

Mongolia
The SCD-CPF Consultation Meeting with government officials of Khovd province
September 19, 2017

This is a brief, informal summary of the issues raised during the meeting. If you were present and wish to make a correction or provide further information, please email Indra Baatarkhuu at ibaatarkhuu@worldbank.org.

The World Bank Group (WBG) met with 8 local government officials in Khovd province to exchange views and perceptions on Mongolia's development opportunities and challenges as well as possible WBG support.

The discussions focused on three guiding questions:

- 1) What do you see as Mongolia's biggest opportunities as well as challenges to end extreme poverty and promote shared prosperity?
- 2) What are the development priorities for Mongolia in the next 4-6 years?
- 3) How do you think the WBG (World Bank, IFC, MIGA) could support Mongolia in the next 4-6 years to end poverty and promote shared prosperity in a sustainable manner?

Category	Comments from Stakeholders
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<p>Inputs on country diagnostic (opportunities, challenges, and pathways to end poverty & promote shared prosperity) level</p>	<p><u>Opportunities:</u></p> <ul style="list-style-type: none"> • Mining reserves are abundant in Mongolia (but then it turned into resource curse) • Mongolia is located between two big neighbors who provide support to Mongolia. • Road infrastructure and connectivity is relatively well developed in the western region. <p><u>Challenges:</u></p> <p>Economic development, poverty:</p> <ul style="list-style-type: none"> • The economy is dependent on mining, therefore growth has been unsustainable. Much revenue comes from exporting raw materials. Poor development of non-mining sectors. • Need to diversify the economy. This could be done by building factories based on agricultural commodities in the western region. It would also create more job opportunities. • Local participants expressed their low trust in statistical numbers. They don't rely on them to do researches or any conclusions. • Landlocked small market, small population, big landscape. Khovd province is located near the border but the location has not brought much development to the province yet. No access to markets such as for meat exporting. Local herders and producers cannot even reach Ulaanbaatar to sell their meat although the quality of local meat is excellent. • Need to promote exports of livestock/agriculture products. Khovd province does not have at least one decent storage to keep local vegetables. This makes it impossible to keep locally grown vegetables and make them available at our local market throughout the year. • Those who have small businesses only thinking about short term income, and do not have capacity to do long term planning. Need support for SMEs. • Need to support agricultural product processing as this is major opportunity for Mongolia. • To reduce poverty, need to focus on sustainable economic growth, job creation/ employment and appropriate social protection/welfare system. <p>Governance</p> <ul style="list-style-type: none"> • Lack of policy consistency and coordination. Instability at government level comes from instable political situation. • Lack of proper integrated strategy and program planning. Even though long term development policy for Mongolia has been approved, its implementation is lacking. 2030 sustainable development vision needs some improvement in terms of implementation arrangements. • Need to develop and implement regional development policy as it's an important issue for a country with vast land like Mongolia.
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- The country's long term development planning is absent. Some participants commented that centralized planning of the economy was not wrong after all and Mongolia needs it back now.
- Fair market competition is broken by wrong government policies – decisions on where or which sectors or companies to invest in is predetermined by the government. High political interference in the economy and government-funded projects are blocking innovation and fair competition among private sector.

Others

- Need comprehensive regional infrastructure development program based on regions' comparative advantages and needs.
- Transparency of mining policy needed. Unclear and improper mining policy is leading to the direction of only a few people benefiting from mining revenues.
- Financial sector: loan interest rate is very high while the requirements are too high; banking system is not efficient. Overall structure of the banking system is wrong - 90% of the financial market is lending and only 10% is borrowing.
- Energy resource is the basis of SME development. Currently, our province is still facing the difficulties with sustainable energy supply.
- Human resource policy is absent. We have too many university graduates who do not want to take up jobs at SMEs and other sectors which need workforce. Salary benchmark should also be revisited.

Inputs on WBG engagement	<p>Sectors:</p> <ul style="list-style-type: none"> Participants prioritized following sectors for possible WBG support: (i) developing agriculture sector and promoting exports (Export product list should be prepared by the Government and produced locally); (ii) supporting infrastructure (road, transportation, energy); (iii) industrial policy focused on SMEs to increase foreign reserves; (iv) improving governance; (v) labor market policy. Other non-priority areas for WBG support are mining (medium size SMEs need to be developed to process mining commodities), banking and finance sector, and tourism.
	<p>Approach and implementation:</p> <ul style="list-style-type: none"> Word Bank needs to provide advisory services for establishing the most modern and advanced banking system structure in Mongolia. Request to allocate around 80% of overall financing for direct investment and the rest for capacity building. The goal of ending poverty is well aligned with the main direction of the country. So WBG involvement should be provided in all sectors possible.

Results of the survey taken during the meeting:

1. In your view, what are the crucial development areas for Mongolia to focus actions aimed at ending poverty and shared prosperity throughout the country over the next decade? (PLEASE SELECT UP TO 5)

—	Agriculture, livestock, and forestry	6	75%
—	Public sector governance/reform	5	63%
—	Energy	4	50%
—	Job creation/employment	3	38%
—	Trade and exports	3	38%
—	Education	2	25%
—	Anti corruption	2	25%
—	Private sector development	2	25%
—	Health	2	25%
—	Economic growth	2	25%
—	Financial markets	2	25%
—	Road and transport	2	25%
—	Climate change	2	25%
—	Rural development	1	13%
—	Food security	1	13%
—	Equality of opportunity	1	13%

—	Urban development	1	13%
—	Water and sanitation	1	13%
—	Natural resource management	0	0%
—	Environmental protection and pollution control	0	0%
—	Disaster risk management	0	0%
—	Foreign investment	0	0%
—	Social protection	0	0%
—	Other:	0	0%

2. How do you think the World Bank Group can have the most impact on its assistance to Mongolia? In which areas do you believe the WBG should focus in the next 4-6 years? (please select up to 3 options)

<input type="checkbox"/>	Supporting public sector governance	5	63%
<input type="checkbox"/>	Supporting investment in infrastructure	5	63%
<input type="checkbox"/>	Supporting human development	3	38%
<input type="checkbox"/>	Supporting natural resource management and environmental protection	1	13%
<input type="checkbox"/>	Supporting the business environment	1	13%
<input type="checkbox"/>	All are equally important	0	0%