

**Mongolia**  
**The SCD-CPF Engagement meeting with Umnugovi Government Officials**  
**September 14, 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 20 representatives from the local government and Citizen's Representative Assembly in Umnugovi province on September 15, 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
<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 has large territory, rich natural resources, population of 3 million people, and over 60 million livestock. But how we use this resources properly is a question. GDP per capita and human development indicators are low compared to the opportunities we have. If we have the right and stable policies, it will be relatively easy to improve people's livelihoods.</li> <li>• We also saw much progress in developing road infrastructure across Mongolia.</li> <li>• There is a lot of opportunity to develop local SMEs and supply products and services to major mines.</li> <li>• People's intellectual resources and knowledge are renewable resources which should be utilized more, while mining resources are non-renewable resources.</li> </ul> <p><b>Challenges:</b></p> <p><b>Agriculture</b></p> <ul style="list-style-type: none"> <li>• Livestock should be developed as a priority but the sector is very dependent on weather. Province has more than 3 million livestock, but due to harsh weather conditions and inability to process livestock products, herders' livelihoods are very vulnerable. To solve this, more intensified livestock farming and processing industries based on agricultural commodities should be developed.</li> <li>• Herders don't have much opportunity to sell their livestock products directly to end users. Due to this, there is little opportunity for them to increase their revenues because middlemen usually get most of the revenues.</li> <li>• Need to develop dairy products with longer shelf-life. This could be done through developing value chain to collect raw milk in large quantities during</li> </ul>

summer and fall seasons as well as factories which would produce these products.

### **Tourism**

- Tourism is another opportunity that could be utilized more fully with better infrastructure and capacity of people. At the moment, services and products offered to tourists at provincial level are very basic, so focus should be given to providing high quality services and products to tourists. This would be additional source of revenue for local people.

### **Infrastructure**

- Soums in Umnugovi are very far away from each other with farthest soum around 300 km from aimag center. Lots of financing is needed to support infrastructure.

### **Education**

- Early childhood education projects received small share of total funding from the World Bank, whereas this area plays the most important role in getting people out of poverty. Children should be taught Mongolian nomadic culture and traditions starting from kindergarten.
- Higher education reform should be made focusing on enhancing its quality. Too many higher education institutions are established without oversight on quality.
- Some education policies also affect herders' social life – herder families are being separated as mothers have to look after their little children in province and soum centers, while fathers look after their livestock at home. Education policies as well as policies in other sectors should be in line with traditional values and way of living of herders.

### **Mining**

- Mining sector development was one of the factors of development in Mongolia. However, overdependence on one sector is unsustainable, so economic diversification should be pursued with focus on tourism and livestock-based industries.
- Herders have high resistance to developing mining in Mongolia as it affects their pastureland. But on the other hand, more effort should be given to providing more comprehensive and correct information about the benefit of mining projects so people receive balanced information.
- Illegal miners are getting support from welfare programs as they are registered as unemployed and do not report their income.
- Revenues and taxes from mines in Umnugovi go to state budget and do not really benefit local people. Provinces used to receive some share of tax revenue from mining sector and save it in the Local Development Fund. This share was reduced substantially during this government. This also contributes to the fact that local residents no longer want to have mining projects, creating tension among mining companies and local people.

	<p><b>Environment, pollution</b></p> <ul style="list-style-type: none"> <li>• Air pollution in Ulaanbaatar is a critical issue, but the air pollution is also increasing in province and soum centers. This should be addressed now rather than later when it gets to critical level.</li> </ul> <p><b>Governance</b></p> <ul style="list-style-type: none"> <li>• If Mongolia will have more stable policies, there is much opportunity to develop. Frequent changes in policies and high staff turnout in civil service drag Mongolia's development back.</li> <li>• Regional development strategy should capture development priorities within provinces, e.g., one soum may have more advantages in developing certain sectors while other soums may not be competitive in this sector.</li> </ul> <p><b>Economic development, jobs, poverty</b></p> <ul style="list-style-type: none"> <li>• Local SMEs don't have much experience supplying products to OT mine. Government policies and programs should help build their capacities so that local people have additional benefit from major projects through SMEs and job creation.</li> <li>• Due to political interference in mining companies, there is no fair competition among potential suppliers to mining companies. Opportunity for fair competition should be given to all SMEs. Also, feasibility studies of mining projects should provide room for local SMEs and companies to provide products and services.</li> <li>• Developing processing factories should be a priority for local development.</li> <li>• To reduce poverty, specific programs for employment support should be implemented.</li> <li>• High interest rates of loans are a burden for families and companies. This is a major factor contributing to worsening livelihoods and poverty. Tax rate for entities in rural areas are too high for companies, almost around 40% of revenue goes to taxes affecting poverty.</li> </ul> <p><b>Health</b></p> <ul style="list-style-type: none"> <li>• Health and wellbeing of elderly people and herders are neglected. We should address health issues from now focusing on prevention and providing personal health education to people.</li> <li>• Health insurance system should be developed more.</li> <li>• Health of reproductive-age women is generally deteriorating which is a growing concern. Health education and prevention programs targeted to reproductive-age women should be prioritized to improve health of the population in general.</li> </ul>
	<p><b>Approach and implementation</b></p> <ul style="list-style-type: none"> <li>• Some past projects have had many results on the ground, one example is Sustainable Livelihoods Project which is well known among local people. But</li> </ul>

<b>Inputs on WBG strategy and partnerships</b>	there is not much information about other projects in Umnugovi supported by the World Bank so people should be provided more information about projects.
	<p><b>Sectors</b></p> <ul style="list-style-type: none"> <li>• WBG could provide support on preventing and fighting corruption, increasing discipline and accountability of civil servants, and the society in general.</li> <li>• Request to support government decentralization and on improving coordination among various government agencies.</li> <li>• People want to develop various industries to supply products to mining companies, but due to lack of knowledge and funding for SMEs there is not much progress. Financial support and advisory services from the World Bank to support this is requested.</li> <li>• Technical assistance and advisory services for better management of mining resources and processing factories is priority.</li> <li>• Business incubator centers need to be developed at province levels.</li> </ul>

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 options)

<input type="checkbox"/>	Public sector governance/reform	4	40%
<input type="checkbox"/>	Education	4	40%
<input type="checkbox"/>	Anti corruption	3	30%
<input type="checkbox"/>	Environmental protection and pollution control	3	30%
<input type="checkbox"/>	Private sector development	1	10%
<input type="checkbox"/>	Job creation/employment	1	10%
<input type="checkbox"/>	Agriculture, livestock, and forestry	1	10%
<input type="checkbox"/>	Health	1	10%
<input type="checkbox"/>	Food security	1	10%
<input type="checkbox"/>	Urban development	1	10%
<input type="checkbox"/>	Social protection	1	10%
<input type="checkbox"/>	Natural resource management	0	0%
<input type="checkbox"/>	Rural development	0	0%
<input type="checkbox"/>	Economic growth	0	0%

<input type="checkbox"/>	Disaster risk management	0	0%
<input type="checkbox"/>	Equality of opportunity	0	0%
<input type="checkbox"/>	Financial markets	0	0%
<input type="checkbox"/>	Foreign investment	0	0%
<input type="checkbox"/>	Road and transport	0	0%
<input type="checkbox"/>	Trade and exports	0	0%
<input type="checkbox"/>	Energy	0	0%
<input type="checkbox"/>	Water and sanitation	0	0%
<input type="checkbox"/>	Climate change	0	0%
<input type="checkbox"/>	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	5	50%
<input type="checkbox"/>	Supporting natural resource management and environmental protection	3	30%
<input type="checkbox"/>	Supporting public sector governance	3	30%
<input type="checkbox"/>	Supporting the business environment	1	10%
<input type="checkbox"/>	Supporting investment in infrastructure	1	10%
<input type="checkbox"/>	All are equally important	0	0%