

KHANGAI REGION COMPETITIVENESS FORUM 2017

COHERENT POLICIES FOR A SUSTAINABLE KHANGAI



12-13 October 2017
Murun, Khuvsgul province, Mongolia



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ABBREVIATIONS

CEO	Chief Executive Officer
CSGM	Cabinet Secretariat of Government of Mongolia
EPCRC	Economic Policy and Competitiveness Research Center
FRC	Financial Regulatory Commission
GDP	Gross Domestic Product
KAS	Konrad Adenauer Stiftung
LGF	Loan Guarantee Fund
MET	Ministry of Environment and Tourism
MNCCI	Mongolian National Chamber of Commerce and industry
MNT	Mongolian Tugrug
MTA	Mongolian Tourism Association
NDA	National Development Agency
SME	Small and Medium Enterprise
TVET	Technical and Vocational Education and Training
USD	United States Dollar

SUPPORTERS AND CO-ORGANISERS





ABOUT THE FORUM

The Economic Policy and Competitiveness Research Center, together with the Konrad-Adenauer Foundation, Governor's Office of Khuvsgul Province, and the Mongolian National Chamber of Commerce and Industry held the "Khangai Region's Competitiveness Forum 2017 - Coherent Policies for a Sustainable Khangai" in Murun, Khuvsgul Province on 12-13 October, 2017.

During the forum, governors from six provinces of Khangai region (Khuvsgul, Orkhon, Bulgan, Arkhangai, Uvurkhangai and Bayankhongor), Chairmen of the Citizen's Representative Khural and other local officials took to the floor and expressed their views about the development of their respective provinces and how to address key challenges in the region. Additionally, the Cabinet Secretariat of the Government of Mongolia, the Ministry of Food, Agriculture and Light industry, the Ministry of Environment and Tourism, National Development Agency, Financial Regulatory Commission, Loan Guarantee Fund, MNCCI, the Asia Foundation, Mongolian Tourism Association, as well as business organizations also took an active part in this forum.

During this event, four main sessions were organized: "Development outlook of Khangai Region Concept of Regional Development", "Economic Diversification: Developing the tourism sector in Khangai region", "Economic Diversification: Developing SMEs in the Khangai region" and "Current situation and perspectives of the agricultural sector in the Khangai region". The final session, entitled "Khangai Region Cooperation: Forum review and further steps", offered a chance for all participants to share some conclusions and ideas about how to collectively address sector-specific policies in the region and effectively implement their development strategies. In particular, one of the key findings of the forum was the need for enhanced infrastructure to support economic development.

Simultaneously, Khangai-based companies also participated in the "Autumn Green Days" trade fair, held on Chingunjav square in Murun during the forum. During this event, local products, mostly food items and handicrafts, were displayed and sold to promote the Khangai region.





AGENDA

12 October 2017

08:30 – 09:00	Registration
09:00 – 09:30	Welcoming remarks by Governor's Office of Khuvsgul province
09:30 – 09:40	Opening remarks: Tumurbaatar.L, Chairman of Citizen's Representative Khural of Khuvsgul Province
09:30 – 09:40	Opening remarks: Dr. Daniel Schmucking, Representative of Konrad Adenauer Foundation in Mongolia
09:40 – 10:10	Presentation 1: "Current situation of Khangai Region Competitiveness" Tsagaan.P, Chairman of Board, EPCRC
10:10 – 10:40	Presentation 2: "Corporate Social Responsibility and Sustainable Development Goals" Sukhbat.B, Project Manager, Konrad-Adenauer Foundation, Mongolia
10:40 – 11:00	Coffee break
11:00 – 12:30	Session 1: "Development Policy and Planning System – Concept of Regional Development" Presenter: A.Munkhbold, Head of Research and Analysis Office, National Development Agency
12:30 – 12:40	Group photo
12:40 – 13:50	Lunch
13:50 – 15:20	Session 2: "Economic diversification: Developing the Khangai region's tourism sector" Presenter: Gerelsaikhan.Ts, Specialist, Tourism Policy and Regulation Department, Ministry of Environment and Tourism
15:20 – 15:40	Coffee break
15:40 – 17:10	Session 3: "Economic diversification: Developing SMEs in the Khangai region" Presenter: Ariunaa.B Head of Administration and Planning Department, LGF
17:10 – 17:40	Summary of the day: Sarandavaa.M, Deputy CEO, MNCCI
18:00 – 19:30	Dinner reception

13 October 2017

08:30 – 09:00	Registration
09:00 – 09:10	Opening Remarks: Acting Country Representative of Asia Foundation in Mongolia
09:10 – 10:40	Session 4: "Current situation and perspectives of the agricultural sector in the Khangai region"
10:40 – 12:00	Closing discussion 5: "Khangai Region Cooperation: Forum review and further steps"
12:00 – 12:10	Closing Remarks: Tumurbaatar.L, Chairman of CRKH of Khuvsgul province Tsagaan.P, Chairman of board, EPCRC
12:10 – 13:10	Lunch / Local business trade fair
13:10 – 17:00	Visit to Khuvsgul Lake / Local tourism experience
18:30 – 20:00	Dinner



PREVIOUS PROVINCIAL COMPETITIVENESS FORUMS



- The First Provincial Competitiveness Forum was held on 8-9 September 2014 with the support from KAS.
- Around 60 decision makers took part, including Heads of Citizens' Representative Khural, Governors of provinces and chairmen of local branches of MNCCI.

- "Partnership for Development" Eastern Regional Competitiveness Forum was held on 8-9 October 2015.
- Over 140 representatives from Sukhbaatar, Khentii, Dornod provinces and Ulaanbaatar city participated in the forum.

- "One Gobi-One Goal" Gobi Regional Competitiveness Forum was held on 3-4 November 2016.
- Over 200 representatives from Dundgobi, Dornogobi, and Umnugobi provinces and Ulaanbaatar city participated in the forum.

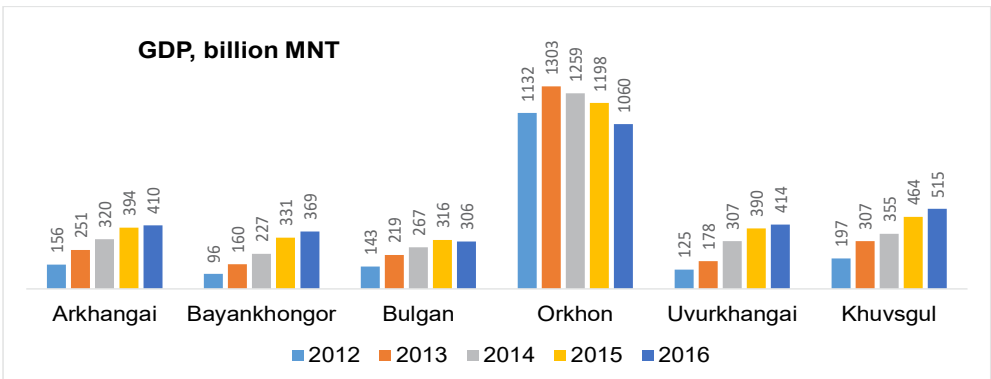
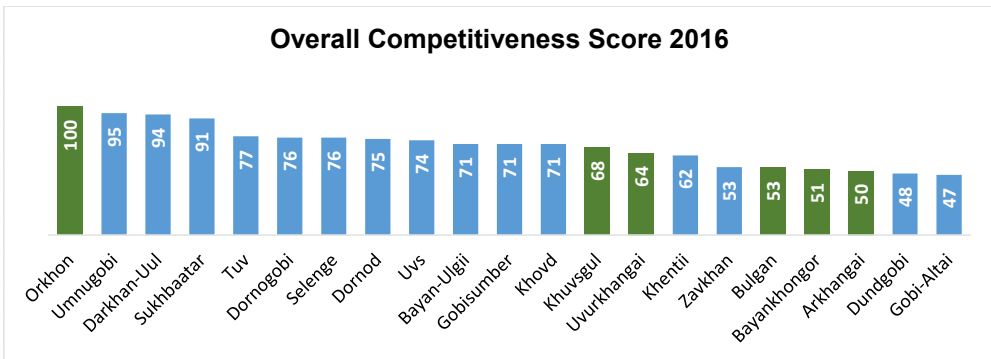
Please visit aimagindex.mn for more information.



I. KHANGAI REGION'S COMPETITIVENESS

The Khangai region, made up of six provinces (Khuvgsul, Orkhon, Bulgan, Uvurkhangai, Arkhangai, and Bayankhongor), accounts for 37 percent of the total GDP produced from Mongolia's 21 provinces, and comprises the most provinces in Mongolia. Based on the EPCRC's Provincial Competitiveness Index, the Khangai region ranks 4th with a score of 64.3 for provincial competitiveness. At a provincial level rankings of Orkhon, Khuvgsul and Bayankhongor remain unchanged from 2016, Arkhangai's and Bulgan's ranks declined compared to the previous year, and Uvurkhangai's rank improved from 18th to 14th.

Bayankhongor, Uvurkhangai, and Khuvgsul province's GDP have increased for four consecutive years, while Orkhon province's GDP declined for the third straight year. Bulgan province's GDP also declined compared to the previous year.

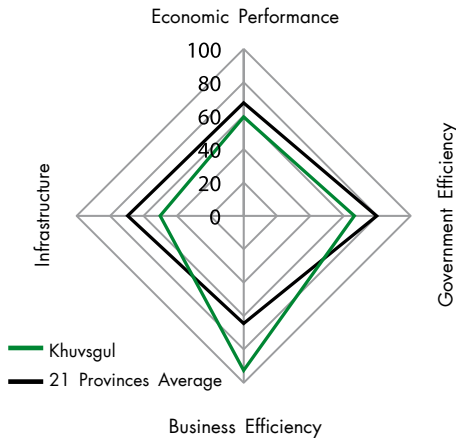


Strengths: Khangai provinces score well in the number of livestock (Arkhangai ranked 1st, Uvurkhangai ranked 2nd, Khuvgsul ranked 3rd, Bulgan ranked 5th, Bayankhongor ranked 8th) and in total GDP (Orkhon ranked 1st, Khuvgsul ranked 5th, Uvurkhangai ranked 6th, Arkhangai ranked 7th, Bayankhongor ranked 9th).

Weaknesses: Khangai provinces perform relatively poorly in respect of average wages (Khuvgsul ranked 21th, Uvurkhangai ranked 19th, Arkhangai ranked 18th, Bayankhongor ranked 13th, Bulgan ranked 11th) and in human development (Khuvgsul ranked 21st, Uvurkhangai ranked 20th, Bayankhongor ranked 18th, Arkhangai ranked 15th, Bulgan ranked 14th).



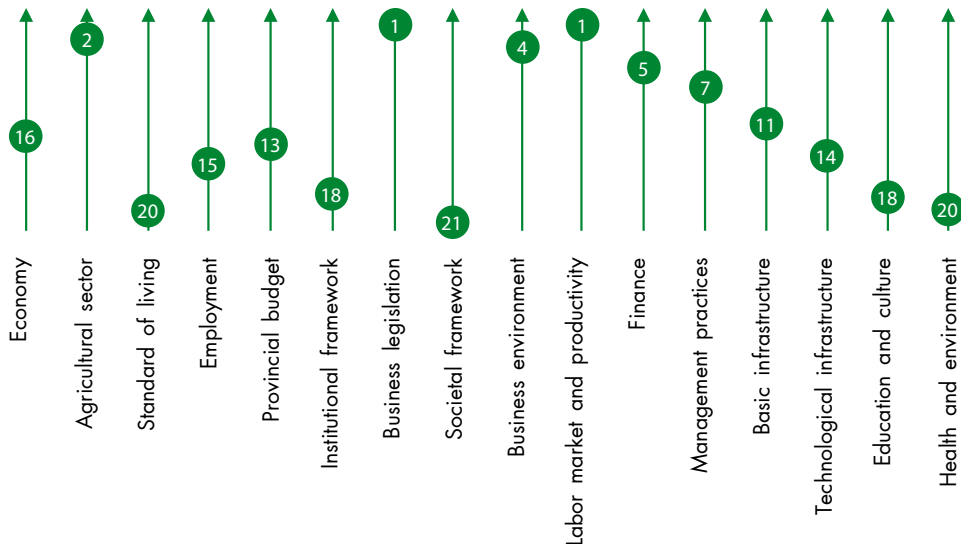
KHUVSGUL PROVINCIAL COMPETITIVENESS



BASIC FACTS

	2015	Ranking
Land area (thousand km ²)	101	6
Number of soums	23	
Population (thousand)	127	1
GDP (billion MNT, at current price)	515	5
GDP per capita (thousand MNT, at current price)	4049	17
Unemployment rate (%)	6.7	9
Inflation (%)	2.3	9

Competitiveness landscape, ranking

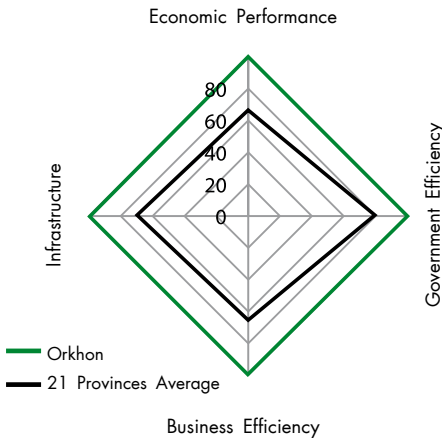


Challenges & Solutions

- Improve infrastructure (kindergartens, parking facilities, public lighting)
- Provide young staff with professional training and job opportunities
- Increase the operational speed of state services and reduce bureaucracy
- Support businesses with lower taxes and by providing loans and land
- Support the tourism sector with policy improvements and create more employment



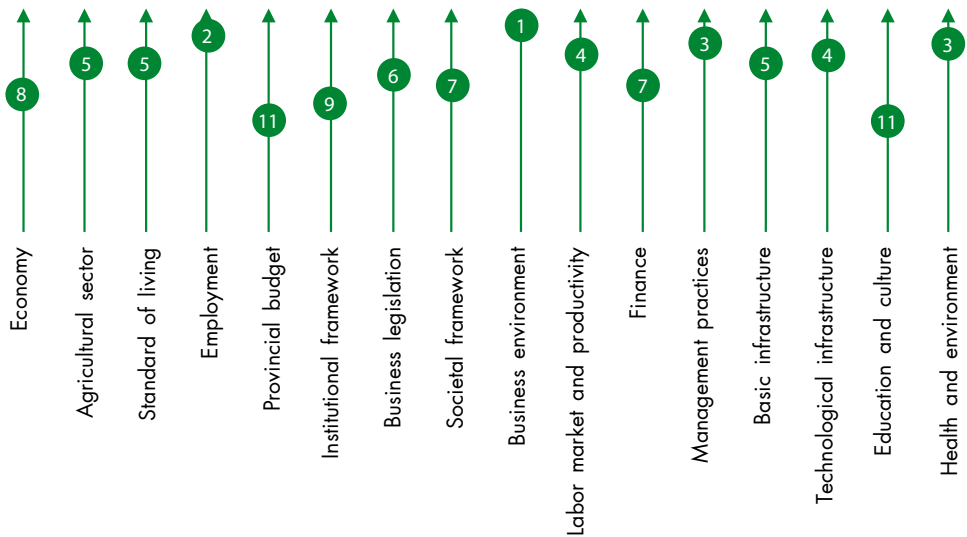
ORKHON PROVINCIAL COMPETITIVENESS



BASIC FACTS

	2015	Ranking
Land area (thousand km ²)	1 2	1
Number of soums	2	
Population (thousand)	97.5	6
GDP (billion MNT, at current price)	1,060	1
GDP per capita (thousand MNT, at current price)	10860	1
Unemployment rate (%)	2.2	1
Inflation (%)	0.6	9

Competitiveness landscape, ranking

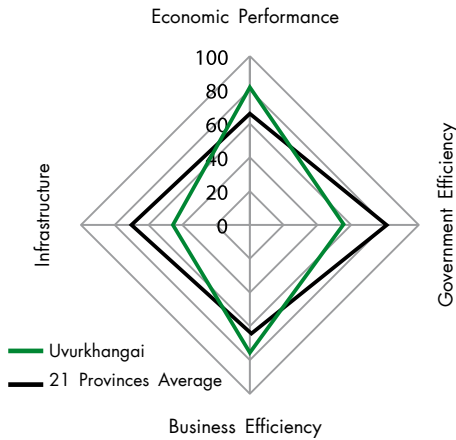


Challenges & Solutions

- Support businesses, facilitate the process for getting business licenses
- Create a tax-friendly environment
- Increase the amount of products sold by regional factories
- Strengthen public-private partnerships
- Improve the availability of skilled and trained staff



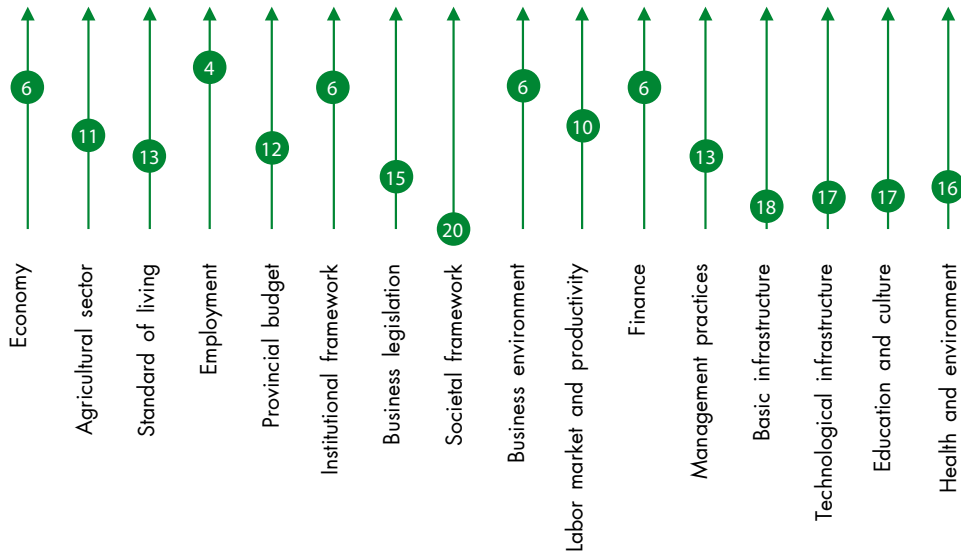
UVURKHANGAI PROVINCIAL COMPETITIVENESS



BASIC FACTS

	2015	Ranking
Land area (thousand km ²)	63	14
Number of soums	19	
Population (thousand)	113	2
GDP (billion MNT, at current price)	414	6
GDP per capita (thousand MNT, at current price)	3 670	20
Unemployment rate (%)	3,6	2
Inflation (%)	7	20

Competitiveness landscape, ranking

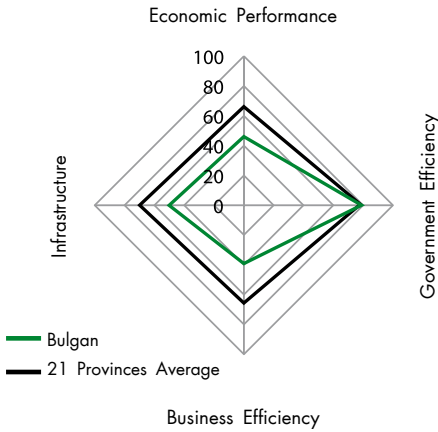


Challenges & Solutions

- Build a thermal power station
- Create a business-friendly environment
- Develop tourism
- Reduce the bank loan rate and increase loan duration
- Reduce the tax burden and strengthen public-private cooperation



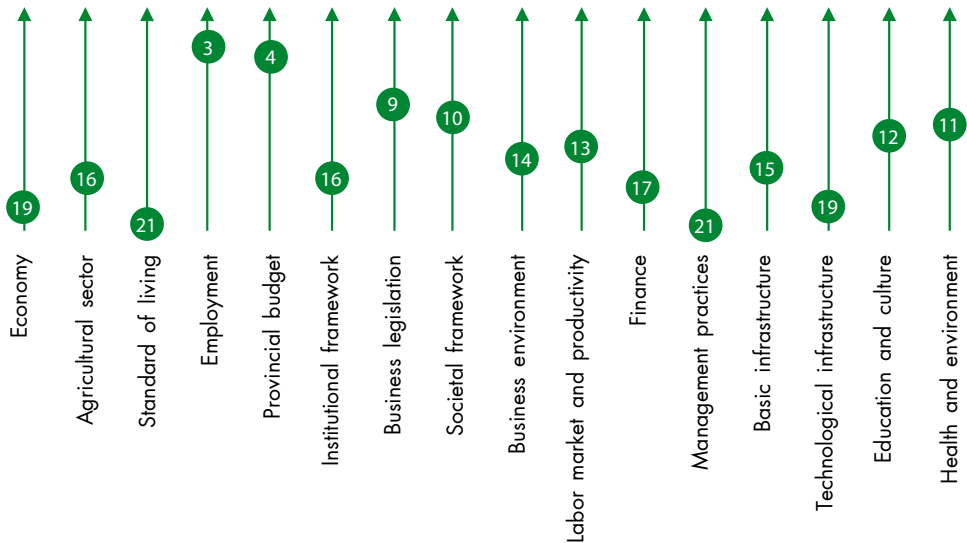
BULGAN PROVINCIAL COMPETITIVENESS



BASIC FACTS

	2015	Ranking
Land area (thousand km ²)	49	16
Number of soums	16	
Population (thousand)	60	17
GDP (billion MNT, at current price)	306	16
GDP per capita (thousand MNT, at current price)	5,086	8
Unemployment rate (%)	4.6	4
Inflation (%)	1.7	8

Competitiveness landscape, ranking

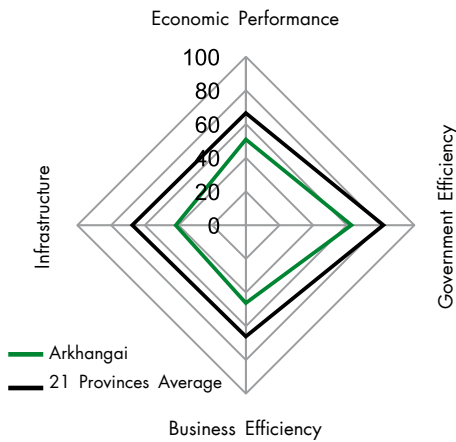


Challenges & Solutions

- Improve the availability of workplaces
- Review tax policies and reduce taxes
- Reduce banks' lending rate
- Support SMEs
- Increase the price of raw materials and build trade centers
- Increase employment



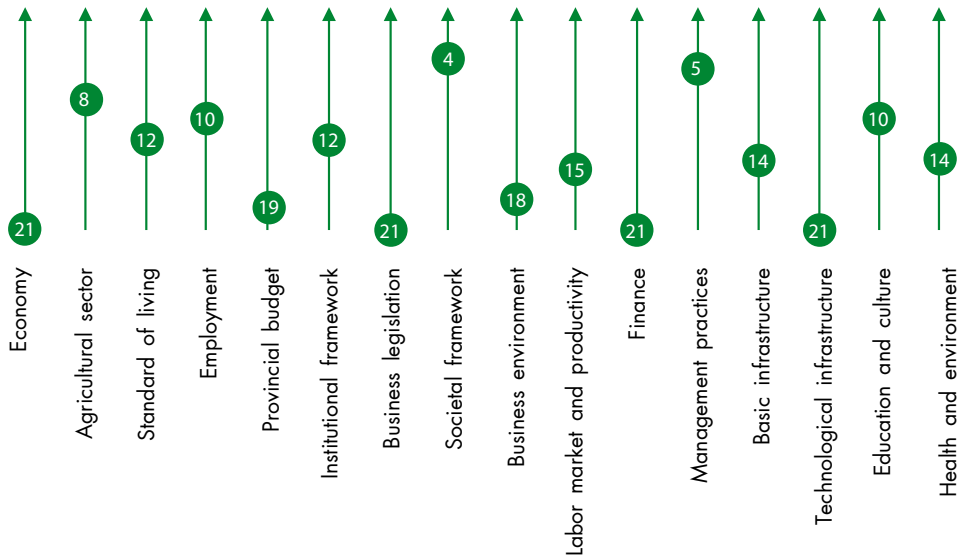
ARKHANGAI PROVINCIAL COMPETITIVENESS



BASIC FACTS

	2015	Ranking
Land area (thousand km ²)	55	15
Number of soums	19	
Population (thousand)	93	7
GDP (billion MNT, at current price)	410	7
GDP per capita (thousand MNT, at current price)	4430	12
Unemployment rate (%)	5.0	6
Inflation (%)	11.9	21

Competitiveness landscape, ranking

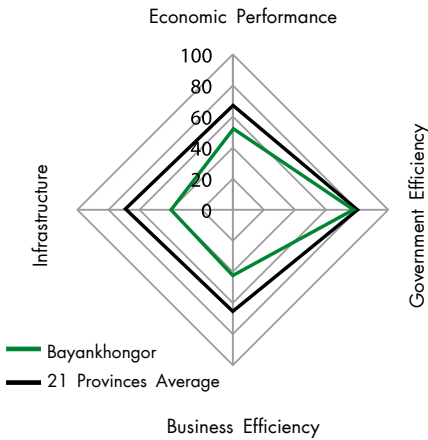


Challenges & Solutions

- Strengthen public-private cooperation, reduce tax burden
- Support SMEs through tax, loan policies and projects
- Improve infrastructure by building trade centers, sizeable factories and enhancing waste management
- Reduce bank loan rates and increase loan terms
- Increase employment



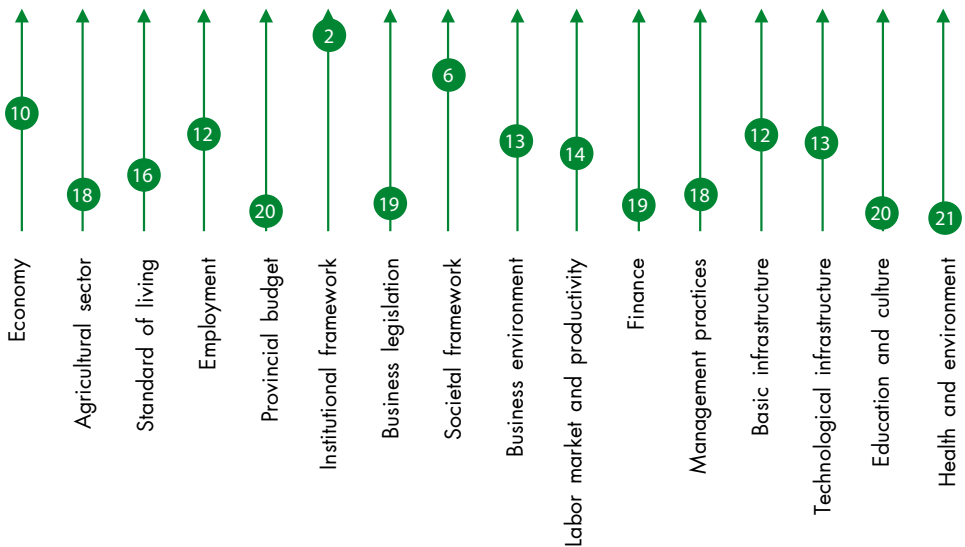
BAYANKHONGOR PROVINCIAL COMPETITIVENESS



BASIC FACTS

	2015	Ranking
Land area (thousand km ²)	116	4
Number of soums	20	
Population (thousand)	83.5	9
GDP (billion MNT, at current price)	369	9
GDP per capita (thousand MNT, at current price)	4,422	13
Unemployment rate (%)	6.4	8
Inflation (%)	6.4	19

Competitiveness landscape, ranking



Challenges & Solutions

- Support regional SMEs with a low interest rate loan policy
- Prepare young trained staff
- Reduce the tax burden and communicate information faster to SMEs
- Support export-intensive industries and SMEs to participate in foreign and domestic projects
- Increase opportunities for businesses to sell their products through new channels



II. FORUM

The forum was opened with a welcoming traditional musical performance by artists from Khuvsgul province.





OPENING REMARKS

Tumurbaatar.L

Chairman of CRKH of Khuvsgul province



We are pleased to be hosting the EPCRC's "Khangai Region's Competitiveness Forum 2017" in Murun, Khuvsgul province. Whilst gathered here, we will discuss how to use our advantages and how to develop our key sectors. The EPCRC's Provincial Competitiveness report shows Khuvsgul province's competitiveness has been increasing steadily. This is the result of different provinces' long and medium-term policies, but we will continue to work hard in the coming years. I hereby announce the opening of the Khangai Region Competitiveness Forum and wish you all the best.

Dr. Daniel Schmucking

Representative of Konrad-Adenauer
Foundation in Mongolia
through video message



First of all, for those who are not familiar with our organization, the Konrad Adenauer Stiftung is a German political foundation that has been permanently functioning since 1993. We have supported Mongolian democracy from the beginning, and we keep supporting it through various projects. One of the main focal points of our foundation in Mongolia is supporting the development of a social market economy, and in particular corporate social responsibility. We believe that this is important for the development of Mongolia. Companies with social responsibility contribute to the country's economic development, as well as potentially attracting international investment into the company. In conclusion, I am confident that delegates will discuss interesting topics and those topics will help your life and further work. Good luck to the forum.



PRESENTATIONS

PRESENTATION

"Current situation of Khangai region competitiveness"

Tsagaan.P – Chairman of board, EPCRC



Presentation highlights:

- The EPCRC will shortly release the 6th annual Provincial Competitiveness Report
- The report uses 181 criteria based on 4 factors, as well as data from 1,050 surveys, conducted in all 21 provinces.
- If you cannot measure, you cannot control. If you cannot control, you cannot manage.
- Compared to other regions, Khangai region ranks 4th out of 5 regions for competitiveness.
- One of the most pressing challenges in Khangai region is the infrastructure.
- No matter where they reside, Mongolians should have the same opportunities and rights in their lives. This will in turn improve Mongolia's overall competitiveness.

PRESENTATION

"Corporate social responsibility and sustainable development goals"

Sukhbat.B – Project manager, KAS



Presentation highlights:

- Corporate social responsibility means "Companies operate in a sustainable way for the economy, environment, and society."
- Companies are encouraged to promote their involvement by promoting specific political systems, a sustainable legal environment as well as incentives or tax cuts.
- Customers are demanding that companies be responsible for the environment and society, along with making profits.
- Lack of corporate social responsibility is due to shortcomings in Mongolian business culture, legislation, and political system.



PANEL DISCUSSIONS

Session 1: Development Policy and Planning System – Concept of Regional Development

Facilitator: Lakshmi.B, Director General, EPCRC



Panelists:

1. Tumurbaatar.L, Head of Citizens' Representative's Khural of Khuvsgul
2. Oyunbat.M, Head of Citizens' Representative's Khural of Bulgan
3. Purewlkhagve.P Head of Citizens' Representative's Khural of Orkhon
4. Ishdorj.A, Head of Citizens' Representative's Khural of Uvurkhangai
5. Munkhbold.A, Head of Research and Analysis Office, National Development Agency

PRESENTATION

Development Policy and Planning System – Concept of Regional Development

Munkhbold.A, Head of Research and Analysis
Office, National Development Agency



Presentation highlights:

- The National Development Agency is a public agency. Our main responsibility is to draft and implement Mongolian development policies.
- A working group to produce a regional development policy and to provide preliminary work has been established.
- We have held discussions about regional development policy in Khangai region's Khuvsgul, Orkhon, Bulgan and Bayankhongor provinces.
- The Head of NDA and Governors of 21 provinces signed a cooperation agreement about development policy and planning until 2021, on 6th January, 2017.
- There is a need for investment in tourism in the Khangai region.



Highlights of questions and answers:

Question: What is the main industry in the Khangai region? And what are the main challenges?

Tumurbaatar.L: Khuvsgul province's economic performance is weak compared with other provinces. Therefore, we will focus more on economic diversification. We are endowed with marble of superior quality, so we should seek to develop that industry. A meat-packing plant worth USD 2.5 million, will open soon. This will allow us to develop related industries, such as leather production. Khuvsgul is Mongolia's premier place of tourism and we received 90,263 tourists this year. 112 enterprises with special permits have been doing business in Khuvsgul dalai and Darkhad Khotgor. Those companies paid MNT 7.1 million in tax to the provincial government. But on the other hand we spent MNT 10 million for local government services related to tourism (such as waste removal).

Question: What is the main industry in Bulgan province? And what are the main challenges?

Oyunbat.M: Bulgan is one of the six provinces whose contribution to the state budget is higher than the subsidies it receives from the central government. About 70 percent of GDP is derived from agricultural sectors. But Bulgan province has not started any large projects in the last 30-40 years. Further, we have not granted any gold mining licenses in our province. We have to start exploring water supply projects, similar to the Orkhon-Gobi water project aimed at supplying Tavan tolgoi and Oyu tolgoi mines with water. Bulgan province receives MNT 12 billion per

year from Erdenet mining in terms of water usage fee. In addition, Khangai region's infrastructure connectivity will improve development in the Khangai region.

Question: How can cooperation and policy cohesion in the Khangai region be further developed?

Purevlkhagva: It is very difficult to develop cooperation between Khangai region provinces without infrastructure connections. According to official statistics, total population of the Erdenet city is 110,000 but the real number is actually closer to 130,000. We have established a science and technology industry, and we will develop health and other sciences industries. People typically think there is only Erdenet mine in Orkhon but we have several big manufacturers such as "Erdenet Carpet" LLC. We will also establish an "agri-park".

Question: How can Uvurkhangai better cooperate with other Khangai region provinces? How do you foresee further cooperation?

Ishdorj.A: Uvurkhangai province is leading the other provinces in livestock production, with over 7 million heads of livestock. However, we are facing some problems such as how to improve the economic contribution of livestock, and how to reduce land degradation. We have been building a meat-packing factory. Also, we are cooperating with Arkhangai and Bulgan provinces to create tourist information centers. We should develop infrastructure connections. All policies should be sustainable and we need reduced political uncertainty. Our province grants very few mining



licenses. Eighty percent of our budget is subsidized by the central government.

Question: Is the current approach to regional development transformative or revolutionary?

Munkhbold.A: We implemented a regional development plan in 2001, but it was imperfect. We have been developing a new regional development plan based on the past 16 years of experience. The main purpose of the new regional development plan is to lay

the foundations for the next 13 years of sustainable development, up until 2030. Otherwise, development policies would not be practical nor worthwhile. For example, the central region has 5 cement factories, whose total capacity is superior to Mongolian total demand. But in the western and eastern regions, there is no cement industry. This is not a sound arrangement. Hence, we will focus on location of new regional market developments. Based on research, we identified 5 industrial zones and 27 sub-zones to be further developed.

Session 2: “Economic diversification: Developing the Khangai region’s tourism sector”

Facilitator: Sarandavaa.M Deputy CEO, MNCCI



Panelists:

1. Gerelsaikhan.Ts, Specialist, Tourism Policy and Regulation Department, MET
2. Namjilmaa.S, Advisor, National Development Agency
3. Bulgan.B, Manager, Foreign relations and marketing department of Mongolian tourism association
4. Bayarmagnai.S, Head of Tourism and Foreign Relations Department of Governor’s office of Bayankhongor province
5. Dulamsuren.D, Specialist, Environment and Tourism Department of Khuvsgul Province
6. Ganbaatar.B, Mayor of Khatgal



PRESENTATION

“Economic diversification: Developing the Khangai region’s tourism sector”

Gerelsaikhan.Ts, Specialist, Tourism Policy and Regulation Department, MET



Presentation highlights:

- The tourism sector produced 5.3 percent of GDP and created 54,000 jobs, earning USD 312 million income. This year 404,000 tourists visited Khangai region.
- Tourists primarily come from China, Russia and Korea.
- MET is implementing a sub-program of regional development.
- Khangai region is the main region of Mongolian tourism.
- There are 151 tourist camps, 140 hotels and motels operating in the Khangai region.
- Through the “Road of Development” program we will create a Tourism Park in the Orkhon valley of Uvurkhangai province and develop sustainable tourism near Khuvsgul Lake.

Highlights of questions and answers:

Question: What policies are being implemented in the tourism sector, especially in the Khangai region, by the NDA?

Namjilmaa.S: The NDA plays a major role in the cohesion of development policies of all sectors. The tourism sector depends on many other sectors such as infrastructure and general services. We have been creating a “general development scheme” roadmap according to the concept of regional development policy. A focus of this roadmap is the development of key tourism routes. For example, the tourism departments of the five western provinces signed a memorandum to create a “Western region” tourism route. This forum should seek to recommend the creation of a “Khangai region” tourism route.

Question: What do foreign tourists buy when they come to Mongolia? Can we create specific products for those tourists?

Bulgan.B: The Mongolian Tourism Association was established in 1992. MTA involves Mongolian companies for international tourist exhibitions. At present, we need to focus on selling traditional tourism products, developing new products, and promoting these products.

Question: What are the environmental positive and negative effects of companies operating in the countryside? How would you develop public-private partnerships?

Bayarmagnai.S: Bayankhongor province’s tourism sector is relatively poorly developed among the Khangai region. I mentioned that we have 4-5 tourist



camp. Local tourist companies have built camps without permission in beautiful areas. As a result, there is sometimes opposition between local residents and tourism companies. Tourism companies should seek relevant permits from the local government.

Companies are only investing in their operations, but not investing in our environment.

Question: What have you been doing to improve the development of Khuvsgul province's tourism sector?

Dulamsuren.D: The tourism sector is one of the main sectors of our province. We identified north of the 50th latitude as a tourism zone. The Citizen's Representative's Khural adopted a long term policy for the tourism sector in 2015. Through that policy, we aim to become Mongolia's role model in eco-tourism. We are also focusing on the tourism sector through the "Developing Khuvsgul 2030" program. We are focusing on developing a range of ecological, historical and cultural forms of tourism.

Question: We have many policies and programs. What can Khatgal town do in practice to better develop its tourism industry?

Ganbaatar.B: It is different to take 1 USD from 100,000 tourists than to take 100 USD from 1,000 tourists. Who receives all this money? Tourism based on local residents will only partly improve our economy. Equal subsidies to each soum is not an appropriate policy. We should provide higher subsidies to the most profitable soums.

Question: How can MET solve the waste problems created by tourism?

Gerelsaikhan.Ts: Tourism can be a green sector but, if not managed properly, it can negatively impact the environment. Such tourism produces great quantities of waste. It is important to solve these problems. Another major issue caused by tourism is the deterioration of water quality in Khuvsgul Lake. Last year, MET and local officials undertook coordinated inspections. We inspected tourist camps, and if those camps were not up to standards, we cancelled their permits to operate.



Session 3: “Economic diversification: Developing SMEs in the Khangai region”

Facilitator: Bolormaa.L, Executive Director, BFAS LLC



Panelists:

1. Bat-Ider.E, Head of Inspection, monitoring and internal audit department, CSGM
2. Ariunaa.B Head of Administration and Planning Department, LGF
3. Munkhbold.A, Head of Research and Analysis Office, National Development Agency
4. Naranjargal.B, Senior specialist, Research and Risk Analysis department, FRC
5. Sarangerel.J, Head of MNCCI of Khuvsgul province

PRESENTATION

LGF’s participation in developing SMEs in the Khangai region and brief introduction of “Loan guarantee”

Ariunaa.B, Head of Administration and Planning Department, Loan Guarantee Fund



Presentation highlights:

- LGF has operated since 11 April 2013.
- LGF provides guarantees of up to 60% of a loan taken by SMEs from banking and non-banking organizations when the SMEs lack sufficient collateral of their own.
- SME is defined as a company employing less than 199 workers and producing up to MNT 1.5 billion of income per year.
- LGF guarantees 288 SMEs in UB and 153 throughout the provinces.
- Loans up to MNT 1 billion are eligible for the guarantee, for between 30 and 60% of the total loan value. The guarantee is for up to 10 years, with banks providing a discounted interest rate of 12%, and a fee of 1% of the loan’s amount.
- To access the guarantee, a business needs to be a SME, have low cash reserves, not have any overdue loans, and have been operating for one year.
- SMEs apply for a bank loan and the bank will then ask permission from LGF. LGF then conducts its own due diligence, and if satisfied will provide a guarantee, thereby allowing the SME to receive a loan.
- At present LGF has cooperated with Trade and Development Bank and State Bank.



Highlights of questions and answers:

Question: What is the most pressing issue for SMEs in the Khangai region? What is the development policy in the Khangai region?

Munkhbold.A: The Khangai region is large but poorly connected by infrastructure. This region has the potential to develop agriculture, mining and tourism because it has diverse land types. So this region has many opportunities to develop SMEs. The SME Development Fund has already invested substantial amounts but SMEs have only recently emerged. We asked ourselves some important questions, including: how successful was our policy? What time period, loan amounts and other requirements are needed to develop SMEs? How large is the market for SMEs? The share of loans is really high for individuals or enterprises seeking to develop their business. Agriculture is the main sector in the Khangai region. Hence, we are now seeking support from Japan to complete an agricultural park.

Question: There are a lot of SME-related policies. What is the government policy for the development of SMEs?

Bat-Ider.E: All policies implemented by the government are aimed at making the country more prosperous. We are implementing a governmental action plan. This action plan has 4 targets. These targets include providing loan support to SMEs, with MNT 42.5 billion budgeted for provision of loans. These loans will be provided by the Ministry of Finance and the Ministry of Food, Agriculture and Light Industry. Additionally, we will implement the "21:100 Industrial" program with a budget of MNT 1 trillion, which is

aimed at supporting increased exports, and also reducing reliance on imports.

Question: How does the local government implement the central government's SME policies? What lessons have been learned so far?

Sarangerel.J: The first problem for Khuvsgul province is a lack of access to loans by local SMEs. The main problem is how the local government provides loans and whether it is consistent with provincial policies. We should give a loan when it is justified and in the correct manner. For example, loans for the building industry should be long-term, and loans for equipment should be low-cost. In respect of loans for equipment purchases, we need to be more stringent with granting loans. For example, some enterprises received loans for equipment and purchased substandard equipment.

Question: What policies are being implemented by the FRC to allow SMEs' access to loans and insurance?

Naranjargal.B: At present, 130 insurance companies, 533 non-banking financial institutions and 287 saving and credit cooperatives are registered with the FRC. 22 non-banking financial institutions, out of a total of 66, are registered in Khangai region. The profit level of non-banking financial institutions registered in Khangai region is 2%. With respect to insurance, we are exploring the possibility of companies introducing micro insurance services, to be regulated by the FRC.

Question: What is the process for a local SME to receive support from the LGF?



Ariunaa.B: LGF has signed an agreement with the Trade and Development Bank and the State Bank. The State Bank has a branch in every province. The State Bank already started receiving loan applications from SMEs. Loans provided will have low interest rates, for a term of 10 years. During the first 2 years, companies have the option of interest-only repayments. Interest rates will be around 12-15 percent. The LGF is being capitalized with loans from the Asian Development Bank. The LGF will

bear the exchange rate risk under this financing arrangement. Commercial banks are expected to provide around 40% of the loan amount to the SMEs, at an interest rate of 12-15%. Generally, the interest rate on a loan guaranteed by the LGF will be around 12%.

The greater the share of the loan guaranteed by the LGF, the lower the interest rate. Loans are available to local businesses.

Summary of the day: Sarandavaa.M Deputy CEO, MNCCI



"I want to say that the Provincial Competitiveness Report is a good report to inform state policy and future policy making. All provincial policy makers using this report need to think about how to develop their own province and improve their position. I think that we can cooperate and improve understanding at the regional level, in light of participants' questions, and panelists' statements. Our participants also discussed sustainable policy from different perspectives. We discussed tourism in the second session. In addition, we had insights into what our advantage is and how to use it. We have a lot of policy documents but I want those policies to start being implemented. We need participation from all stakeholders, and concrete actions. We can't stand still. People are expecting results from the forum, and we should come up with recommendations or memorandums of understanding."



OPENING REMARKS

/SECOND DAY/

Edward Anderson

Acting Country Representative of
Asia Foundation in Mongolia



"The Asia Foundation has been supporting the production of the Provincial Competitiveness index since 2013. The Provincial Competitiveness Report allows us to see every province's strengths and weaknesses. In particular, this report provides an opportunity to focus on regional development. A lot of organizations have supported this report, and also aim to support regional development. The competitiveness index has been calculated in line with international methodology. It is really important research material for decision makers. I have been here in Mongolia for one month. I saw many beautiful places as I was coming to Khuvsgul. I do not agree with people who think that there is a lack of opportunity. You have a lot of opportunities for development."

Session 4: "Current situation and perspectives of the agricultural sector in the Khangai region"

Facilitator: Lakshmi.B, Director General, EPCRC



Panelists:

1. Altangerel.Kh, Senior specialist, policy and planning department, MFALI
2. Ariunaa.Ts, Head of ITSO of FAD of Uvurkhangai
3. Uganbayr.B, Head of MNCCI of Khuvsgul
4. Narantuya.B, Head of industry and agriculture office of Food and Agricultural Department of Khuvsgul



5. Baldandorj.J, Head of the Khuvsgul branch of the Mongolian Farmers Association for Countryside Reform
6. Dulamsuren.D, Director of the "Altan duulga" LLC

PRESENTATION

Current situation and perspectives of the agricultural sector in the Khangai region

Altangerel.Kh, Senior specialist, Policy and Planning Department of MFALI



Presentation highlights:

- 42.6 percent of Mongolia's population lives in the countryside. 85 percent of 332 soums' economic activity is derived from agriculture.
- "Meat" national program was implemented in 2015-2017 and "Encasement" (packaging) national program will be implemented in 2017-2021.
- 53.9 percent of the total active population works in agriculture. This equates to 619 thousand people working in the agriculture sector.
- There are 311.4 thousand herders registered. This is an increase of 13.5% from last year.
- Last year, 343.7 thousand tons of meat, 891.5 million liters of milk, 38,584 tons of cashmere and wool, and 14,001 pieces of leather were produced.
- 45.3 percent of total livestock are goats, 41.6 percent are sheep, 0.7 percent are camels, 5.9 percent are horses, and 6.6 percent are cows.
- 1,414 enterprises operate in the agricultural sector.
- Last year, 483.5 thousand tons of seeds, 165.3 thousand tons of potatoes, and 94.4 thousand tons of vegetables were harvested.
- 1,914 enterprises operate in the food sector, employing 13,544 people.

Highlights of questions and answers:

Question: Could you please tell us about some positive changes in the Uvurkhangai agricultural sector? What is your opinion about how to develop the agricultural sector in cooperation with neighboring provinces?

Ariunaa.Ts: Our province adopted economic policies based on the concept of Regional Development and Sustainable Development 2030 policies. Agriculture is one of the 5 main sectors targeted by these policies. Agriculture employs

60 percent of the total provincial workforce, and generates 40 percent of total income. We have strengthened our focus on higher value added goods made from raw agricultural products. An example of this is the leather industry project funded by Australia.

Question: What support is provided for companies operating in the agriculture sector? What are the main challenges for companies operating in agriculture?



Uganbayr.B: The MNCCI is a bridge between public and private sectors. The MNCCI helps enterprises to secure loans, participate in State programs, package goods, and export products. The MNCCI's provincial office has been cooperating closely with local authorities and the Department of Agriculture. We support companies in the agriculture sector with a variety of activities, including training and organizing exhibitions.

Question: What has been done to develop Khuvsgul's agricultural sector? How can business operations be supported in the future?

Narantuya.B: We have produced the Agricultural Development Vision based on the concept of Sustainable Development 2030, Action Plan of Government, and the Program of National Security. Khuvsgul province does not have any livestock infectious disease. In the future, we will focus on better identification of disease outbreaks. A total of 29,000 hectares of land is available for agricultural use. Khuvsgul province produces 60 percent of the potatoes and 20 percent of the vegetable it consumes.

Question: Can you please tell us about the Association's activities last year, and what areas you think need support from the government?

Baldandorj.J: Our association has over 1,200 members across Mongolia, and we have 35 members in Khuvsgul province. We have focused on developing practices and methods in line with international standards. As a result of these improved practices, we have increased production of carrots and cabbages. Previously, enterprises were unable to manage the risks associated with extreme weather conditions due

to their inability to manage irrigation systems. Agriculture and livestock industry can develop together. Livestock waste can be processed into fertilizer for farming. I requested that an agronomy class be added to the TVET in Khuvsgul. This request was fulfilled but there were no attendees. Human resource is a major problem in this sector.

Question: What is the main problem for businesses in the agricultural sector? What support is needed for businesses from the government?

Dulamsuren.D: Implementation of relevant laws is insufficient. Herders and agronomists have become enemies. Agronomists and herders are competing for the use of land. We should precisely assign land for each usage. Also, human resource is becoming a major problem. New graduates lack responsibility, skills, and the right mindset.

Question: How do you plan to increase capacity and resources for the region's agricultural sector? What policies are being implemented to address the human resource issues?

Altangerel.Kh: The Mongolian University of Life Science and the Ministry will cooperate to try and solve this problem. New graduates typically lack the relevant skills that are needed in these jobs. So we have been working on the university curriculum, including a work experience on the ground and practical components. There is also a lack of agronomists, zoologists, and livestock veterinarians. Thus, we will focus on trying to increase the number of specialists via local TVET training.



Session 5: “Khangai Region Cooperation: Forum review and further steps”

Facilitator: Tsagaan.P, Chairman of board, EPCRC



Panelists:

1. Tumurbaatar.L, Head of Citizen’s Representative Khural of Khuvsgul province
2. Ishdorj.A, Head of Citizen’s Representative Khural of Uvurkhangai province.
3. Gantumur.A, Head of Environment and Tourism Department of Bulgan province
4. Jargalsaikhan.S, Head of Environment and Tourism Department of Orkhon province
5. Bayragnai.S, Foreign Relations and Tourism Department of Baynkhongor

Questions and answers of discussion:

Question: What do you think about the outcomes from the forum? What are the opportunities for Khangai region cooperation in the future?

Tumurbaatar.L: We have explored a wide range of topics for further research and analysis. Khuvsgul province needs to diversify its economy and to increase its economic performance. All provinces agreed to organize this forum again and to implement some initiatives. I am willing to cooperate with all the provinces in the Khangai region.

Question: What do you think about the outcomes from the forum? What is the opportunity for Khangai region cooperation in the future?

Ishdorj.A: Road development will drive economic development. Infrastructure is one of the main problems. If we constructed a new north-south road in the region, it could become a second major transport corridor in Mongolia. If we build this road, we will have greater opportunity to develop tourism and industry in the Khangai region. Such a project would increase our economic opportunities.

Question: What do you think about the outcomes from the forum? What are the opportunities for Khangai region cooperation in the future?

Gantumur.A: Provinces have the opportunity to measure their own



competitiveness, to learn from more competitive provinces, and to define a roadmap for development. If we created a north-south road in the region, our six provinces would be connected via road and they would all develop faster in the future. Uvurkhangai is relatively more developed in the agronomy sector, so there are opportunities in greater hay and livestock production in support of other provinces. Also we should better use our water resources. We have 5 large rivers in the Khangai region. With the right infrastructure, we could supply the Gobi region with water. We also have the potential to develop nautical activities around river and lakes.

Question: What do you think about the outcomes from the forum? What is the opportunity for Khangai region cooperation in the future?

Jargalsaikhan.S: On behalf of Orkhon province, I think that we should firstly build a regional north-south road. Second, provinces need to improve their cohesion and cooperation. Orkhon province signed a cooperation agreement with neighboring provinces and soums and we are closely cooperating with enterprises and residents. We are focusing on human development issues, and have spent MNT 2 billion on these challenges. This included providing residents with housing as well as improving medical services. Our province has an advantage in tourism because it is located on the main route to Khuvsgul. We are working to add more tourist camps on tourist routes such as Blue Mongol, Selenge etc...

Question: What do you think about the outcomes from the forum? What is the opportunity for Khangai region cooperation in the future?

Bayragnai.S: The forum was organized successfully. The Khangai region provinces are a mix of more and less competitive provinces so we can share our experiences. The exhibition showed that we have opportunities to trade within the region. However, our infrastructures are poorly developed. Likewise, the Khangai region has significant potential for tourism. We could create a tourism route. I have suggested we organize a meeting of the provincial tourism departments in Bayankhongor. Thanks to this meeting, we will hopefully create a touristic route in the Khangai region.



CLOSING REMARKS

Tumurbaatar.L

Chairman of CRKH of Khuvsgul province

The two-day Khangai Region Competitiveness Forum, held in Murun, has been a success. There have been many initiatives and recommendations mentioned throughout the forum. We have plenty of work to do in the year ahead, including improving cooperation in the tourism sector and the region's competitiveness. On behalf of the Khuvsgul province, I wish to thank all the people who organized this forum and forum participants.

Tsagaan.P

Chairman of board, EPCRC

The two-day Khangai Region Competitiveness Forum, here in Murun, has been a success.

Thank you to the Konrad Adenauer Foundation for its support. Without it, the forum could not have taken place. Thanks also to Tumurbaatar.L, Head of Citizen's Representative's Khural of Khuvsgul, and Purevlkhagva, Head of Citizen's Representative's Khural of Orkhon, Ishdorj.A, Head of Citizen's Representative's Khural of Uvurkhangai, Oyunbat.M, Head of Citizen's Representative's Khural of Bulgan, and delegates from Arkhangai and Bayankhongor.

Thank you to the participants who came from Ulaanbaatar, including: Bat-Ider.E, Head of Inspection, monitoring and internal audit department, CSGM, Sukhbat.B, project manager of Konrad Adenauer Foundation in Mongolia, Edward Anderson, Country Representative of Asia Foundation in Mongolia, Munkhbold.A, Head of Research and Analysis Office, National Development Agency, Naranjargal.B, Senior specialist, Research and Risk Analysis department, FRC, Ariunaa.B Head of Administration and Planning Department, LGF, Gerelsaikhan.Ts, Specialist, Tourism Policy and Regulation



Department, MET, Bulgan.B, Manager, Foreign relations and marketing department of Mongolian tourism association, Namjilmaa.S, Advisor, National Development Agency.

Thank you to the Governor's office of Khuvsgul province and to the theatre of Khuvsgul. Thank you to the media representatives who covered the forum. Thank you to all the various organizations that supported and participated in the forum. Forgive me if I missed someone's name.

Throughout this forum, we discussed a wide range of topics mentioned in the Provincial Competitiveness Report such as tourism, SMEs, new opportunities for finance, development policy, monitoring, agriculture, and regional development and cooperation. We are one country, therefore our policies should be consistent at the regional and national levels. The public sector and private companies should cooperate in the region to support economic development. Instead of all doing similar activities, provinces should complement each other and create a value chain throughout the economy. We have plenty of opportunities but we need to balance the need for competition with smart cooperation. Every province faces different challenges. But we have one thing in common, and that is time. Time can be interpreted as a constraint or as a resource. Regardless, it shall always be used wisely, which is why initiatives and policies should be implemented in a timely manner. Provinces, companies, and individuals that manage their time efficiently will be successful.

I hope that the forum will bring tangible results.

I wish you all success and all the best.



PHOTOS

As part of the forum, Khangai region's companies also participated in the "Autumn Green Days" trade fair, held on Chingunjav square, in Murun. Participating companies included "Buman svkhes" LLC, "Baysgalant burd" cooperation, "Im Bvten Bvteel" cooperation from Bulgan province, "Uv Sv" cooperation and Bolorchuluun. D private business, "Noos and Ireedui" LLC from Uvurkhangai, "And Energy" LLC from Orkhon province, "Ar arvijin delgerekh" cooperation, "Ikh Uliastai" partnership, Unurjargal.Ch private business from Arkhangai province.







On the last day of the forum, participants traveled to Khuvsgul Lake and stayed at Dul camp. This camp was established in 2002 and can receive 120 visitors each day. Dul camp is located 5 km from Khatgal town.





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