

Multi-year Expert Meeting on

**INVESTMENT, INNOVATION AND ENTREPRENEURSHIP
FOR PRODUCTIVE CAPACITY-BUILDING AND
SUSTAINABLE DEVELOPMENT**

30 September – 1 October 2024

**Country Paper
Mongolia**

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UNITED NATIONS CONFERENCE ON TRADE AND
DEVELOPMENT

**Multi-year Expert Meeting on Investment, Innovation and
Entrepreneurship for Productive Capacity-building and Sustainable
Development, eleventh session**

Geneva, 30 September - 1 October, 2024



COUNTRY PAPER
MONGOLIA

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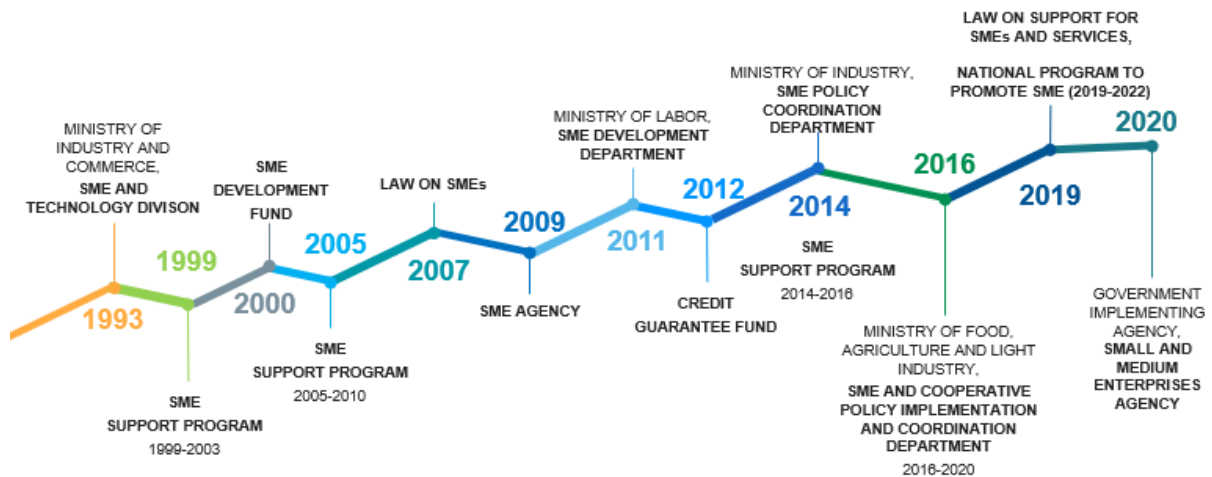
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NATIONAL EXPERIENCE

Small and medium industry is a sector that makes significant contribution to the economic development of the country. According to report by the World Trade Organization, 90 percent of entrepreneurs, 60-70 percent of employment and 55 percent of GDP in developed economies are constituted by small and medium businesses.



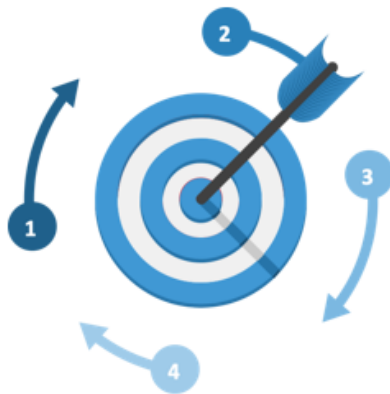
For Mongolia, the development of small and medium industry started in 1993, but it has been accelerating since 2009 and accounting for 5.5 percent of GDP. As of the second quarter of 2024, 72,578 small and medium-sized entrepreneurs and service providers which is 73 percent of the total number of enterprises are operating. In order to improve the legal environment of the sector, the Law on Supporting Small and Medium Enterprise Services, the National Program for Supporting Small and Medium Enterprises and other related regulations have been approved and implemented based on the study of international experience and research done by the Government of Mongolia in 2019.

Therefore, by merging the Small and Medium Enterprises and Cooperative Development Policy Department of the Ministry of Food, Agriculture and Light Industry with the Small and Medium Enterprise Development Fund, the Small and Medium Enterprise Agency was established with 51 employees according to the government decree in 2020. The agency is working with the vision and mission on diversifying the products and services of Mongolia's small and medium-sized enterprises as import substituted products, bringing export-oriented, innovative, new technology and knowledge-based businesses to international standards, ensuring the implementation of industry policies and providing government support optimally by increasing the position of industry in society and economy.

The Small and Medium Enterprises Agency provides financial and non-financial support as follows.

Financial :

Concessional loan;
Credit guarantee;
Leasing;
Loan subsidy;
Reduce interest rate;
Tax relief, exemption;
Public procurement.



Non financial:

Training;
Business consulting service;
Innovation, technological advancement localization,
Incubation;
Cluster;
Sales support;
Support SMEs access to foreign and domestic market;

The mission and activities of the organization are being implemented wholly in conformity with Sustainable Development Goals to reduce poverty (Goal 1), improve skills related to entrepreneurship (Goal 4), increase jobs and promote economic growth (Goal 8), strengthen industry, innovation and infrastructure (Goal 9), responsible consumption and production (Goal 12) and supporting partnership between the public and private sectors (Goal 17).

Although Small and Medium Enterprises Agency has been operating for short period, the following achievements have been successfully done in 2020-2024.

1. Regarding policy formulation and improvement of the legal environment:

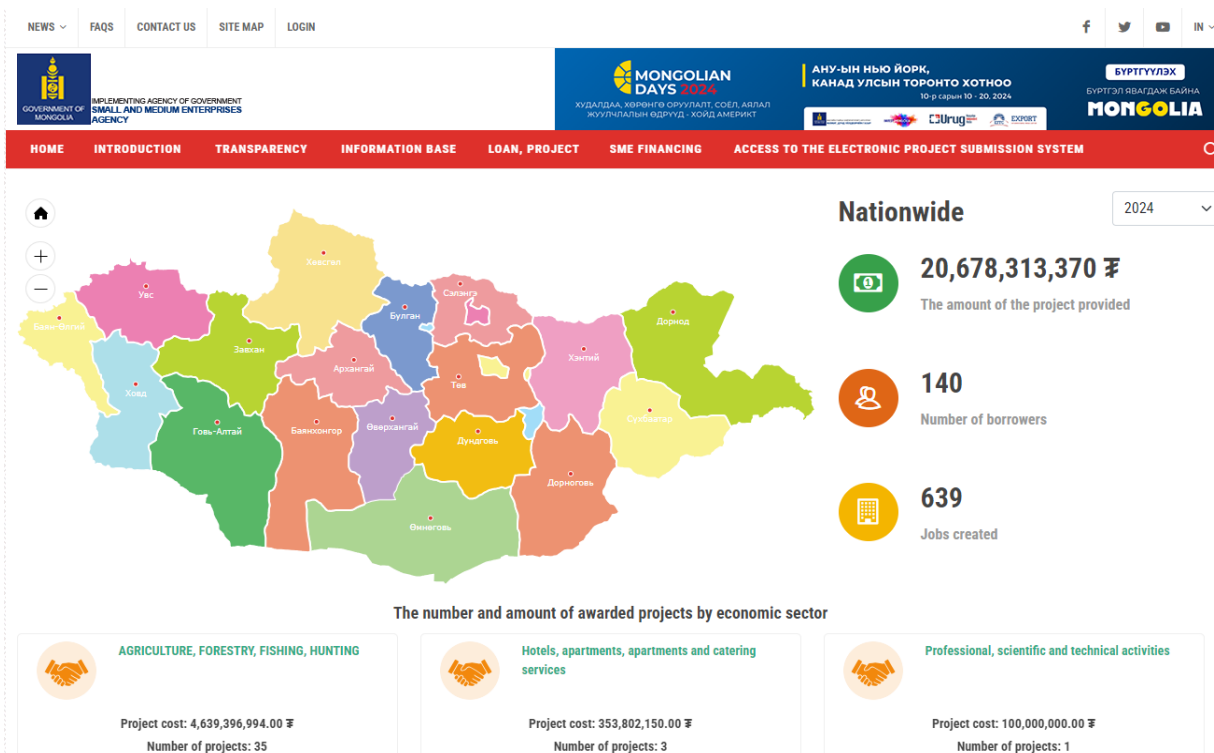
In order to improve the legal environment of the industry, the following approval and amendments have been done:

- Revision of the Law on Support of Small and Medium Enterprises and Services,
- Law on Special government funds,
- Revision of the Law on Cooperatives,
- Law on Amendments to the Law on Value Added Tax,
- Procedures for selection process of borrowers from Small and medium enterprises Development Fund, giving concessional loan and its repayment & monitoring,
- The Law on Reducing the Negative Effects of Climate Change on Traditional Animal Husbandry,
- Law on Amendments to the Law on Credit Guarantee Fund,
- Nullifying some parts of the Law on Cooperatives and amendments.

Also, the "New Cooperative Movement" is being launched throughout the country and legal environment of cooperatives is being reformed within the framework of the government "New Cooperative Movement" resolution in 2024. In addition, by the initiative of Mongolian Government, the United Nations General Assembly announced 2025 as International Year of Cooperatives.

2. Regarding financial support

- Since 2020, loan selection have been organizing in 4 stages and project economic calculation and risk assessment with using international and financial analysis methods.
- Through the Small and Medium Enterprises Development Fund and Commercial Banks, total of 961 or 100-270 projects per year received concessional loans, and 5,190 jobs were created and 3,565 jobs were saved in period of 5 years.
- The interest rate on loans granted to small and medium producers through the Commercial Bank was reduced by 2.2%-2.6%.
- Credit risk insurance system to protect entrepreneurs has been introduced.
- The loan information system of the Small and Medium Enterprises Development Fund (<https://sme.gov.mn/visualdata>) was introduced and the stage of project acceptance and selection was completely digitized. In this way, loan selection and related information are open to the public and the reporting to public has been accelerated.



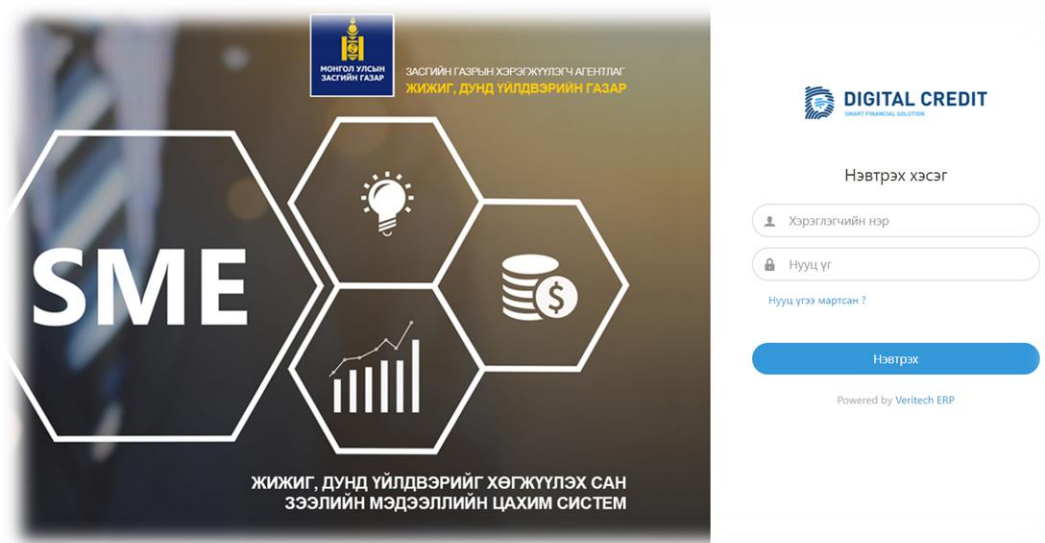
- In 2021, SME Agency ranked 2nd place with 79.9 percent and 1st place in 2022 with 88 percent according to the Operational Integrity Survey conducted by Independent Authority against Corruption of Mongolia.



3. Regarding non-financial support:

Digitalization of public services

- Online registration system of SMEs www.burtgel.sme.gov.mn was introduced and previous paper references were issued in online form.
- The website www.sme.gov.mn of SMEAgency has been put into operation and news and information are being disseminated publicly and instantly. The number of followers has increased to 47,255.
- In cooperation with the Ministry of Digital Development and Communications, information on borrowers from the Small and Medium Enterprise Development Fund is uploaded to the open database www.shilen.gov.mn and updated monthly in order to ensure the transparency of public services.



- E-courses including 18 sets of 245 sub-topics for micro, small and medium entrepreneurs were distributed publicly through YouTube and 73,812 people watched.
- With the funding of the Asian Productivity Organization, the "SME" application of the national product registration and information for smartphones (<https://sme.town.mn/>) with purpose of expanding the market of small and medium-sized entrepreneurs was put into operation in 2022 and presented the products of more than 1000 enterprises.

Trainings and business consulting services

SMEAgency provides business consulting services, advice and information and organize trainings for MSMEs within the framework of the government policy on supporting SMEs.

1. Business consulting services: The Agency does the works which develop the consulting service sector, improve the system to prepare domestic consultants, organize specialized trainings for start-up, micro, small, and medium enterprises, empower and register organizations which provide consulting services as well as publicize widely regarding the effectiveness of consulting services through media. In the framework of promoting the importance of consulting services to SMEs, we organize marketing research and consulting service meetings and conferences regularly for citizens, small and medium-sized entrepreneurs and other stakeholders in cooperation with private, international and non-governmental organizations.

2. Training and consulting information: To empower micro, small and medium-sized enterprises and experts, trainings, consultations and online trainings according to the curriculum plan have been provided.

We are also working to empower cooperatives, learn best practices for improving cooperation, increase the financial potentiality of cooperatives, identify problems, provide information and develop training programs for cooperative managers, accountants and commodity specialists.

16,950 SMEs, companies, cooperatives and citizens who requested loans from the SME Development Fund and the Cooperative Development Fund in 2020-2023. Therefore, 230 trainings on how to apply for concessional loans, loan requirements, support product development and sales, create conditions for attracting financial investment as in-person and online lessons with 18 sets of 245 sub-topics were developed for micro, small, and medium-sized enterprises with financing from the European Bank for Reconstruction and Development.

Innovations, techniques and technology, incubation and cluster development:

10 business incubator centers in 9 provinces and 15 small and medium enterprises support centers in 9 districts of the capital city and 5 provinces have been operated with purpose of localization of innovation, technology and strengthening of enterprises. By conducting activities such as improving operations, cooperating with professional associations and international organizations, implementing projects, providing consultation on solving problems, organizing training, and discussion meetings, these centers serve totally 2,230 citizens and enterprises annually. Also 1,189 SMEs have been involved in the capacity building trainings.

In order to support the process of cluster integration, the Agency granted 940.0 million MNT non-refundable funds to 3 enterprises who are producers of export-oriented products and integrated as the cluster in cooperation with "Export Development Project" by World Bank in 2022-2023. As a result of it, 3,000-4,000 types of products and services were supported and export channels were opened. It is considered that if micro, small and medium enterprises join in clusters due to each type of product, the gateway to create a value chain would be made. Also, The Agency conduct the variety of supporting activities such as increasing cluster and exports and diversifying non-mining product exports for small, supported medium enterprises and service providers under implementation of major projects such as the "TRAM" project by the European Union, "Export Development Project" funded by World Bank and "BEST" program funded by the United States Agency for International Development. In the future, it is necessary to develop regional clusters and create infrastructure in order to increase the production and export of final products that incorporate science, technology, innovation, and knowledge in food, agriculture and light industry and improve competitiveness in the market.

Expanding foreign cooperation, sales support and market expansion:

With intention to improve all activities that develop the industry, we are successfully implementing the projects of international organizations such as the United Nations Development Program, the United States Agency for International Development, the World Bank, JICA, the European Union, the World Trade Organization and the Asian Productivity Organization. Therefore, in cooperation with the Ministry of Foreign Relations and embassies in foreign countries, we have been established the collaboration and cooperation with more

than 10 similar types of governmental and non governmental organizations under Memorandum of Understanding. Furthermore, 20 exhibitions and events were organized in countries such as the Republic of Korea, the United States, Canada, China, Germany, the Federal Republic of Germany, Italy, Japan, and Australia with the participation of more than 930 SMEs in order to increase exports and support the sale of national products, opened permanent stores in China and Germany.



Development of Cooperative

Also, within the framework of the "New Cooperative Movement" implemented by the Government of Mongolia, granting concessional loans to cooperative member herders as investment have been successfully organized in order to support the livelihood of herder families, regularize the cash flow from production of animal-derived raw materials and products and increase the income for herders through establishment of Cooperatives since May, 2024.



For ensuring the sustainable development of traditional livestock production, more than 5000 new cooperatives were established and loans of 502 billion MNT were granted under this "New Cooperative" program to support herders.

Intellectual property and start-up business

Regarding the development of intellectual property right and start-up business, consultation meeting is held every year with the participation of universities, research institutes, entrepreneurs and international organizations. The activities to support young personnels and determine the problems are organized in cooperation with private companies.

Therefore, a meeting on the protection of intellectual property rights and product development with geographical indications for small and medium-sized manufacturers is organized every year.

FUTURE PROJECTS

Although the small and medium-sized industry of our country has developed intensively and has certain successes and achievements, there is a need to learn from best international practices and develop uniqueness of products absorbed national traditional heritage and its characteristics in accordance with the progress of the evolving society. So, it is necessity to focus on learning from international experience, having cooperation and capacity building in the field of introducing innovation, improving productivity, supporting green development, improving and strengthening present activities in the industry.

It is believed that it is possible to gain best experience, exchange knowledge and having contacts with in the following areas from international specialized institutions and experts in order to strengthen the small and medium industry sector and bring it to the level that meets the goals of sustainable development in long term. It includes:

1. Financial support
 - Support small and medium enterprises and increase investment
 - To learn best practices on creating new loan products for cooperatives, clusters and export production
 - Establishing contacts with international investors
2. Consulting service and trainings
 - Promotion of cases and successes of consulting services, improvement of quality and availability of training and consulting services, learning from best practices of monitoring and evaluation systems.
 - Development of public-private cooperation in the field of consulting services
 - Working with international consultants
 - Create a system for small and medium-sized enterprises and service providers to receive professional consulting services
3. Strengthening SMEs and Cooperative
 - Learn from best practices for sustainable development in international cooperatives, connect with producers and create the opportunity to learn from best experience

- Organization of training and consulting services to improve management and empowerment of cooperatives and SMEs in cooperation with professional organizations
- Supporting the sales of micro, small and medium-sized enterprises service providers, organizing trade fairs, increasing the number of permanent stores, improving the variety and quantity of export products and supporting the production and services of competitive import-substituted imports.

4. Cluster development

- Creating concessional conditions for joint activities with different organizations to support clusters by government organizations,
- Create opportunities for professional assistance from universities and academic institutions
- To recognize national and international standards to producers and suppliers
- To carry out the activities of joining clusters in cooperation with professional associations
- Organize activities such as cluster integration activities in the field of export products production.