

**Mongolia**  
**The SCD-CPF Engagement meeting with civil society organizations**  
**October 3, 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 53 representatives of the civil society organizations (CSOs) on October 3, 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?

*Following introductory presentations by the World Bank Group, participants made suggestions on proceedings of the engagement as documented in the “Inputs on WBG Engagement” section of this note. Accordingly, the participants got organized amongst themselves at 6 tables based on the areas they/their organizations engage. The comments documented below are, therefore, grouped by the different areas covered by the 6 sub-groups.*

Category	Comments from Stakeholders
<b>Inputs on country diagnostic (opportunities, challenges, and pathways to end poverty &amp; promote shared prosperity)</b>	<p><b><u>Poverty and Development</u></b></p> <ul style="list-style-type: none"> <li>• Results of poverty studies are different from the reality and have also been inconsistent. Why poverty rates fell when the economic growth reduced needs to be explained. There is a need to better understand the methodology of poverty studies and the definition of what is poverty. Need to establish common understanding/definition on what is poverty at the global, regional, country, as well as in-country regional levels.</li> <li>• Social welfare is not targeted to those in most need.</li> <li>• Lack of civil service capacity and stability is constraining development and causing poverty.</li> <li>• Development is to be determined by the number of people positively impacted vs. what sectors (education, health, etc.) bring in the most wealth. This should be considered in prioritization of sectors to be developed. For example, although mining sector makes majority of revenues, only 4-7% of the workforce work in the mining sector. Most of the remaining people work in social, education, and health sectors which have low wages.</li> <li>• Banking sector has too stringent requirements, has high interests, and limits access to finance. Financing demand is high, while interest rates are high.</li> </ul>

Therefore, most people and organizations have to spend their money to pay off loans, supporting the banking sector and getting into poverty.

- Concession agreements (PPPs) have allowed those in power in government/parliament to support their own businesses and unfair competition to thrive. Concession agreements, especially in education and health sectors, drag the country's development back.
- Gender benefit incidence analysis of the WB should be adopted in the Law on Legislation as a good practice on gender benefit analysis, so that all potential laws give due considerations to gender issues.
- Knowledge-based planning and development should be promoted instead of the minerals-based model; thus, support is needed for building capacity for the most active stakeholders in the society including CSOs.
- Appropriateness of the tax policy needs to be assessed. A progressive tax system should be utilized. The gap between the rich and the poor should be reduced through equitable policies, especially in terms of corporate and customs taxes. Policies for the last 20 years have been focused on supporting the private sector, providing tax amnesties, tax exceptions for public-private partnership (PPP) projects, and mining equipment. There needs to be a change in tax policy especially considering current budget constraints and lack of financing to provide basic social services. Tax amnesties to businesses should be stopped.

#### **Human Rights and Gender**

- Many relevant laws have been passed but implementation is not sufficient due to lack of information dissemination, relevant capacity, and proper budgeting of associated costs for implementing the laws, etc. People's right for information is being abused.
- WB-financed projects are seen as welfare. There is limited opportunity to take part and benefit from WB-funded projects. WB-supported projects do not reach the needy but instead benefit those who are connected.
- External monitoring of WB-supported projects is not sufficient. There is lack of commitment from the WB local staff to deliver results and help targeted beneficiaries.
- The legal framework for human rights should be further developed through passing of several laws, including the Law on Discrimination; Law on Protection of Human Rights Activists; and Law on Public Good/Assets.
- Education policies promote teaching of people's rights but neglect teaching people's responsibilities. Gender and sex education has been taken out of the curriculum which is a step back. There is lack of comprehensive civic and cultural education in the country. A systemic approach to developing and engaging the work force/civil service is needed. We are lacking responsible and committed citizens, entities, and CSOs. Education should become a strategic sector for the country's development. Schools need to teach children human rights issues starting from a young age.
- Coordination and proper management in public service delivery is poor. For example, the government issues permission to construct new kindergarten in some *khoroos* that have up to 5 kindergartens, while some *khoroos* have no kindergartens at all.

- Proposals included in the UN Universal Periodic Review do not get implemented.
- All of the issues we are currently facing are due to governance crisis.
- Development policies should be evidence based.
- We need to move from extractives-based economy to knowledge-based sustainable development model. This could be the motto for the WB operations for the next 5 years.
- WB should be doing human rights due diligence and risk assessment in all of its operations: from strategy to projects since WB ultimately strives for the country and its people's development.
- The National Gender Committee is now under a ministry which undermines the importance of the gender policy and the agenda. There is lack of staff capacity and resources to carry out national level work leading to increase in issues such as discrimination. The committee should be under the Deputy Premier like before. There is no widespread understanding of the importance of gender and human rights agenda among government agencies. Nairobi recommendations are in breach in this regard.
- Social and economic participation by women is low, e.g. in terms of asset ownership. There is lack of relevant statistical data on women-owned assets and their contribution to the economy through unregistered non-formal labor. The government policy does not appropriately consider women's economic participation. Women are prone to poverty after giving birth few times. It is important to address women's socio-economic poverty and vulnerability in order to achieve the Sustainable Development Goals.
- The WB collaborated with the National Statistics Office but the capacity for producing gender-disaggregated data is apparently not yet established. There is lack of statistical data usage in policy making.
- Inequity is too much in the country. Some *khoroos* in UB have too many kindergartens (5 plus) while others in suburban areas are lacking such facilities.
- Mongolian people have lost their comparative advantage on the labor market let alone internationally even domestically which needs to be improved. Technical and vocational education training can be the basis for eliminating poverty so should be further developed.

### **Environment**

- The WB should make analysis of the environmental impacts of WB operations in Mongolia over the last 25 year. This could be done in cooperation with CSOs. The environmental impact assessment could be done for each sector, such as livestock husbandry, mining sector, etc.
- WB does not pay enough attention to project results. Results evaluation and environmental impact assessment should be done with 5 year intervals.
- Safeguard standards of the WB should be introduced in Mongolia as well and the related policies should be analyzed.
- WB cooperates with the government and provides advisory services. Accountability mechanism for the government is lacking.

- Who is accountable for WB-supported projects that were not assessed for environmental impact? How much of the WBG profits go to environmental projects?
- Mining projects should go through environmental, socio-economic and political impact assessment before starting to be implemented.
- Why is water issue considered under a WB project that supports mining infrastructure?
- Why is the WB not providing policy advice on harmful technologies and operational areas in mining sector that is banned elsewhere in the world? WB should work on introducing mining standard and conditions used internationally.
- OT agreement was advised by the WB and was promoted as the best benchmark contract in mining sector. But in reality, this exemplary agreement has brought many issues and each attempt to correct it causes of government reshuffling. The WB should re-evaluate the effectiveness of the contract and make information about the policy advice open. OT agreement has not brought enough benefits to Mongolia and those benefits are not used properly.
- SCD should not only focus on social and economic issues only but also on environment, climate, etc.
- Conditions of conditional credits should become more transparent to the public.
- How much share do WB credits have in the country's sovereign debt? WB provides guarantees. WB should also make calculation of debt by each sector.
- Due considerations to indigenous people should be given when projects and programs are implemented.
- Environmental and climate change is definitely affecting the way of life at the local level but impact on people's health from the environment is neglected. What mitigation measures from potential risks were implemented? WB should make analysis on this, including diseases caused by environmental conditions and changes. Health of health sector workers need to be given special attention. Health impacts from mining should be considered under the SCD.
- WB promoted mining-based economic development. The SCD should consider what impact and how much burden mining brought to other sectors e.g. make diagnosis and estimate monetary value of mining sector impact on human and animal health. The net benefit from mining development after taking out negative impacts in other sectors should be calculated.
- Brain drain to mining is happening, constraining development in other sectors.

**Issues for the disabled**

- There is no dedicated agency for the disabled to support the relevant law enforcement. A dedicated agency could be established to look after the disabled but there is a funding issue. Representation of the disabled people should be in the agency looking at disabled people.
- Legal framework to support the disabled is not well developed. Current laws are more proclamatory documents without thorough implementation arrangements. It is a common issue in Mongolian laws that due to unclear implementation guidelines and decrees passed after the law, the law implementation becomes inconsistent. Enforcement and implementation of laws should be strengthened

	<p>by building the relevant capacity and not allowing tweaking/misinterpretation by the low-level management at the authorities.</p> <ul style="list-style-type: none"><li>• International market opportunities for products produced by the disabled could be sought.</li><li>• Employment Promotion Fund amount is decreasing every year due to government policy to reduce number of people working abroad. WB could establish an Employment Promotion Fund for the disabled.</li><li>• A herder promotion program should be developed instead of livestock restocking efforts. This would solve overconcentration in Ulaanbaatar and poverty since migration from rural areas is a major cause of poverty. When herders lose their livestock in <i>dzud</i>, there are various opportunities to regain their livestock with support from restocking programs, help from family members, etc. However, specific programs are needed to encourage those people to return to rural areas and connect back to communities with dignity.</li><li>• Since WB works to eradicate poverty, it should also make analysis of how disability impacts poverty and how WB supported disabled people in the past.</li><li>• Accessibility of education is limited for disabled children. All schools should have a strategy and plan to allow schooling of disabled children. Schools for the disabled children should be developed regionally.</li><li>• Social attitude toward disabled children should be changed. Children without disability should have an open mindset towards studying with the disabled children.</li><li>• Teacher training is crucial to prepare teachers who can train disabled children.</li><li>• Opportunities for obtaining higher degree beyond Bachelor's should be enabled for the disabled. Parents try their best to give their children with disabilities good education, but often children do not receive higher education degrees due to tuition issues.</li><li>• There is a lack of representation and voice of the disabled at the decision-making level. The minority's voice is often not heard. WB should provide support in this regard.</li><li>• Some government functions can be handled by CSOs but there is unwillingness to allow the arrangement from the government's side.</li><li>• Welfare is currently not optimized. Welfare services that are appropriate and targeted should be developed. There is general understanding that social welfare programs benefit largely the disabled. However, disabled people receive only small portion of welfare.</li><li>• Opportunities for employment is limited for the disabled. So, opportunism for creating such market should be promoted. Disabled people are willing to work and contribute to the economy, they create small businesses but the market access is limited. WB could support in helping disabled people sell their products in European markets.</li><li>• WB should also support in introducing socially-oriented loans and lending services that support social causes. Social responsibilities for the banking sector should be enhanced.</li><li>• SCD should consider how the poverty reduction programs targeted at the disabled were implemented and how the relevant funding was used.</li></ul>
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- Number of disabled is increasing due to negative impacts of mining as well as environmental issues.
- Participation in social relations remains very limited for the disabled. All levels of government establish results agreements – one performance criterion could be on how well their work reached the disabled.
- There is criticism about universal social welfare and provision of a limited number of services to one person. But for the blind, provision of a few number of services is not enough – a comprehensive support is needed.
- Food safety is causing the number of disabled to increase. Animal vaccination of unknown origin and quality is causing issues of animal health, which in turn undermines food quality.

### **Education**

- Schools are currently only perceived as buildings and physical structure neglecting the focus on the quality of education and human development.
- Opportunity to develop education sector is huge in Mongolia because people regard highly the value of education. There is hunger for education in Mongolia – citizens are willing to take out loans and pay for their children's' education.
- Unequitable policies are distorting the education system. Policies, financing and governance are key issues to be considered in the education sector.
- Current education policies are promoting elitist education. Education services with high tuition fees are causing inequity and inequitable education.
- Governance crisis, especially in the public service, affects even schools and kindergartens, with the principals and even staff reshuffling influenced by politics.
- Inclusive education policies should be promoted with due consideration to the disabled, special groups with different languages, etc. There is lack of human resources in the education ministry to consider above aspects.
- Equitable and result-oriented policies should be developed and implemented.
- Recent WB study on early childhood education in Mongolia showed that public funding for education benefits more the well-off part of the society. WB should not promote private-sector driven education e.g. support for private kindergartens and schools, etc.
- Mongolia has a tradition of strong, public funded education system. WB should not undermine this with policy support. Human resource/capacity should be developed to help create staff at the ministry who understand concepts of inclusive education e.g. for the disabled and know how to plant international best practices in the local setting.
- Is the school starting age of 6 years appropriate for Mongolian children? Children of such age, especially in the countryside, do not yet have exposure to good quality pre-school education, so experience difficulties when entering school environment. CSOs should look into this issue. Mothers come to province and *soum* centers to look after their children causing families to separate.
- Ethics in education sector is questionable – all schools are registered and considered non-profits. There are around 25,000 NGOs registered in Mongolia majority of which are for-profit schools and media outlets. However, private

	<p>schools that accept high tuition still have their recurrent costs covered from the budget. The SCD should look into this further.</p> <p><b><u>Governance</u></b></p> <p><b>Challenges:</b></p> <ul style="list-style-type: none"> <li>• Governance crisis is caused by the following fundamental reasons: abnormal structure of the economy (GDP is dominated by mining and banking not by productive sectors; labor productivity and interactions between the sectors are not functional), inequitable distribution of power, income and assets (caused by unequal distribution of power); and representation crisis (Parliament does not ensure equitable representation of various social segments and groups). These three main reasons are interrelated and create a circle of issues. Interventions on good governance perhaps are not being targeted at the right level or question/issue.</li> <li>• Good governance is getting lots of attention and being promoted for better development. However, other countries' evidence suggests that good governance is not a prequel to economic development. Whether WB spends its resources on specific sectors or to set up the good base and structure of the economy is a question.</li> <li>• Investment in productive sectors have a multiplying effect in development. Opportunities for the disabled can help increase income, which in turn would help increase their power to influence policies that will help promote good governance.</li> <li>• Governance crisis in Mongolia is caused by lack of accountability at all levels.</li> <li>• Accountability and capacity enhancements in the civil service are much needed and required.</li> <li>• SCD should look into the economic development model that has so far been followed for the country. After making diagnosis of the current model, it should work on further development model.</li> </ul>
<p><b>Inputs on WBG engagement</b></p>	<ul style="list-style-type: none"> <li>• It was understood that the consultation aimed to seek inputs to the SCD and CPF. As per the WB internal policies and procedures, the two documents are supposed to be developed through separate processes. The SCD should be done by the WB experts and, based on the diagnostics the CPF should be drafted. Stakeholders should then be consulted on the draft CPF. The WB has been engaging in the country for 25 years and 25 years is a long time. The WB should be doing the diagnostics, if not for the entire 25 years, for at least the past 4 years. Due to various reasons, e.g. lack of efforts, resources and time, the country itself has not been able to do much of good diagnostics. The WB experts should, therefore, help us with the diagnostics and then consult on the CPF. The WB should be our external reality check and we need this external assessment.</li> <li>• The WB goals have been transformed into the twin goals but the previous goal of the world free of poverty remains. The poverty rate used to be 39% before 2012. The WB methodology was updated so the poverty rate was announced to be 29% then 27% in July 2012. It was then reduced down to 21%. As part of the</li> </ul>

diagnostics, we would like to know exactly what is happening with the poverty situation and why the figure keeps changing rather drastically. Because of the mystery with the poverty rates, ironically, it looks as if when economic growth is down poverty rate also reduces. It is almost if we are better off being in an economic slowdown. Some participants expressed their preference to leave the CPF and concentrate on the SCD only. They also expressed appreciation for doing an independent SCD for Mongolia since sometimes WB can produce SCD covering a number of small countries.

- In terms of goals and strategy, since the WB is a part of the UN, inevitably the WB strategy and goals would be in line with the Sustainable Development Goals. Without knowing the diagnostics, however, it is not possible to talk about strategy.
- The SCD development process should involve multiple phases of consultation. SCD inputs can be collected, in some cases, not only through consultations but also through other means e.g. social audit, citizens' report card, monitoring, etc. Considering tough times and challenges that Mongolia is currently going through, there is a special proposal to use external evaluation methodology for the SCD.
- Also, consultations should be carried with the draft documents to be consulted on available. For this consultation, the documents are not there; the only available document seems to be the Performance and Learning Review for the previous CPS which was also not shared as a background material with participants. The expectation for some participants was that the WB had experts who could diagnose the country's situation but instead it is asking other stakeholders for their opinion. The President of Mongolia recently questioned results of the WB's assistance to the country for the past 20 plus years. To help assess the situation, the diagnostics should really be the focus without shifting focus on future directions. Previous consultations, as per the notes on the website, seem to have focused on what the future directions should be: and mining seems to have been identified by the private sector.
- Today, there is absence of basic statistical figures presented for the diagnostics discussion. When data and evidence are missing, the discussions may not be fruitful.
- The documents to be consulted on are not ready but participants were asked for inputs. So, it is understood that a participatory approach to the diagnostics is being proposed and participants proposed to try doing first-hand diagnostics without any data today. A product from today's consultation could then be taken forward to the next phases for analysis and then for development of the strategy. For today's discussions, the tables/groups should be organized as per the sectors/areas of expertise.
- Two key special opinion proposals to be included in the consultation notes: (i) the SCD and CPF should be separate. For developing the documents, independent/external diagnostics approach be used. Following this first meeting, there should be focus group discussions and then independent/external diagnostics; and (ii) no comments or proposals formulated during this and previous consultations should be construed as inputs to the CPF.



**Further suggestions on topic and process for the SCD:**

- The SCD should cover environmental issues and pasture situation for the herders that has become very critical.
- A voluntary group with CSO representation is suggested to be established to play the role of a “watchdog” for the SCD development process.
- In the early 1990s, the country went through a visioning exercise to help determine its development model with support from WB and donors. We are now back to ‘square one’ and need to re-do the visioning exercise and the SCD should help in this regard.
- PPPs should be looked closely under the SCD. Because PPPs are often viewed as a root cause of corruption.
- Mongolia is at the verge of default. Lessons from the 1997 Asian economic crisis are still to be learnt as the Government is unable to monitor private sector external debt. What does the WB think of this?
- The WB called Mongolia a deviant democracy in 2014 due to the concentration of power and inability of the local people to influence government decisions. Changes were brought to promote local budget authority. How does the WB now see the impacts of this change?
- Governance has been a big part of the WB programs. How do you evaluate the interventions?