

**Mongolia**  
**The SCD-CPF Engagement meeting with Umnugovi Private Sector**  
**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 9 representatives of the private sector 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?

<b>Category</b>	<b>Comments from Stakeholders</b>
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<p><b>Inputs on country diagnostic (opportunities, challenges, and pathways to end poverty &amp; promote shared prosperity)</b></p>	<p><b><u>Challenges:</u></b></p> <p><b><u>Business environment:</u></b></p> <ul style="list-style-type: none"> <li>• Support for SMEs not sufficient, not much opportunity to get credit, the valuation of collateral is low.</li> <li>• The amount of credit proposed for SMEs from banks is not enough to start businesses (e.g. commercial bank's 20-30 million MNT limit is not enough to start up the business, the ministry makes decision on larger loans but they don't know what local businesses have potential to develop and what they need)</li> <li>• The criteria and requirement for credit are too high and bank interest rates are very high.</li> <li>• There is big pressure for business entities on taxes</li> <li>• SMEs often lack capacity, so there is need to provide them with more training and learning opportunities.</li> <li>• There is a lack of opportunities for local SMEs to supply products to mines such as OT as the requirements are too high (local businesses supply only bottled water and toilet paper to OT).</li> <li>• Agriculture sector is underdeveloped, the technical equipment are out of date</li> </ul> <p><b><u>Environmental issues in Gobi:</u></b></p> <ul style="list-style-type: none"> <li>• Growing desertification in Gobi region</li> <li>• Water resources are getting less (e.g., Khanbogd)</li> <li>• Climate change is affecting the area</li> <li>• Wind farms located across the Chinese border are negatively affecting the climate in Gobi as they are believed to blow away rain clouds</li> </ul> <p><b><u>Governance, civil service:</u></b></p> <ul style="list-style-type: none"> <li>• Lack of policy consistency and coordination at all government levels</li> <li>• Instability in civil service that follows the political election cycle causes weak capacity</li> <li>• Weak monitoring of civil service and government projects. High level of corruption, lack of accountability and political interference in civil service</li> <li>• Lack of long-term policy planning capacity and mechanism.</li> </ul> <p><b><u>Others:</u></b></p> <ul style="list-style-type: none"> <li>• Educational opportunities are limited, local businesses often lack capacity and use outdated approaches and technology</li> <li>• Aid and funding from development agencies don't reach intended recipients due to bureaucracy</li> <li>• Lack of development in non-mining sectors, lack of diversification causing boom-and-bust cycles and constant fluctuation in economy</li> <li>• Rising vulnerability in banking and financial sector, weak sector governance.</li> <li>• Lack of inclusive growth which requires improvement in education quality and coverage.</li> </ul> <p><b><u>Opportunities and areas for collaboration:</u></b></p> <ul style="list-style-type: none"> <li>• Livestock/Agriculture sector has abundant opportunities to develop. Pastureland watering techniques could be explored. There is need to</li> </ul>
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develop light industries based on agriculture and livestock to create more jobs. Huge opportunities to promote exports of livestock/agriculture products to diversity the economy should be explored.

- Need to improve natural resource management and revenues coming from the sector
- Environment protection: need to improve pasture and water management; to enhance resilience to climate change and desertification; improve natural resource (water) management
- Support the private sector through providing financing to local SMEs, supporting and enabling them to supply products to mining operations, creating local Umnugovi supply chain for OT, work with local entrepreneurs and citizens for this; deliver more trainings on export development (WB's project trainings were successful.)
- Banking sector: need to increase the credit amount up to 100 mln MNT for SMEs; need to look for solutions to lower the bank interest rates. Current rates of 20% to 30% annually close all business development opportunities.
- Education sector: need to support vocational education to create jobs for local people in emerging areas; provide capacity building and trainings in various areas to support human development; focus on improving education quality-have less but more qualified education institutions
- Tourism sector: conduct study and explore opportunities to develop eco-tourism in Mongolia rather than mass tourism; provide financial support to the sector through investment funding from WBG
- Need to improve health of citizens, focus on improving health care quality.
- To improve water supply, Mongolians need to plant more trees

<b>Inputs on WBG strategy and partnerships</b>	<p><b>Sectors:</b></p> <ul style="list-style-type: none"> <li>• WBG could focus its support to developing livestock/agricultural sector in Mongolia</li> <li>• It should also focus on environmental protection, water management and desertification prevention/protection</li> <li>• It should also support of private sector and business environment to support growth and create jobs.</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)

— Private sector development	4	44%
— Job creation/employment	4	44%
— Trade and exports	4	44%
— Education	3	33%
— Anti corruption	3	33%
— Natural resource management	3	33%
— Environmental protection and pollution control	3	33%
— Food security	3	33%
— Agriculture, livestock, and forestry	2	22%
— Rural development	2	22%
— Health	2	22%
— Economic growth	2	22%
— Foreign investment	2	22%
— Public sector governance/reform	1	11%
— Financial markets	1	11%
— Road and transport	1	11%
— Social protection	1	11%
— Water and sanitation	1	11%
— Climate change	1	11%
— Disaster risk management	0	0%
— Equality of opportunity	0	0%
— Urban development	0	0%
— Energy	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	5	56%
<input type="checkbox"/> Supporting the business environment	5	56%
<input type="checkbox"/> Supporting natural resource management and environmental protection	4	44%
<input type="checkbox"/> All are equally important	3	33%
<input type="checkbox"/> Supporting public sector governance	2	22%
<input type="checkbox"/> Supporting investment in infrastructure	2	22%