

**Mongolia**  
**SCD-CPF Engagement meeting with private sector in Khentii province**  
**October 6, 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 16 private sector representatives in Khentii 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
<b>Inputs on country diagnostic (opportunities, challenges, and pathways to end poverty &amp; promote shared prosperity)</b>	<p><b>Opportunities:</b></p> <ul style="list-style-type: none"> <li>• Mongolia is an agricultural country and this sector should be the cornerstone for further development.</li> <li>• With many historical sites and stories related to Chinggis Khaan in Khentii, a major opportunity for development and jobs in the province is tourism sector.</li> </ul> <p><b>Challenges:</b></p> <p><b>Agriculture</b></p> <ul style="list-style-type: none"> <li>• Due to livestock diseases and inaccessible export markets, Mongolia is not fully utilizing the opportunities. To address this, exporting export oriented industries based on agricultural commodities should be developed.</li> <li>• Need to develop new technology for crop production and vegetable farming, and increase the country's overall output since we have vast land and domestic market.</li> <li>• More advanced technology should be introduced in the livestock sector, such as new equipment and tools to improve livestock herding.</li> <li>• Agricultural sector based SMEs and their exports should be developed at broad scale to address unemployment.</li> </ul> <p><b>Education</b></p> <ul style="list-style-type: none"> <li>• Current poverty problems are linked to education policy and system. There are too many universities with very few TVET institutions. All families get loans from banks with high interest rates to send their children to universities, which becomes a reason for increasing poverty.</li> <li>• TVET institutions should be developed more so that students are willing to attend them and could work in 'real' sectors after graduating.</li> </ul> <p><b>Governance</b></p>

- Improving governance and sustainability of policies should be prioritized. Policies pursued by one party are rejected by the other party. Political instability also affects businesses. Plus, there is too much involvement and influence of politics on businesses.
- Policies and especially regulations to implement policies and laws are difficult to implement.
- Although local areas have more authority now in terms of managing local budget, but the effect and positive benefit from this is not substantial due to political interference in local budget.
- Citizen participation is low, there is usually no consultation with people on their needs and development priorities. CSOs face difficulties in their operations due to lack of financing.

### **Mining**

- Natural resource management should be priority. Mining resources are used by few people and benefits are not reaching the wider population which is the reason for growing inequality.

### **Private sector**

- Bureaucracy of government inhibits private sector development. Special licenses are hard to obtain, they are not given to eligible companies but are rather given based on personal links. Steps and regulations to obtain licenses and permissions should be streamlined and simplified.
- Government regulation of businesses is poor, dragging business operations and competitiveness behind. For example, there are too gas station licenses given out in Khentii province center, leading to market oversupply. There is lack of market study and research available to support private sector companies.
- Financial software and assistance to improve financial management of companies as well as technical assistance in this sector is very helpful for private sector companies. Small and medium businesses are not able to do due diligence because they don't have access to financial software.
- Khentii province is relatively close to Ulaanbaatar and infrastructure is well developed. Therefore, most people go to Ulaanbaatar city for their products and services and only those requiring products and services at small scale purchase locally. Regulation should be improved to support local production and sales.
- Lack of human resources is a hurdle for businesses. Due to low wages in private sector, people are not interested to work there. However, due to low sales and market, it's very difficult to raise salaries.
- High interest rates of bank loans are another obstacle for business development.
- The government should recognize that larger scale companies also create jobs and support the economy through paying taxes. However, majority of private sector support in provinces is given to cooperatives and unions leaving out medium-sized companies. Cooperatives, unions, family businesses and small enterprises that usually benefit from various projects are not really sustainable and don't have much results.

### **Tourism**

- Developing eco-tourism through balancing environmental protection and business development should be prioritized for the provincial development. Therefore, more investment and infrastructure support to develop tourism is needed.

	<p><b>Economic growth, jobs</b></p> <ul style="list-style-type: none"> <li>• Many people are poor because they are disabled or not able to work due to other reasons. However, some people fall into poverty due to lack of initiative and willingness to work. Because poor and unemployed people are eligible for welfare allowances, while those who have jobs are not, people are not willing to take up low grade jobs and prefer to receive welfare payments.</li> <li>• To address this issue, conditions to support employment should be fulfilled. E.g. reduce welfare allowances and end universal welfare handouts so people have incentives to work.</li> <li>• Regional development policy should be pursued connecting higher education, jobs, and regional economic opportunities. Universities should be opened up in provinces so that students can contribute to increasing provincial population, invest in local services and products, and work locally. This would address unemployment as well.</li> <li>• High unemployment in Khentii is due to lack of major manufacturing and industries.</li> </ul> <p><b>Social welfare</b></p> <ul style="list-style-type: none"> <li>• Unemployment and poverty definitions should be revisited so that overreliance on welfare payments reduces.</li> <li>• Social welfare policies and services should be different at rural level.</li> </ul>
<p><b>Inputs on WBG strategy and partnerships</b></p>	<p><b>Sectors:</b></p> <ul style="list-style-type: none"> <li>• Majority of past WBG funding went to budget support and education sectors with no major support for agricultural sector. Future WBG support should be channeled to agricultural sector.</li> <li>• Capacity building of CSOs should be supported by WBG.</li> <li>• Participants identified following priorities at the national level: 1) bank, financing sector especially in terms of improving loan terms and access to finance to support all sectors and private sectors, 2) governance, 3) education and health, 4) agriculture.</li> <li>• Participants identified largely same priorities for Khentii province as at the national level. Some participants suggested that tourism should be prioritized as number 3 development priority in Khentii.</li> </ul>
<p><b>Others</b></p>	<ul style="list-style-type: none"> <li>• Some participants informed that they have little or no information about WBG and its operations in general and would like to learn more about its operations.</li> <li>• Some participants also inquired about results and evaluation of the past WBG Country Partnership Strategy with Mongolia.</li> </ul>

Results of the survey taken during the meeting:

1. 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 options)

— Public sector governance/reform	7	44%
— Private sector development	7	44%
— Job creation/employment	5	31%
— Agriculture, livestock, and forestry	5	31%
— Financial markets	4	25%
— Anti corruption	3	19%
— Health	3	19%
— Education	2	13%
— Natural resource management	2	13%
— Rural development	2	13%
— Economic growth	2	13%
— Environmental protection and pollution control	2	13%
— Food security	2	13%
— Foreign investment	2	13%
— Road and transport	2	13%
— Disaster risk management	1	6%
— Equality of opportunity	1	6%
— Climate change	1	6%
— Other:	1 (legal sector)	6%
— Trade and exports	0	0%
— Urban development	0	0%
— Social protection	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)

— Supporting human development	7	44%
— Supporting natural resource management and environmental protection	5	31%
— Supporting the business environment	5	31%
— Supporting public sector governance	5	31%
— All are equally important	4	25%
— Supporting investment in infrastructure	2	13%