: Delivering Keynotes at ICT4D Conferences</b> Dress code & Venue: “Open Forum” Conference room

	<b>1100-1700</b>	<b>Part 6: Complimentary Tour - Terelj natural park</b> <b>Lunch will be served at the park – hosted by Interactive</b>
	<b>1900 - 2100</b>	Farewell dinner – With Mongolian ICT Stakeholders Venue: 2 <sup>nd</sup> floor, Brau house
<b>10 May Saturday (Day4)</b>		<b>Departure Bill - 11:25 Air China</b>
<b>11May Sunday</b>		<b>Departure Lee 6:35 MIAT</b>