

**Mongolia**  
**The SCD-CPF Engagement Meeting with Khentii aimag Government Officials**  
**October 5, 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](mailto:ibaatarkhuu@worldbank.org).*

The World Bank Group (WBG) met with 21 representatives of local government in Khentii province on October 5, 2017 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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**Inputs on country diagnostic (opportunities, challenges, and pathways to end poverty & promote shared prosperity)**

**Opportunities:**

- There are many opportunities for economic development if revenues from natural resources are used properly.
- There is an opportunity to develop knowledge-based economy in Mongolia. Going forward, shifting to industrial-based economic development could be another possibility. There is a local government-owned entity focusing on science, technology and innovation that can help in this regard.
- Developing tourism in Khentii province has a lot of potential.
- Development of non-tradable sectors and universal cash transfer have contributed to growth in recent years.
- Shifting to market economy and strengthening democracy could be considered as our achievements.

**Challenges:**

**Economic policy, jobs, poverty:**

- Poverty and unemployment rates are high in Khentii province which should be addressed as a priority.
- Mongolian economy is currently resource-dependent so there is need to diversify the economy.
- Need to change methodology for measuring poverty and consider using other more suitable approaches in Mongolia (e.g. multidimensional poverty measurement). Income inequality is needed to be assessed properly.

**Private sector development:**

- Local government lending policy has not properly been focusing on private sector and the policy has not customized with market characteristics and demand.
- Policies for developing SMEs including household businesses need to be framed properly. Government should consider some policy options for supporting sales of local products. Government should also consider development of mining related industrial policies.
- Legal framework for doing business and procurement in rural areas need to be strengthened. Moreover, opportunities for local business entities to participate in procurement should be enhanced through policies.
- Law on innovation should be approved by the parliament as soon as possible to support entrepreneurship and business development in rural areas.
- Need to extend scope of loans and make them more affordable, focusing on improving on-lending procedures, maturity, lowering interest rates, etc.
- Assessment of investment efficiency is urgently needed. For instance, road repair is a priority issue rather than building new roads.
- Need to put some limits on activities of mega companies to some extent (perhaps, limit their operations to selected industries and markets) to provide opportunities for the middle class to thrive and to promote business competition.
- Support the market and product research capacity of private companies as well as their export capabilities.
- In Khentii province, industrial sector competitiveness, infrastructure and logistic weaknesses have been key concerns and bottlenecks for private sector development.

**Agriculture:**

- Light industry development based on agricultural commodities is development priority for rural areas.
- Building vegetable warehouses to support farmers and small businesses is crucial for SME development in Khentii province.
- Appropriate pasture policies are also critical for development of agricultural sector and rural areas.
- Explore the possibility of establishing flour factory in Khentii province.
- Comprehensive measures to develop exports of agriculture products are needed including expanding export market, advertising organic characteristics of meat and other agricultural products of Mongolia, import duties, climate change implications, transportation bottlenecks.
- Animal health is critical issue and the detailed information and review system of livestock is also urgently needed. Veterinary hospitals need to be improved in terms of capacity and technology.
- Need to reconsider imposing tax on livestock and pasture for herders.
- Strengthen the value addition of agriculture products including skin processing industry.
- Strengthen the resilience to natural disasters and adopt new technologies.

**Governance:**

- Regional development policy is crucial to the vision of Khentii province for becoming eastern regional center.
- Recent social-economic policies have been too focused on short-term objectives. Long-term development planning is key principle for further development of Mongolia.
- Civil service reform is urgently needed to address governance issues in Mongolia. The reform should focus on improving civil service quality, reducing bureaucracy, and making functionalal review of government agencies. Also, institutional memory in government institutions reduced substantially. There is need to strengthen stability of civil service job and avoid the election cycle related turnovers. Independent review/assessment council to the civil service staffing could be established to address these issues.
- Government policies and actions are not kept up at the pace of private sector development.
- Overall, transparency of government needs to be improved. Quality of information is weak and building of professional information institutions like rating agencies is important in rural areas. Institutions that review and assess quality and accuracy of information should be introduced to provide accurate information to public and increase civic education. Need to reduce knowledge/information gap between policy makers and private sector and citizens.
- Need to reduce government intervention in the economy and reconsider the social welfare policies such as wage and pension policies and transfers. People's mindsets and over-reliance on social welfare payments need to be changed.
- Reconsider the existing method and criteria for selection of local parliament members.
- Evidence-based decision making practice needs to be established in rural areas. This could be done by supporting think-tanks and connecting academia and policy institutions. Moreover, there is need to enhance quality of policy study. Improve the responsibility mechanism in local areas for each level of civil servants.

**Education:**

- Public education quality is low while a lot of resources have been spent on studying abroad. Need to increase economic literacy and implement projects that aim to return scholars in priority areas back to Mongolia. Investment on education sector is not enough compared to other resource rich countries.
- Comprehensive reform in graduate education system is needed. Too much focus has been given on higher education and there are too many private small universities.
- Centralized higher education services in urban area deepens migration to capital city. Large universities should be moved out of the city.
- There is also need to strengthen health education of public and improve awareness on cancers and other diseases that are common in Mongolia.

**Others:**

- Need to review urban planning strategy. Environmental impact assessment as well as governance assessment (e.g. sector corruption) need to be done for mining and agriculture sectors.

<b>Inputs on WBG strategy and partnerships</b>	<p><b>Strategy:</b></p> <ul style="list-style-type: none"> <li>• WBG could support governance sector in Mongolia through strengthening policy analysis and evidence-based policy making. Policy studies should reflect country features. World Bank should also assist the government on strengthening accountability of civil servants and public administration system. Strengthen the policy continuity in line with government action plan.</li> <li>• WB could also introduce sectoral consultation framework which is important to ensure participation of all stakeholders in the society. Sectoral strategies should be updated using the consultation framework.</li> <li>• Given the high uncertainty in the economy, WB should support the private sector to improve their decision-making and planning capacity.</li> <li>• Strengthen capital market development and improve the quality of disclosure of financial information.</li> <li>• WB's involvement in mining sector should be limited since foreign investors have already been involved in this sector.</li> <li>• WB could provide support on human development areas, focusing on education and health in the next decade.</li> <li>• The bank should be involved in the preparation of mega-projects, such as building human capacity and providing technical assistances and advice.</li> <li>• The bank should implement projects that are more focused on rural areas to create jobs to women who are unemployed.</li> <li>• The bank should also implement projects to support people with disability.</li> <li>• The bank should support the government to strengthen operation of its bank guarantee fund.</li> <li>• Implementation of WB's project on ger-kindergardens was very successful and it should be continued.</li> </ul> <p><b>Approach and implementation:</b></p> <ul style="list-style-type: none"> <li>• The quality indicators of projects should be improved and the bank should pay more attention on implementation issues.</li> </ul>
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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)

— Education	8	38%
— Health	7	33%
— Public sector governance/reform	6	29%
— Rural development	5	24%
— Food security	5	24%
— Trade and exports	5	24%
— Anti corruption	4	19%
— Private sector development	4	19%
— Agriculture, livestock, and forestry	4	19%
— Natural resource management	2	10%

— Job creation/employment	2	10%
— Environmental protection and pollution control	2	10%
— Social protection	2	10%
— Climate change	2	10%
— Economic growth	1	5%
— Equality of opportunity	1	5%
— Financial markets	1	5%
— Foreign investment	1	5%
— Road and transport	1	5%
— Other	1 (industrial development)	5%
— Disaster risk management	0	0%
— Urban development	0	0%
— Energy	0	0%
— Water and sanitation	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 human development	11	52%
<input type="checkbox"/> Supporting natural resource management and environmental protection	9	43%
<input type="checkbox"/> Supporting the business environment	9	43%
<input type="checkbox"/> Supporting investment in infrastructure	9	43%
<input type="checkbox"/> Supporting public sector governance	8	38%
<input type="checkbox"/> All are equally important	1	5%