



## Mongolia

Chambers of Commerce and Industry as Key Drivers for Local Business Reform ?

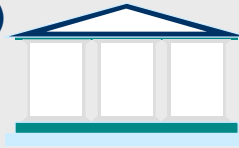
Bangkok, 29/11/06 – 01/12/06  
Florian Lütticken, SEQUA



## SEQUA in a Nutshell

### Facts

- Founded in 1991
- Registered as non-profit company
- Located in Bonn
- Turnover of €11,4 m (2005)
- 27 employees
- Growth Vision
- USP: Membership network of Top-4 of German's Business Associations



### Clients and Donors



### Partner of German Business



### 450 Projects in 90 Countries

- **Service offering:**  
Program Mgmt and Project Development
- **Core Competencies:**
  - SME development
  - Capacity/Institution Building of Chambers and Business Associations
  - Public Private Partnership Projects
  - Vocational Education & Training



## **The Project – Key facts:**

### **Objective:**

- **Improving the business environment in 15 out of 21 of Mongolia's provinces**

### **Methodology**

- **Establish a structured and regular dialogue between key stakeholders at local level which leads to concrete actions in favour of LED**
- **Using local chambers as facilitators of the process**

### **Main Tools:**

- **Participatory and Rapid Economic Appraisals to analyse competitive advantages and disadvantages of the participating regions**
- **Define and implement small projects to strengthen advantages or overcoming constraints**

## **The Project – Key facts:**

### **Partners:**

- **Mongolian National Chamber of Commerce and Industry (MNCCI)**
- **its 15 local chambers**
- **Association of German Chambers of Industry and Commerce (DIHK)**
- **SEQUA gGmbH – Partner of German Business**

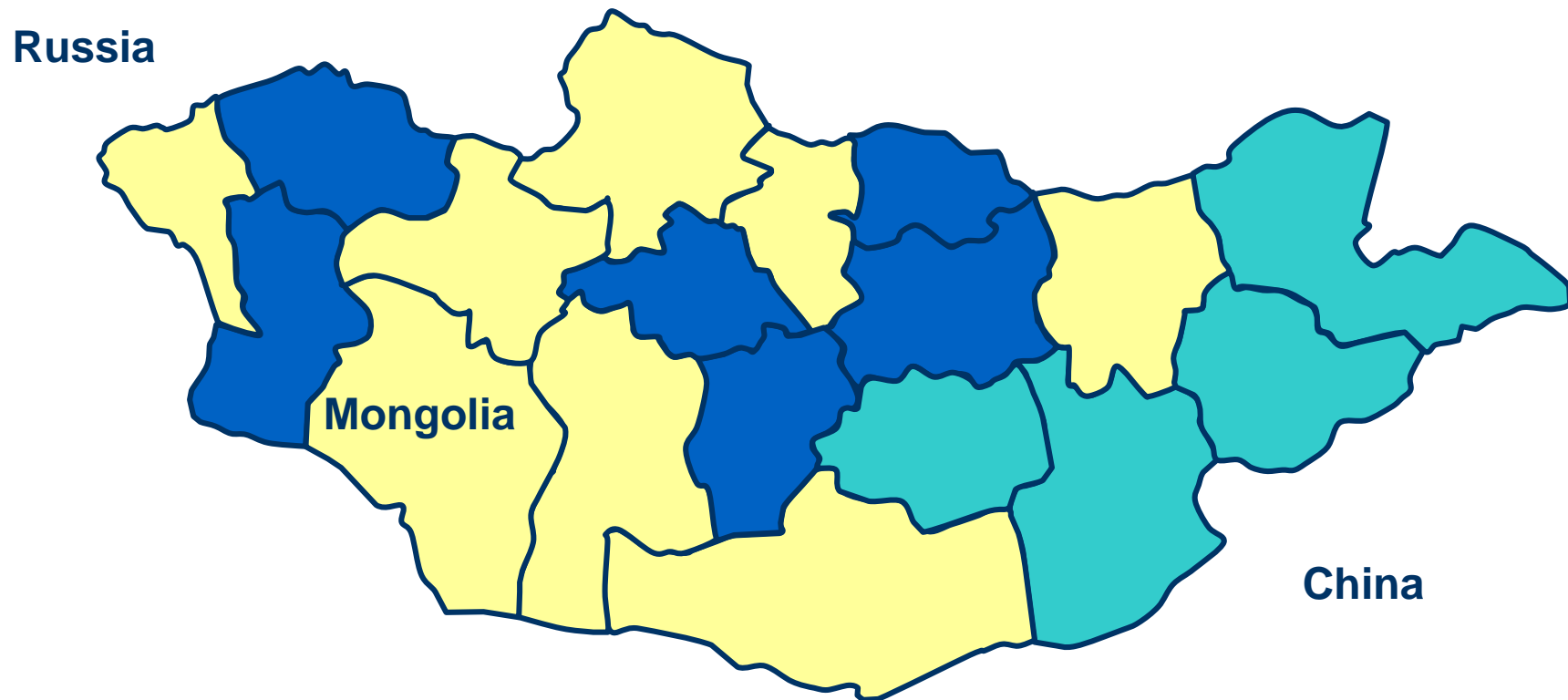
### **Funding:**

**German Federal Ministry for Economic Cooperation and Development (BMZ)**

### **Duration:**

**1<sup>st</sup> Phase March 2006 – February 2009**

## The Project - Regions of Interaction



Blue: provinces involved until Dec. 2006

Yellow: provinces supposed to be involved until Dec. 2007

Green: others

## **The Concern:**

### Structural Changes and Increasing Rural Poverty in Mongolia

- **High GDP-growth (⊖ 7% p.a. 2003-2005) because of sustained weather conditions, a substantial increase of number of livestock, higher commodity prices in the world-market (gold, copper, cashmere), expansion and transport and communications and greater capital flow**
- **While traditionally the agricultural sector, i.e. nomadic herding, used to be the major engine of growth, the economy nowadays depends more and more on mining and the tertiary sector**



- **While overall poverty is declining, rural poverty is increasing**
- **1/3 of herders are cronically poor, drought and overgrazing have made conditions for herders more difficult**

## **The Consequences:** Need for Business Reform

- **World Bank emphasizes the need for business reform i.e. in the fields of tax legislation, tax administration, the operation of custom services and the inspections agencies as well as in the financial and transport sectors.**
- **Mongolian Government's Economic Growth and Poverty Reduction Strategy (EGRRS) recognizes**
  - sound regulatory and institutional environment as one of the cornerstones and the
  - critical role of private sector for poverty reduction
- **Problem: Coherent private sector development strategy still missing**
- **One key problem: How to develop a sound institutional environment in rural areas?**

## **The Consequences:** Challenges for local stakeholders

- **Key questions of local stakeholders:**
  - How to create jobs outside nomadic herding?
  - How to create a bright future for the young people and make them stay in the region?
  - How to best benefit from the opportunities arising from the fast economic growth in neighbouring China and Russia?
  - What are local potentials for economic development and how to identify them?
  - How to prioritize local government spending and how to convince the central government to provide more funds for the region?



## **The Mongolian Partners:** Preconditions for the project

- **MNCCI:**
  - has been founded in 1960 (approx. 90 employees, 700 members on voluntary base)
  - Major tasks: representing the interests of its members and make economic policy proposals
  
- **The local Chambers:**
  - Establishment of the first local chamber in 1999
  - In 2006 local chambers in 15 out of 21 provinces
  - Membership of local chambers is increasing fast (approx. 600 members)
  - Local chambers have few resources and management capacities
  - They are depending on own revenue generation

## The Methodology: Principles and tools

### Principles:

- Holistic approach:
  - General trends, regulatory and administrative environment, companies, institutional environment, human and natural resources and infrastructure
- Involvement of all relevant stakeholders in local areas
- Identification of committed local leaders
- Local government backing

### Tools:

- National inception workshop
- Participatory and rapid economic appraisals
- Validation and action planning workshops
- Small LED - projects
- Monitoring and evaluation
- Coordination and coaching
- Benchmarking forum
- Training of LED-facilitators (MNCCI and local)

## Participatory and rapid economic appraisal:

How does it work?

- **Preparation:**
  - Recruitment of Team, Organisation of Workshops and Interviews
- **Inception Workshop (1/2 day):**
  - Inform local stakeholders about purpose of appraisals and gather information on local Economy
- **Fieldwork (4-5 days)**
  - 25-35 semi-structured interviews to analyse comparative and competitive (dis-) advantages of the local economy: local trends of the economy, admin. and regulatory environm., companies, support institutions, human and natural resource endowment and infrastructure,
  - participatory as results are primarily based on the perceptions and information provided by local stakeholders (e.g. Local administration, local parliament, entrepreneurs, regional chamber/associations, NGO).
- **Validation and action-planning workshops (1 day):**
  - Presentation of appraisal results (morning) and action planning (afternoon)
  - Result: action plan for capitalising on the advantages of a local area and removing barriers for economic growth
  - Each action plan comprises up to three small projects

## **Participatory and rapid economic appraisal:** Tools

- **Small projects:**
  - Criteria: implementable by local actors, quick and tangible results within 1 year, co-financing, max. 8.000 Euro, sustainability and potential for replication, effects on local economic growth and poverty reduction
- **Monitoring and Evaluation:**
  - Use rapid economic appraisals to collect baseline information
  - At different levels and including the project's outputs, outcomes and impacts
- **Coordination and coaching:**
  - Follow-up by a project unit located at national level. Members receive extra training.
- **Benchmarking forum (after 1 year):**
  - Presentation of results by all participating provinces
  - Objectives: learning from each other, spur a sense competition
- **Training of LED-Facilitators:**
  - Facilitation and "real-life" simulation of a rapid economic appraisal, training on-the job

## First Experiences: Appraisal results

- **General trends:**
  - Regional economies partly developing well, but structural dependency on nomadic herding still high
  - High underemployment, movement of young labours to the capital
  - Dynamic entrepreneurs in all provinces
- **Government – business interactions:**
  - Entrepreneurs view governmental organizations mostly as “inspectors” and try to avoid contact with them
- **Taxes:**
  - Entrepreneurs stated taxes as too high. New tax law in 2007 will ease the situation.
- **Red tape and corruption partly a problem:**
  - Too many and unnecessary licences procedures are avoided by bribing
- **Financial sector:**
  - Good banking network in all provinces
  - Non-financial services partly absent partly existing
  - Quality of infrastructure mostly deficient but improving

## Examples of LED - projects

### Selenge

- Improve conservation and packaging techniques of processed vegetables
- Promote the tourist potentials of Selenge Province and design package tours

### Khovd

- Engage into the processing of potatoes
- Improve packaging and conservation of vegetables

### Tuv

- Improve packaging and marketing of vegetables
- Disseminate techniques of high-quality animal feeds production
- Engage into the marketing of the province's locational advantages as compared to Ulaanbaatar

## **First Experiences:**

Sustaining business environment reform efforts?

- Participatory methodology is meeting a lot of interest.
- Interaction of chambers with local governments is different.
- Different dynamics in the workshops.
- Reservation towards intervention impacting on the public sector - > projects more on sub-sector level
- Limited relevance of the approach due to centralized governance structure
- Slow implementation of LED-projects due to MNCCI

**Final Conclusions:**

## Comparative advantages of the approach

- Analyses not only economic potential, but also potential for collective action
- Favours practical, down-to-earth proposals instead of fancy ideas
- Good starting point in a setting where weak organisations and lack of cooperation between institutions prevail



## Contact



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