



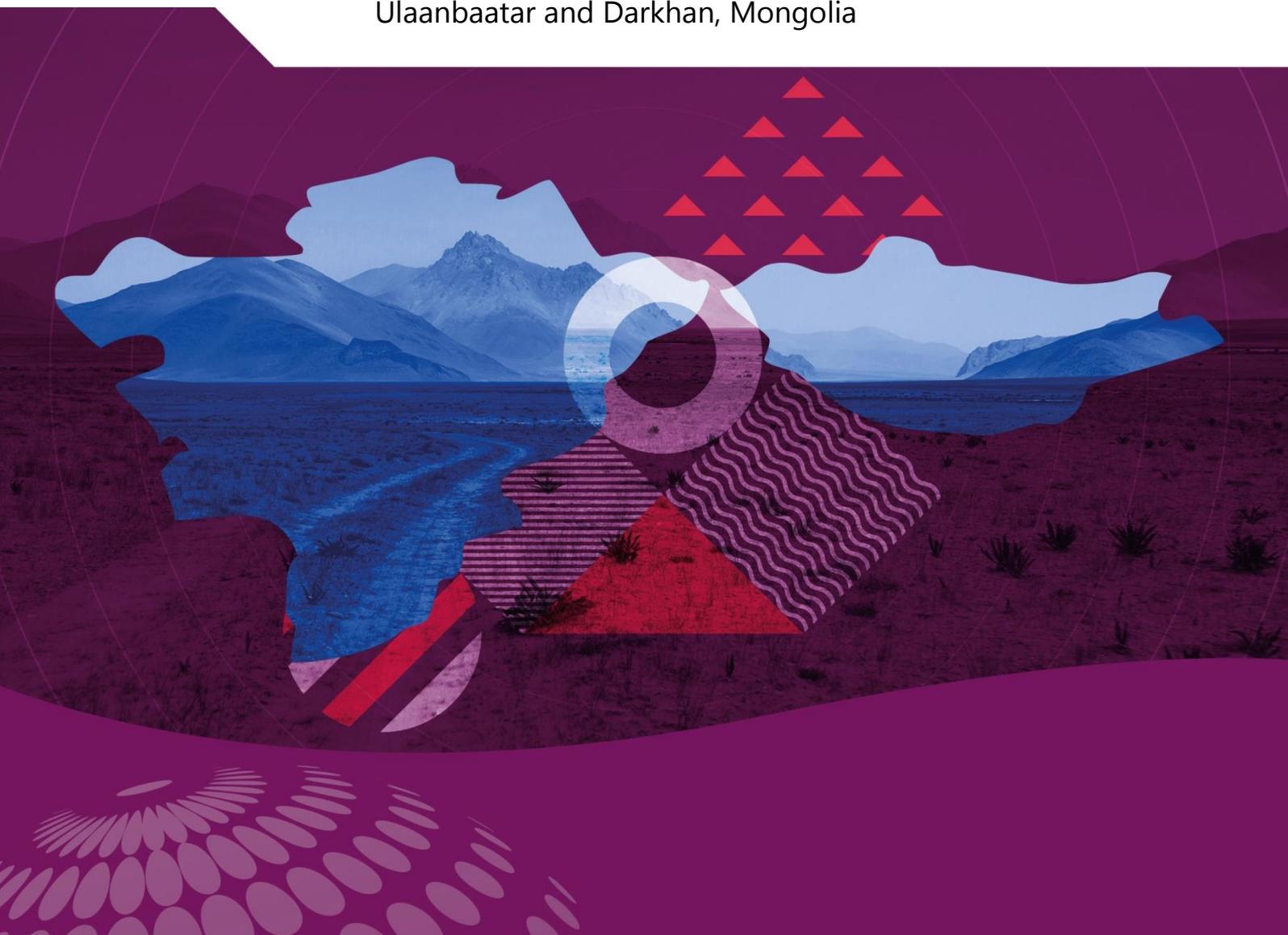
## SUMMARY NOTE

# Supporting SME development policies in Mongolia

## WORKSHOPS

2-5 April 2019

Ulaanbaatar and Darkhan, Mongolia



## Poland-Mongolia-OECD Workshops on “Supporting SME development policies in Mongolia” 2- 5 April 2019, Ulaanbaatar and Darkhan City, Mongolia

### Summary

The Government of Mongolia has identified SME development as a key priority for economic diversification, employment generation and sustainable growth. The government is actively working on a new SME law and has implemented several public financial instruments for SMEs, including the SME Development Fund of Mongolia (SMEDF) and the Mongolian Credit Guarantee Foundation (MCGF), with the support of the OECD and of international partners.

To further enhance SME development, and in close collaboration between the governments of Poland and Mongolia and the OECD secretariat, workshops were organised in Ulaanbaatar (2-3 April 2019) and Darkhan city (5 April 2019). The following participants took part in these events: policymakers and private sector representatives from Mongolia, officials, experts and practitioners from Poland and OECD Secretariat.



The workshop in Ulaanbaatar was chaired by **Mr. Davaasuren Damdinsuren**, State Secretary of the Ministry of Foreign Affairs of Mongolia and **Mr. Konrad Pawlik**, Deputy Director, Department of Economic Cooperation, Ministry of Foreign Affairs of Poland. The discussion was moderated by **Mr. Ganbold Ulziisaikhan**, Deputy Director-General of Foreign trade and economic cooperation department, Ministry of Foreign Affairs of Mongolia. The second workshop which took place in Darkhan was opened by **Mr. Nasanbat Sanduijav**, Governor of Darkhan-Uul province, by Mr. Ganbold Ulziisaikhan, Deputy Director-General of Foreign trade and economic cooperation department, Ministry of Foreign Affairs of Mongolia, by **Mr. Dariusz Mongialo**, Counsellor at the Department of Economic Cooperation of the Ministry of Foreign Affairs of Poland, and by **Mr. Arnault Prêtet**, OECD Eurasia Project Manager, in Darkhan City. The discussion was moderated by Mr. Ganbold Ulziisaikhan.



Several Polish experts shared their experiences during the different sessions of the workshops to highlight good practices and measures implemented by their institutions and nurture discussions:

- **Ms Martyna Wieczorek**, Senior Expert, Entrepreneurship Support Unit, Department of Small and Medium Enterprises, Ministry of Entrepreneurship and Technology, Poland, presented the Polish SME laws and regulations and drew lessons learnt for Mongolia;
- **Mr Piotr Natkanski**, Director at the Bank Gospodarstwa Krajowego (BGK)-State Development Bank of Poland, presented how the BGK was supporting entrepreneurs through Guarantees and Sureties, including Innovation Guarantee;
- **Ms Aleksandra Wadowska**, Head of International Projects Unit, Entrepreneurship Support Department, Polish Agency for Enterprise Development, introduced the experience of her country in supporting SME internationalisation through financial and non-financial export measures;
- **Prof. Dr hab. C. Eng. Janusz Szpytko**, AGH University of Science and Technology Krakow (AGH UST), UNESCO AGH UST Chairholder, Poland, presented the case study of his university on Technology for Sustainable Development and public-private partnership;
- **Prof. M.E Przemyslaw Borkowski**, Deputy Director, **Prof. Antoni Wójcik** and **Mr. Rafal Sikora**, Polish Geological Institute-National Research Institute, discussed practical experiences, achievements and perspectives of Mongolia-Poland geological cooperation;
- **Mr. Bat-Erdene Boldbaatar (Bagi)**, Head of the Foreign Trade Office in Ulaanbaatar, Polish Investment & Trade Agency (PAIH) introduced the work of the agency, the current state and possible developments of the Polish-Mongolian business cooperation as well as key sectors for investment in Mongolia.



Other speakers included:

- OECD experts: Mr. Arnault Prêtet and Mr. Sebastian Kupferschmid, OECD Eurasia Division;
- high-level representatives of the international organisations active in the field of SME development in Mongolia:
  - Ms. Baigalmaa Sanjjav from EBRD,
  - Mr B. Batmunkh from International Financial Corporation;
  - Ms. Carmen Fratita Team Leader, Senior Trade Policy Expert, EU - Trade Related Assistance to Mongolia (TRAM) Project.
- Directors and high-level representatives of the main national public and private organisations active in the field of SME development in Mongolia: Mr Erdenesaikhan Ya, Director General for SME department, Ministry of Food, Agriculture and Light Industry; Mrs B. Battsetseg, Director, SME Development Fund; Mr. B. Batbayar, Executive director, Credit Guarantee Fund of Mongolia; Mr Jigjiid Unenbat, Executive Director and Secretary-General, Mongolian Bankers Association; Mr T. Dureen, Director, Mongolian National Chamber of Commerce and Industry; and Ms J. Battsetseg, President of the Mongolian customs consultants and brokers association.

## Visits of SMEs in Darkhan city

The Polish and OECD Delegation also visited SME facilities in Darkhan city with the support of the Ministry of Foreign Affairs of Mongolia and of the SME Development Fund. The Delegation went to see four SMEs in Darkhan city: a leather manufacturing plant (Darkhan Nekhii), a ham producing company (Munkh Degjikh Naran), a bakery (Munkh Undram Khuns) and the Association of Darkhan entrepreneurs. This helped better understand the challenges faced by SMEs in Mongolian regions, that identified access to export markets as a key barrier regarding customs procedures, phytosanitary standards and certificates.



A visit to a ham producing company Munkh Degjikh Naran



A visit to the Association of Darkhan entrepreneurs



A visit to a leather manufacturing plant Darkhan Nekhii

## Key take-aways from the workshops

The SME development workshops held in Ulaanbaatar and in Darkhan focused on three main topics that were agreed by the government of Mongolia, the government of Poland and the OECD: regulatory framework for SMEs, access to finance for SMEs, and SME internationalisation. Two additional cross-cutting themes emerged from the discussion on SME innovation and start-ups, and on capacity building in new technologies (through Poland-Mongolia co-operation). These main topics were actively discussed with more than 100 participants over the two workshops.

### *Regulatory framework for SMEs*

- **Adopt the revised SME Law**, including a harmonised SME definition **and develop a SME strategy document and action plan** which identifies 5 to 7 key priorities for SMEs based on SME's needs and key barriers – the SME strategy of Georgia 2016-20 can serve as an example.
- **Support the development of one-stop shops in Mongolia** with the support of the Mongolian National Chamber of Chamber of Commerce and Industry that can serve as the single windows for administrative procedures.

- **Further simplify administrative procedures, including on taxation**, following the example of Poland. Poland reduced tax burden e.g. status of “small taxpayer” in Personal Income Tax (PIT) and Corporate Income Tax (CIT), preferential CIT rate available to small taxpayers and start-ups and tax loss deduction. It also introduced social insurance exemptions for newly founded start-ups and reduced social insurance contributions for persons who conduct sole proprietorship and whose average monthly income does not exceed 2.5 times the minimum wage.

#### *Access to finance for SMEs*

- **Support the improvements of the SME Development Fund** by revising the governance, improving transparency, further involving banks, revising the loan appraisal process (first assessment by banks, then by the SME Development Fund), and consider developing new activities (including training, advisory and support to start-ups and SMEs).
- **Further assist the development of the Mongolian Credit Guarantee Fund** by expanding partnerships with banks and further improving risk assessment in line with OECD best practices, including the Polish BGK, which offers guarantees for SMEs based on a portfolio guarantee approach and outsources the creditworthiness assessment to banks.
- **Further implement market-based financial instruments and infrastructure**, including the credit rating system with the support of the International Financial Corporation.

#### *SME internationalisation*

- **Identify priority sectors** for export based on global and regional market trends, current global players, and local capabilities, and support the development of **clusters on key value chains** (e.g. mining, textile, meat, others).
- **Develop full-fledged export promotion activities**, including studies on key target markets, marketing, consulting and training for firms that are willing to export (as part of an Export Promotion Agency or as part of the Investment Promotion Agency) as in the case of the Poland, where the Polish Agency for Enterprise Development (PARP) and the Polish Investment and Trade Agency (PAIH) provide both financial and non-financial instruments to SMEs, start-ups and entrepreneurs.
- **Identify and further address key issues regarding trade facilitation** for instance by analysing the OECD Trade Facilitation Indicators.

#### *SME innovation and start-ups*

- **Consider the development of business incubators** that can provide physical space, public services and support to start-ups.
- **Support the financing of innovation**, for instance with Innovation Guarantees as in the case of Polish BGK, and with specific seed financing and loans for start-ups.
- **Promote entrepreneurship policies, attitude and support**, by developing skills (e.g. by including courses in curricula), and by developing a public-private dialogue for instance through the Innovation Council.

### *Human capacity building for SMEs in new technologies (through Poland-Mongolia co-operation)*

- **Strengthen the role of the academic community** in building human technological capabilities for SMEs, in particular in the field of technical sciences. This could involve the creation of new technologies and innovations for sustainable development, and foster technology transfer and training of technical staff and engineers to support the SME sector.
- **Develop a joint engineering project** to support capacity building with a specific focus on SME that would include the use of best practices, mobility of scientists, and the development of common international technological projects and exchanges in professional settings. The idea discussed between Polish AGH UST and the Mongolian University of Science and Technology (MUST) was to set at the latter the Human Capacity Training Centre for SMEs in Advanced Technologies (HCTC). The Centre could improve employees' qualifications, and support the development of engineering and technical staff for Mongolian SMEs through technology transfer, engineering education and trainings.
- **Re-establish the bilateral cooperation between the relevant Polish and Mongolian institutions in areas where it existed before**, for example in geological science and research.



The delegation of the Polish Geological Institute – National Research Institute (PGI-NRI) was headed by Prof. M.E Przemyslaw Borkowski, and accompanied by Ms Beata Wolczuk, the Head of International Cooperation Team, Prof. Antoni Wójcik and Mr. Rafal Sikora, held a bilateral meeting with the Mineral Resources of Petroleum Authority of Mongolia (MRPAM) in the margin of the OECD workshop and has already agreed on renewal of cooperation between geological

surveys of Poland and Mongolia. They decided to work on the draft Memorandum of Understanding, with the intention to sign it in the nearest future (possible second half of this year).

### **The way forward**

The government of Mongolia underlined its commitment to further improving the environment for SMEs in the four different areas. The OECD and the government of Poland stand ready to support these efforts with targeted expertise in priority areas.

As a next step on SME development, the OECD will further support by assessing the level of reform implementation on access to finance for SMEs based on a peer review note endorsed by the government of Mongolia in 2016. Public-private workshops will take place in Ulaanbaatar in 2019, resulting in a monitoring note that will be peer reviewed at Eurasia Week 2020 in Tbilisi, Georgia.

The OECD can further support on the topics discussed during the workshops provided financial resources are secured, including but not limited to:

- **Regulatory framework for SMEs:** supporting the drafting of a SME strategy; helping the development of one-stop shops for investors and SMEs in Mongolia.
- **SME internationalisation:** assessing and helping develop export promotion activities; and identifying key trade facilitation issues and ways of improvements.
- **SME innovation:** sharing the experience of OECD and Central Asia countries on innovation hubs and digitalisation.

## Press coverage - examples



“In cooperation with the Ministry of Foreign Affairs of the Republic of Poland, a seminar on Supporting the SME Development Policies of Mongolia was held on April 2-3 of this year.” ([Ministry of Foreign Affairs of Mongolia](#))



“In Poland, SMEs play an important role in economic development. We are here to share our good practices to overcome major challenges that SMEs face in Mongolia, such as in export, but also to learn from each other.” (Mr Konrad Pawlik, Deputy Director, Department of Economic Cooperation, Ministry of Foreign Affairs of Poland, TV interview on [Mongolian National Broadcasting Channel](#) 4:20-5:20)



“Improving the legal environment and access to finance for SMEs are advised.” ([Monsame news Agency](#))



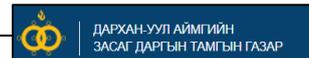
“Study of the good practices of developed countries for SME development.” ([Mongolian Gogonews agency](#))



“Co-operation between the Ministry of Foreign Affairs and Trade of Mongolia, the OECD, and the Ministry of Foreign Affairs of the Republic of Poland on April 2-3 to hold seminars on Supporting SME Policy Development” (Mongolian MNB TV channel, [Facebook page](#))



“Seminars on Supporting the SME Development Policies of Mongolia.” ([Mongolian News agency](#))



“Seminar on Supporting the SME Development Policies of Mongolia in Darkhan in 2019.” ([Darkhan local government](#))

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