

TACKLING CORONAVIRUS (COVID-19)
CONTRIBUTING TO A GLOBAL EFFORT

CAPACITY-BUILDING WEBINAR

Supporting economic recovery and SMEs in Mongolia

2 December 2020

09:00 – 11:00 (GMT+1: France)

16:00 – 18:00 (GMT+8 Ulanbaatar, Mongolia)

OECD Eurasia Competitiveness Programme



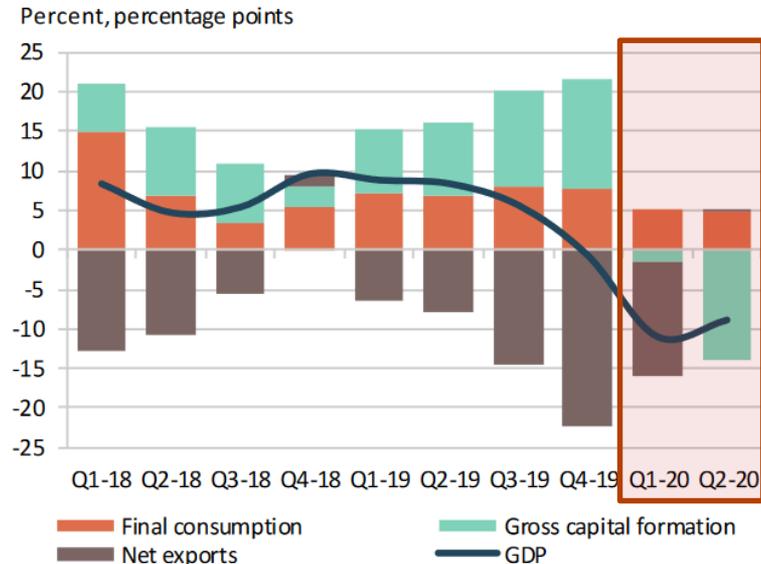
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Mongolia has adopted strong and rapid health and economic responses to the crisis and needs to further support economic recovery

- **Mongolia managed** to contain the number of cases, and has remained mobilised, enforcing a **new lockdown** in November
- The pandemic has **hit business activity and liquidity**:
 - **The GDP has decreased by 7.3%** over the first 9 months of 2020 year-on-year
 - The crisis has led to a steady decrease in **commodity prices** and **demand**, esp from China
 - **Exports fell by 8.5%**, driven by coal and copper
 - **2/3 of businesses report income losses**
- Mongolia designed early an initial **national package of seven measures**, including fiscal and employment support **for MSMEs, followed by additional of series of measures**

Real GDP growth and contributions to growth



Sources: World Bank, National Statistical Office of Mongolia (2020).



Mongolia has been among the most active governments across Central Asia, adopting a wide set of fiscal and economic support policies to mitigate Covid-19

	Overall	Containment			Macroeconomic	Fiscal and other measures (for firms)		
	Policy response	Containment measures	Health support	Income support	Incl. prudential regulations	Financial	Taxation	Digitalisation
KAZ	Highly responsive	Yes	Yes	Yes	Yes	Yes	Yes	Yes
MNG	Highly responsive (12% of GDP)	Yes	Yes	Yes	Yes (eg decreases of policy rate, reduction of liquidity ratio)	Yes (eg guarantees, loans, deferrals, sector support)	Limited (eg waiver and exemptions)	Yes (eg Digital Mongolia)
UZB	Highly responsive	Yes	Yes	Yes	Yes	Yes	Yes	Yes
AFG	Constrained response	Yes	Yes	Limited	Yes	Limited	Limited	No
KG	Constrained response	Yes	Yes	Limited	Yes	Yes	Limited	Yes
TAJ	Limited response	Limited	Limited	Limited	No	No	No	No
TUR	Limited response	Limited	No	No	No	No	No	No



In the COVID-19 times, new policy initiatives and measures will be needed to support the private sector and a sustainable economic recovery

5 challenges for Mongolia and Central Asia towards economic recovery

Enhancing regional connectivity

- Increase **regional co-ordination** to address 'soft' infrastructure barriers
- Improve hard infrastructure **planning and governance**

Providing employment support

- Implement **active labour market policies (ALMP)**, especially upskilling programmes
- Scale up **safety nets** and **income support**

Ensuring sustainable debt and revenue management

- Improve the **quality and governance of public financial management**
- **Broaden tax bases** and move the tax mix to policies least detrimental to growth

Focus for today

Supporting private sector recovery

- Provide **eased liquidity** for firms and revenue reliefs of some payments
- Scale up reform efforts towards **SME regulatory simplification** and taxation
- **Foster digitalisation** of businesses and procedures
- Channel support through **SME institutions** and enhance their governance and operations

Creating a conducive legal environment for business to support diversification

- Strengthen the regulatory framework for **investors and domestic firms, especially outside mineral sector**
- Enhance the **implementation** of business regulations



Supporting SMEs through the pandemic: examples from Central Asia

Administrative simplifications for SMEs in most countries

- **Eased operational environment for SMEs and entrepreneurs:**
 - Reduction or **cancellation of inspections** for 2020
 - Reduction in the number of **licenses** or documents
 - Increased **digitalization** of administrative procedures
- Granting of **preferential tax treatment**: reduction in taxes and social contributions, payment deferrals or exemptions

Sustained access to finance in Kazakhstan

- DAMU has provided SMEs and individual entrepreneurs with **subsidized, concessional, and guaranteed loans** (>KZT 300bn, €600m)
- A second programme is intended at supporting the **working capital for SMEs** in the most affected sectors. It has been extended until end of 2021, for a **total amount of KZT 800bn (€ 1.6bn)**
- **Digitalisation** of financing requests: online.damu.kz

Accelerated digitalisation in Kyrgyzstan

Kyrgyzstan has scaled up its national digitalization initiative, **Tunduk**:

- Expansion of the **electronic fiscal system** by July 2020
- Introduction of a **digital notary system** starting from 1 March
- **Accelerated e-government measures** through the inclusion of 85 additional government services into the *Government as a platform* programme



Immediate fiscal measures for MSMEs in Mongolia

The government will have to continue provide liquidity support to enable firm recovery

Type of support	Some key measures in Mongolia	Way forward
State-guaranteed measures to support firm liquidity	<ul style="list-style-type: none"> Establishment of the SME agency and continued provision of funds Expansion of the activities of the Credit Guarantee Fund 	<ul style="list-style-type: none"> Continue to reform and expand the MCGF and SME agency to channel recovery funds to businesses, in partnership with banks Provide economic recovery support, including for export and operations Innovation support (innovation fund, equity funding)
Worker support	<ul style="list-style-type: none"> Private employment support scheme 	<ul style="list-style-type: none"> Consider updating and maintaining the scheme
Taxation arrangements to stimulate activity	<ul style="list-style-type: none"> Six months tax exemptions and waivers 	<ul style="list-style-type: none"> Continue to digitalise tax administration Consider extending tax reliefs for firms
Public awareness campaigns	<ul style="list-style-type: none"> Communication by the government Involvement of business associations 	<ul style="list-style-type: none"> Make information more accessible (through business associations, media campaigns and one-stop shops)
Expedited digitisation processes	<ul style="list-style-type: none"> Acceleration of the nationwide Digital Mongolia programme Developments of eMongolia 	<ul style="list-style-type: none"> Continue to expand the digitalisation initiative Provide support for firms to move online, develop e-commerce, and strengthen e-learning capacity



Long-term support to improve MSME's access to finance

Longer-term reforms to create lasting conditions for MSMEs recovery and growth

Recommendations	Main Highlights in Mongolia	Way Forward
Gather and disseminate coherent data on MSMEs	<ul style="list-style-type: none">• New SME Law and definition passed• Increased research and evidence on SMEs	<ul style="list-style-type: none">• Implement the SME law, improve data sharing• Consider joining the SME Financial Scoreboard
Build capacity of the SME agency	<ul style="list-style-type: none">• Expanded loan offer	<ul style="list-style-type: none">• Improve the offer of training and advisory services• Improve loan appraisal transparency and processes
Overcome collateral issues	<ul style="list-style-type: none">• Improved management and provision of guarantees with ADB support	<ul style="list-style-type: none">• Make the Mongolian Credit Guarantee Fund more effective by ensuring more long term financing
Streamline administrative procedures for loan applications	<ul style="list-style-type: none">• New one-stop shops being developed• Efforts to digitalise admin. procedures	<ul style="list-style-type: none">• Leverage existing one-stop shops to provide more access to finance services• Continue to expand eMongolia
Improve financial education	<ul style="list-style-type: none">• A financial literacy strategy and corresponding tools developed• Bank of Mongolia joined the <i>OECD International Network for Financial Education</i>	<ul style="list-style-type: none">• Ensure that the national financial literacy strategy is tailored to MSMEs• Develop targeted actions and programmes to address entrepreneurs and SMEs



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Thank you

For more information

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