

Mongolia
Orkhon Private Sector Meeting
September 8, 2017

The World Bank Group (WBG) met with 19 representatives of the private sector in Orkhon aimag on September 8 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
Inputs on country diagnostic (opportunities, challenges, and pathways to end poverty & promote shared prosperity)	<p>Opportunities</p> <ul style="list-style-type: none"> • The local area is rich in iron ore, coking coal, and steel; production and processing of these minerals would contribute to the development of the region and country. • There are opportunities to expand eco businesses and their exports. Livestock is “renewable” resource with export potentials. Sale of mineral water could be a larger business opportunity. Also, meat export opportunities are open but realizing the opportunities for the producers is limited given the quota is allocated to those who are connected to those who manage the arrangement. Need to look into why poverty still persists despite Mongolia’s competitive advantages in land and livestock. • The new President has proposed some tariff subsidies, which would favorably affect local businesses. <p>Challenges</p> <ul style="list-style-type: none"> • Interest rates are too high and loans have short maturity so private entities constantly swing from one loan to the next. To improve access to finance, the banking sector needs improvements. International banks could be brought in to promote fair competition. • Government involvement in the private sector is excessive in the current political environment where MPs/authorities make decisions in favor their businesses. The private sector is bearing the most loads in the economy e.g. building infrastructure and creating jobs but the government effectiveness has been very low. • The government is lacking policies and institutions that ensure efficient use of resources e.g. livestock and minerals. Investments made through the government do not enable equal opportunities and tend to be inefficient.

	<ul style="list-style-type: none"> • Systemic changes are required to promote introduction of new lines of business; the small population focuses on a few types of businesses but given the small size of the market, opportunities are limited. • Policies are not supporting import substitution. It is very challenging to find international partners for exports. • SME support from the government should be realized through tax exemptions. Customs taxes are currently too high for export. • Air pollution in UB is a continuous struggle. • Animal health, veterinary services and vaccination issues persist undermining the agriculture sector potential. Veterinary services used to be centrally provided before market transition. There are challenges meeting international standards, such as ISO certifications. • Creating jobs is discouraging for businesses as currently instead of running a business, one can put the money in savings for better return. Also, there is a large group in the population that depends on social welfare instead of engaging in paid labor so need to change the mindset of people getting too reliant on welfare. Educating the people and helping people obtain solid skills is important. • At the same time, salaries are too low, so skilled labor force like teachers prefer to do short-term domestic jobs abroad e.g. in South Korea. Some vacancies are not easily filled given the skilled labor force seeks better job opportunities abroad. Private sector does not have standard working hours thus stretch resources. Also, there are too many universities, and university graduates are not willing to take up low skill jobs that are available on the market. • The education sector lacks stability of policies. Too many programs are implemented short term without seeing results. • School/kindergarten undersupply, education sector issues arising due to fiscal constraints. The private sector is not given the opportunity to bridge the gap. • There is no guarantee for healthy and safe living due to low quality food items imported.
<p>Inputs on WBG strategy and partnerships</p>	<p>Sectors:</p> <ul style="list-style-type: none"> • Export opportunities need to be enabled given limitations of the domestic demand and the purchasing power. • Mongolia needs to strategically support development of one factory that has a potential to become known to the world. This factory could utilize the latest cutting edge technology. • Focus on production of eco products, e.g. nano-textile and infant food. • Support development of clusters; hence develop separate businesses in the different phases of the supply chain. • Human resource development needs further attention and support. Education is a cross-cutting issue that WBG should support more, i.e. soft infrastructure, building skills just as important as hard infrastructure.

Inputs on WBG engagement	<ul style="list-style-type: none"> Building on the success of its previous engagements in the sector, construction of an early childhood development complex would be very useful.
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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	16	84%
— Private sector development	13	68%
— Food security	12	63%
— Public sector governance/reform	11	58%
— Foreign investment	10	53%
— Anti corruption	8	42%
— Health	7	37%
— Job creation/employment	4	21%
— Trade and exports	4	21%
— Water and sanitation	4	21%
— Economic growth	3	16%
— Financial markets	3	16%
— Road and transport	3	16%
— Natural resource management	2	11%
— Agriculture, livestock, and forestry	2	11%
— Equality of opportunity	2	11%
— Rural development	1	5%
— Environmental protection and pollution control	1	5%
— Energy	1	5%
— Disaster risk management	0	0%
— Urban development	0	0%
— Social protection	0	0%
— Climate change	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 human development	7	37%
<input type="checkbox"/> Supporting the business environment	7	37%
<input type="checkbox"/> Supporting natural resource management and environmental protection	5	26%
<input type="checkbox"/> Supporting public sector governance	3	16%

<input type="checkbox"/> Supporting investment in infrastructure	3	16%
<input type="checkbox"/> All are equally important	3	16%