

Mongolia
SCD-CPF Engagement meeting with civil society organizations in Khentii province
October 6, 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.

The World Bank Group (WBG) met with 16 civil society organizations (CSOs) in Khentii province 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"> • There are many opportunities for development and abundant resources in Khentii province which was given to people thanks to the ancestors. • Besides natural resources, the country also has rich tradition and history which gives great potential in tourism development. • There are many opportunities to develop livestock and natural products and supply internally, by adding value. • Another opportunity is organic food available in Mongolia, exporting high end organic products to external markets. <p>Challenges:</p> <p>Education, labor market</p> <ul style="list-style-type: none"> • Need to focus on the education quality and increasing investment returns. Purchasing new toys and books will not improve education quality. However, if money is spent on improving labor value of those who work in the education sector, the quality will improve. • Printing new textbooks have become a profitable business, affecting textbook quality and their continued use. • Need to improve coordination between secondary, pre-primary, primary, higher education and technical, vocational education. • People do not meet job requirements. There is lack of real producers and specialists on the market which needs to be looked at. People get higher education and qualification, but have no skills and technical skills required for jobs. Need to develop TVET programs quality and increase their enrolment. • Some people who have jobs are still poor because of low labor value. With low salaries barely covering daily consumption, people are not able to take care of their health. Work load is very high, there is constant overtime on weekends, so no motivation to perform well. People spend their annual

vacation in South Korea to earn additional income, so they get tired and suffer with their health. To address this, salary benchmarks for public service set during the socialist times needs to be reviewed. Salaries should be set based on people's capacity, skills, and performance.

- Lack of accountability on the side of individuals and citizens, need to change people's mindset. Need to focus on providing education and development based on traditional Mongolian cultures and values.
- Lack of financing to support research in rural areas. Due to this, there is lack of information and data on how people live and what they need to do to improve their livelihoods in rural areas.
- To reduce poverty, university tuition fees should be abolished because every household has a loan which they got to pay tuition fees with high interest rates. An average household spends around 10 years on repaying the loan.

Social welfare and protection

- Elderly people and pensioners get excluded from social services and become ineligible for business loans. However, they have great potential and capacity to contribute to the society, which should be used more. In addition, Mongolians have potential to live up to 100 years, with many examples of longevity in Mongolia.

Health

- Health should be priority, because health impacts poverty. Average life expectancy of Mongolians is not increasing much.

Governance, civil service, civil society

- Civil service stability is lacking. One professional staff would need to work for 10-12 years to really pursue sustainable policies and see its results, but due to frequent staff turnout this is not possible. Lack of professional leadership and management in civil service.
- Some government functions could be executed by civil society organizations. Need to support CSOs, and build their capacity so they can have better dialogue with the government and serve as a bridge between people and government. Khentii province has around 100 CSOs, 20 of which are under the CSO network. CSOs would like to do more work in raising awareness of people, reaching out to people, monitoring and evaluation functions, so the opportunity should be provided to them.
- Starting from this year, Mongolia youth development issue is being brought up at the government level. Housing and employment of youth are not addressed due to lack of capacity and resources of youth agencies.
- CSOs working in agricultural sector are new, they cannot raise their voice to government on agriculture issues and do basic research and analysis. So special attention should be given to build capacity of agricultural sector CSOs given Mongolia's potential in this sector.
- Long term partnership of CSOs with hospitals and other public service providers need to be developed and nurtured. For example, a local health NGO is carrying out a project together with the aimag hospital, researching chronic illnesses in kindergarten children and providing health education to children through peers.
- Development should start from bottom-up, *bagh* level. However, *bagh* social development specialist and *bagh* governors have little capacity and

resources. Few *bagh*-level officials have to work with thousands of people, reach out to these people, provide them with information, which is hard to manage.

- Government structure is bulky, government should be smaller but smarter. There are some divisions in agencies with just 2 staff, and too many ministries for a population of 3 million people.

Private sector development

- To develop private sector, major factories should be supported rather than small scale production. Example of South Korea, which supported first major automakers.
- To promote and support local business and green development, financial assistance could be given to small projects on green development, such as tree nurseries that would supply to local hospitals, schools, and kindergartens.
- High interest rate of bank loans is a major challenge in business development. With private sector development, the country will develop.
- Due to lack of export markets and supply chain development, many opportunities for local production is lost.

Economic growth, jobs

- Khentii province is high on poverty due to absence of major factories, lack of jobs, high unemployment and loans with high interest rates. Services, restaurants, retail, hotels are the only economic activities in province center.
- With lack of jobs available locally, policies should be directed towards creating jobs using local resources. E.g. sheep skin is available locally, but Khentii province still purchases processed sheep skin from other provinces.
- Unemployment of youth is a major issue. Creating jobs through financing major projects, processing factories, and infrastructure will create many jobs.
- There is not much opportunity to develop large scale factories in Khentii province due to lack of infrastructure and small market. Developing various SMEs is more suited for Khentii.
- Some participants expressed support for major industrial projects in order to develop the economy and create jobs.
- Small and micro grants and funding to SMEs and individuals could be continued, but they need to be provided with better open selection of funds and better monitoring of results and expenditures.
- Some participants also highlighted the need to support those SMEs that have been operating sustainably for few years, rather than reaching out to new ones.
- There is need to support sustainable employment of the disabled people. Disabled people in Khentii province, around 2,800 in total, usually have capacity to do some work and organizations are required to provide them with jobs for 25 hours a week. However, this legal requirement does not get implemented in life. Disabled people have been enrolled in training programs to learn new skills, but due to lack of equipment and premises, they are not able to work.

Mining

- There are high levels of environmental degradation after artisanal mining operations, which needs to be looked at.

	<ul style="list-style-type: none"> Overall, there is need to improve environmental protection and restoration policies and their implementation in mining. <p>Environment</p> <ul style="list-style-type: none"> Environmental protection, in that desertification is the major issue. Combating desertification will help protect livelihoods. <p>Agriculture, livestock</p> <ul style="list-style-type: none"> Mongolia has been an agricultural country with traditional livestock. If we pursued mining we should have become prosperous, but in reality poverty increased since we pursued mining. Livestock is renewable resource; mining resources will be exhausted at some time. Example is Batnorov soum which sells cashmere in spring and earn cash. Need to support SMEs with processing factories based on agricultural commodities. <p>Tourism</p> <ul style="list-style-type: none"> Tourism sector was selected as number one development priority and opportunity for Khentii province 3-4 years ago, so this sector needs to be further developed to reduce poverty. Need to increase investment to support this sector.
<p>Inputs on WBG strategy and partnerships</p>	<p>Sectors</p> <ul style="list-style-type: none"> Creating jobs through financing major projects, processing factories, and infrastructure should be supported by WBG rather than dividing the funding to many areas and small SMEs. WBG should do less on mining sector, and instead, support CSOs and citizen participation. This will help increase accountability in mining sector, make it more sustainable. Priority sectors to develop at aimag level are: 1) tourism, 2) human development, 3) agriculture and environment Priority sectors at national level are: 1) governance, 2) agriculture and environment, 3) human development, CSOs development, capacity building, education, 4) health, 5) banking and financing (especially addressing loan interest rates)
<p>Others</p>	<ul style="list-style-type: none"> A number of participants expressed appreciation of WBG support to reduce poverty in Mongolia. Small scale grants which supported tree nurseries, Sustainable Livelihoods Project, and Index-Based Insurance Projects were noted to have substantial positive impact in Khentii province.

Results of the survey taken during the meeting:

1. 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)

—	Public sector governance/reform	10	63%
—	Job creation/employment	10	63%
—	Private sector development	9	56%
—	Health	7	44%
—	Food security	7	44%
—	Anti corruption	6	38%
—	Financial markets	6	38%
—	Agriculture, livestock, and forestry	5	31%
—	Equality of opportunity	5	31%
—	Trade and exports	5	31%
—	Education	4	25%
—	Environmental protection and pollution control	4	25%
—	Rural development	3	19%
—	Economic growth	3	19%
—	Foreign investment	3	19%
—	Road and transport	3	19%
—	Social protection	3	19%
—	Water and sanitation	2	13%
—	Natural resource management	1	6%
—	Disaster risk management	1	6%
—	Urban development	1	6%
—	Climate change	1	6%
—	Other:	1 (tourism)	6%
—	Energy	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	13	81%
<input type="checkbox"/>	Supporting investment in infrastructure	13	81%
<input type="checkbox"/>	Supporting the business environment	9	56%
<input type="checkbox"/>	Supporting public sector governance	6	38%
<input type="checkbox"/>	Supporting natural resource management and environmental protection	4	25%
<input type="checkbox"/>	All are equally important	4	25%