



Co-funded by the
European Union



Monitoring competitiveness reforms in Mongolia: The case of access to finance

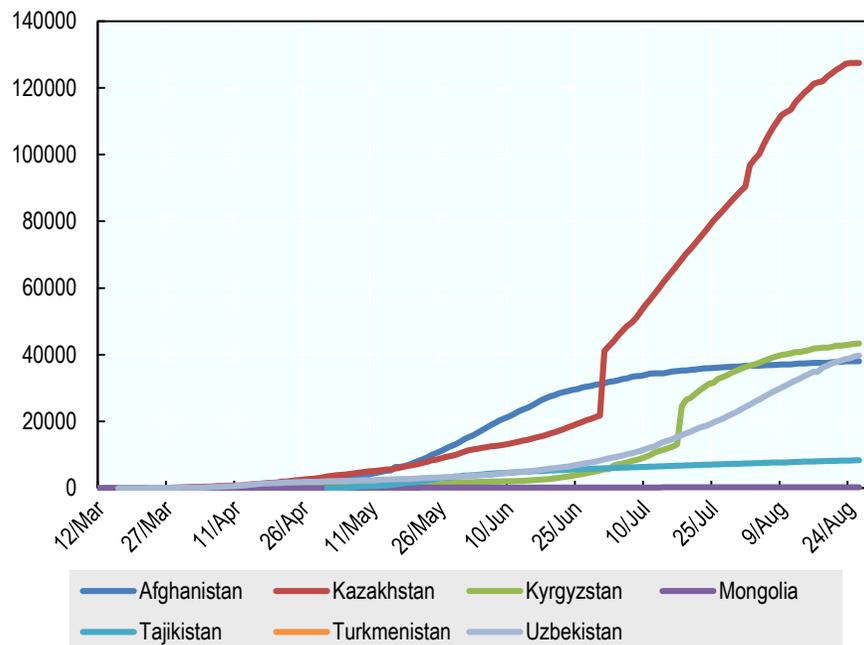
OECD Eurasia Competitiveness Roundtable
Virtual Webinar, 18 September 2020



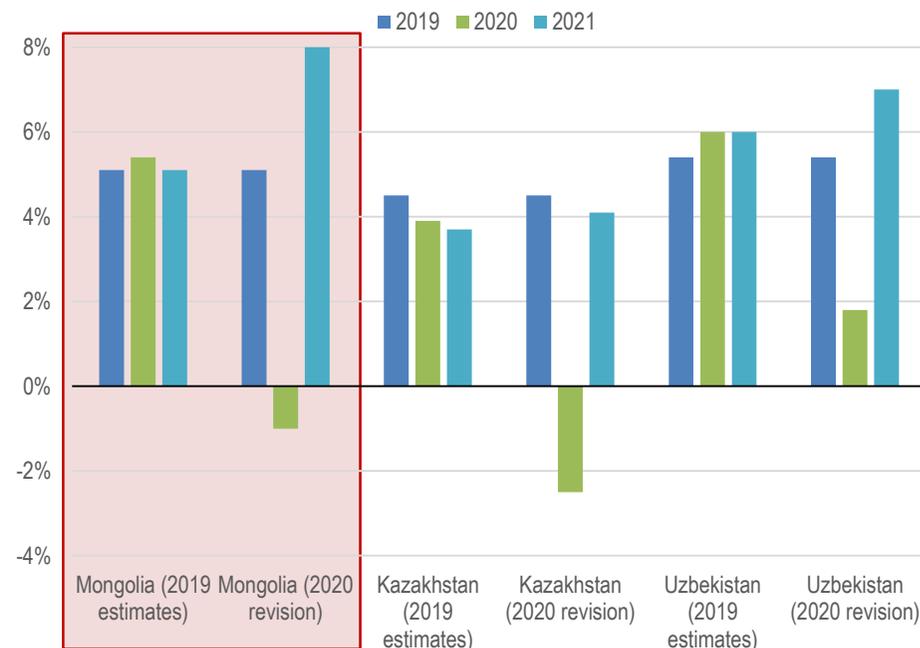
COVID-19 in Mongolia

Current state of cases and economic effects in Mongolia

Total confirmed COVID-19 cases



Growth forecasts and revisions (IMF)



- **Mongolia has adopted a strong and rapid health response to the crisis**, allowing it to contain the number of cases, and the government remains mobilised to curb the pandemic.
- **Real GDP contracted an estimated 9.7% in Jan-Jul 2020.** The crisis has led to a steady decrease in commodity prices and demand, especially from China:
 - Globally, **coal prices fell almost 25% in Jan-Apr and copper prices by nearly 17%**;
 - **Exports fell by 40% in H1**, driven by coal and copper; and
 - **2/3 of businesses report income losses**, in particular in the tourism and cashmere sectors.

Overview of the 2020 monitoring assessment

Substantial progress on SME data and credit guarantees

2016 recommendation	Main Highlights	Progress	Way Forward
Gather and disseminate coherent data on MSMEs	<ul style="list-style-type: none"> • New SME Law and definition • Increased evidence on SME issues to support policy making 	 <p>Well advanced</p>	<ul style="list-style-type: none"> • Implement the SME law • Improve data sharing across government institutions • Consider joining the SME Financial Scoreboard
Diversify the products offered by the SME Development Fund (SMEDF)	<ul style="list-style-type: none"> • Expanded loan offer • Need to improve loan appraisal transparency and processes 	 <p>Being implemented</p>	<ul style="list-style-type: none"> • Improve the governance of the SMEDF • Consider an evolution of the SMEDF towards a SME agency
Overcome collateral issues by making the Mongolian Credit Guarantee Fund more effective	<ul style="list-style-type: none"> • Improved management and provision of guarantees with ADB support 	 <p>Well advanced</p>	<ul style="list-style-type: none"> • Ensure more long-term financing for the MCGF
Streamline administrative procedures for loan applications	<ul style="list-style-type: none"> • Development of one-stop shops • Efforts underway to digitalise administrative procedures 		<ul style="list-style-type: none"> • Leverage existing one-stop shops to provide more services linked to access to finance
Improve financial education by ensuring the national financial literacy strategy is tailored to MSMEs	<ul style="list-style-type: none"> • A financial literacy strategy and corresponding tools developed • The Bank of Mongolia joined the OECD International Network for Financial Education 		<ul style="list-style-type: none"> • Develop targeted actions and programmes to address entrepreneurs and SMEs

Post-COVID-19 recovery in Mongolia

- The COVID-19 has hit **business activities and liquidity**, which were also affected by subsequent containment measures.
- Mongolia has designed a **national package of seven measures (USD 1.9bn)**, including fiscal and employment measures for **MSMEs** that was later complemented by new series of measures, including:
 - **taxation arrangements** to stimulate business activity;
 - **deferrals on repayment** of consumption and business loans;
 - **private employment support** scheme;
 - expansion of **guarantees and soft loans**; and
 - acceleration of the nationwide **Digital Mongolia programme**.
- **Most OECD member countries have channelled support through SME agencies.**

Suggested areas for action

- ✓ **Reformed and expanded MCGF and SMEDF** can be essential financial instruments to **channel post-crisis funds to businesses**, in partnership with banks e.g. Bpifrance.
- ✓ **Provide post-crisis support**, including for digitalisation, export and operations
- ➔ **The future SME agency can play a comprehensive role** in providing support to firms (information, financial, training, advisory, digitalisation).