

**Mongolia**  
**The SCD-CPF Consultation Meeting with private sector in Khovd province**  
**September 20, 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 11 private sector representatives in Khovd province on September 20, 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>• Chinggis bond played important role in country’s economy during this short period of time but projects implemented were not sustainable or did not bring long term development to the country.</li> <li>• Local development fund is very beneficial. Decentralization supports livelihoods of local citizens a lot.</li> <li>• Mining sector development, bond issuance, infrastructure development helped improve our livelihoods in recent years.</li> <li>• Tourism sector benefited from information and technology development, social network development.</li> </ul>
	<p><b>Challenges:</b></p> <p><b>Agriculture and livestock husbandry:</b></p> <ul style="list-style-type: none"> <li>• Livestock disease is a major issue these days. If the issue is solved, Mongolia has big opportunity to gain profit from meat exports. Iran, PRC, and other countries are willing to import Mongolian meat. Khovd province currently slaughters only around 5% of total animals that can be slaughtered. However, due to livestock diseases our meat exports are banned, e.g. meat export is banned for 5 years because of the recent</li> </ul>

disease outbreak. Therefore, government needs to work on programs to improve livestock health.

- If the meat processing becomes better other variety meat products prices will pick up.
- Since Mongolia's domestic consumption and market is limited, legal environment for exports should be enhanced.
- Crops and vegetables storages are not widely available. Due to harsh weather conditions, vegetable farming goes only during summer time and followed by 2 months of sales. Longer consumption of domestically grown vegetables is possible through building storages. This is also linked to food security and health as well because improper storage of vegetables is harmful for people's health.

**Mining sector:**

- Responsible mining sector is key to the country's development. Better management of the natural resources will lead to better future development of Mongolia.  
Although most aimags have mining operations underway, there has been no research and study on health of those who work at the mining sector. Miners are exposed to variety of chemicals and work in an environment with low oxygen supply. It is important to study thoroughly the short and long-term impact of miners' work environment on their health due to the number of people working in the sector. The study should also look at the health impact and inheritance of diseases into next generations. Research looking into this needs to be done on regional level or at certain locations by sampling methodology.
- Large mining projects are getting ready to be in operation soon in Khovd province. Environmental and health impact assessment needs to be done before they are operational. As of today, those working at Khushuut mining deposit in Khovd aimag, regularly undergo health check-up. However, the issue of monitoring their health conditions remains open for the new mines.
- Local citizens are not benefiting from local mining operations, e.g. Khovd residents do not benefit directly from Khushuut mine in Khovd.

**Tourism:**

- With better infrastructure, the western region now welcomes more tourists each year. However, other services and products for tourists are not developed in Khovd. Large number of tourists travel through Khovd but very a few of them spend time in our province territory due to local capacity.
- Tourism development should be looked at more comprehensively. Policy and other support to develop hotels, banking services, logistical companies as well as retail shopping should be provided.
- Regional development policy should be pursued in Mongolia. Khovd aimag's remoteness from Ulaanbaatar is a big problem for local development. Khovd

province also doesn't have big mining projects. Development programs tailored to the unique needs should be implemented.

**Health:**

- Khovd province has high incidence of diseases in general.
- Air pollution is increasing. Low air quality also contributes to people's diseases. Therefore, green development policies should be pursued.
- Food security plays important role in health and wellbeing of citizens.
- Health of rural residents and herders is very low, the issue has been neglected.

**Environment:**

- Tree planting and greening programs have not been implemented in the region at all. Eastern provinces have benefitted more from similar programs and the results are visible. Climate change impact is becoming difficult to manage, sand storms and desertification is increasing rapidly.
- Air pollution is a big issue. Private apartments buildings are not connected with central heating system even with the new power plant in operation.

**Private sector development:**

- Industries and small businesses should be developed with better research and coordination. Too many companies working in the same field lead to reduced profits for all.
- Need to support SMEs and the private sector in Mongolia to reduce poverty.
- Private sector doesn't spend money to building capacity of their staff because of lack of resources.
- Private sector also needs financial support in purchasing high technology equipment since these are very expensive.

**Others**

- Lack of information on latest technological developments and trends. Local citizens also lack information and studies on local development opportunities and market.
- Many educated citizens go and work in Ulaanbaatar, causing brain drain.
- Procurement law is not well suited for local conditions. The requirements are not flexible enough to do selection considering local conditions. Local companies' capacity is always lower than what is required for a bid. Procurement management at local level is also low.
- Local Development Fund distribution process is not transparent for all citizens. The fund expenditures are not reported clearly.
- Energy supply is still problematic in the region– should receive free of charge.

	<p><b>Banking, finance:</b></p> <ul style="list-style-type: none"> <li>• Commercial banks monopolize the finance market leaving no room for other players to participate fairly.</li> <li>• Collaterals are evaluated at a much lower rate than the market value of the collateral. For example, collaterals can be evaluated at 15% of its real value.</li> <li>• Loan interest rate is too high and is major impediment for development of small businesses. Banking loan policy needs improvement.</li> <li>• Access to finance for businesses is limited. Many commercial bank owners and their allies work in the government and prefer to loan to the government rather than providing large loans to businesses.</li> </ul> <p><b>Education sector:</b></p> <ul style="list-style-type: none"> <li>• Provinces don't have sufficient number of highly educated professionals.</li> <li>• There are many university graduates but lack of skilled technical specialists in various fields. For example: people working on watermelon planting do not know how to properly use fertilizers and there was a case of food poisoning due to improper usage of fertilizers.</li> <li>• Secondary school quality is not good. Teachers demand increase in their salary but their service quality is not properly measured.</li> <li>• Teacher development issue has been neglected and teachers are not prepared well.</li> </ul> <p><b>Governance:</b></p> <ul style="list-style-type: none"> <li>• High levels of corruption and bureaucracy. Lack of consistency between effective laws. Need for a political reform in Mongolia.</li> <li>• Civil servants are not well qualified for the jobs. Instability in civil service with staff turnover every four years causing lack of capacity and continuity at government level.</li> <li>• Return of investment projects is not visible. Most investment is spread out thinly, Therefore, no sector is performing better than others. Programs are not reaching to their intended beneficiaries.</li> <li>• Government has spent large share of development financing and other resources to improve governance but this has not resulted in much improvement. Therefore, some participants questioned the need to highlight governance issues again.</li> </ul>
<p><b>Inputs on WBG strategy and partnerships</b></p>	<p><b>Sectors:</b></p> <ul style="list-style-type: none"> <li>• Participants prioritized following sectors for possible WBG support: (i) agriculture; (ii) human development (education, health, social protection); (iii) environment; (iv) infrastructure (energy, electricity, renewable energy); (v) governance.</li> </ul>

	<ul style="list-style-type: none"> <li>• Request to support more rural development and agriculture projects based on the previous successful experience in the sector, e.g. index-based livestock insurance project.</li> <li>• Some participants questioned the need to support governance as this may lead to additional resources being spent for government which does not yield many results. One participant questioned why WBG has not been involved in health sector.</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)

— Public sector governance/reform	7	64%
— Private sector development	7	64%
— Job creation/employment	5	45%
— Agriculture, livestock, and forestry	5	45%
— Financial markets	4	36%
— Anti corruption	3	27%
— Health	3	27%
— Education	2	18%
— Natural resource management	2	18%
— Rural development	2	18%
— Economic growth	2	18%
— Environmental protection and pollution control	2	18%
— Food security	2	18%
— Foreign investment	2	18%
— Road and transport	2	18%
— Disaster risk management	1	9%
— Equality of opportunity	1	9%
— Climate change	1	9%
— Other	1 (legal sector)	9%
— Trade and exports	0	0%
— Urban development	0	0%
— Social protection	0	0%
— Energy	0	0%
— Water and sanitation	0	0%

2. 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)

<input type="checkbox"/> Supporting human development	8	73%
<input type="checkbox"/> Supporting the business environment	8	73%
<input type="checkbox"/> Supporting investment in infrastructure	7	64%
<input type="checkbox"/> Supporting natural resource management and environmental protection	6	55%
<input type="checkbox"/> Supporting public sector governance	3	27%
<input type="checkbox"/> All are equally important	1	9%