

KEY POINTS

- Micro, small, and medium-sized enterprises (MSMEs) in Mongolia play a crucial role in economic development and job creation, but they are mostly informal and vulnerable to external shocks such as the coronavirus disease (COVID-19) pandemic.
- To address the fallout from COVID-19 on MSMEs in Mongolia, improving financial literacy, providing information on concessional financing, and providing equipment for business development and expansion are key.
- An effective approach to supporting MSMEs in *ger* (traditional dwelling) areas of Mongolia is capacity building through training and mentoring, as well as providing equipment grants. The increased confidence and knowledge generated by the capacity-building activities, along with direct equipment support, will enable MSMEs to continue being the core business engine for growth in Mongolia.

Rebuilding Micro, Small, and Medium-Sized Enterprises Post-COVID-19 in Mongolia

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INTRODUCTION

Micro, small, and medium-sized enterprises (MSMEs) play a vital role in economic development and job creation in Mongolia. Comprising 77% of the total registered active business entities, they generate around 70% of employment and account for 18% of gross domestic product.¹ During the coronavirus disease (COVID-19) pandemic, MSMEs were disproportionately affected compared to larger businesses, with those in urban areas being hit the hardest. An earlier survey conducted by the Asian Development Bank (ADB) in April–May 2020 among MSMEs in Ulaanbaatar and nine provinces showed that smaller and informal businesses faced significant challenges due to travel restrictions and lockdowns, such as cash shortages, difficulties in making investment and financing decisions, and difficulties in paying employees, resulting in layoffs.² Providing timely support to Mongolia's MSMEs is therefore critical to reducing income inequality and unemployment, enhancing social stability, strengthening the private sector, and aligning with the government's initiatives to accelerate the post-COVID-19 recovery and improve social resilience.

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In this publication, \$ refers to United States dollars.

ADB recognizes "China" as People's Republic of China.

¹ L. Boojoo. 2019. Leveraging SME Finance through Value Chains in the CAREC Landlocked Economies: Case of Mongolia. *ADB Working Paper Series*. No. 1019. Tokyo: Asian Development Bank Institute. MSMEs in this brief include both informal business and registered enterprises.

² V.M. Joffe and B. Luvsandorj. 2020. Sustainable Recovery Options for Mongolia's Micro, Small, and Medium-Sized Enterprises. *ADB Briefs*. No. 160. Manila: Asian Development Bank.

Based on the 2020 MSME survey, improving the financial literacy of MSMEs, providing information on concessional financing, and providing equipment for business development and expansion were identified as key, low-hanging fruits for the development of MSMEs. This brief summarizes the findings from a needs assessment and two interventions under a technical assistance (TA) project: (i) gender-responsive capacity building and financial literacy training, and (ii) procurement and delivery of equipment.³ It explores the challenges, opportunities, and actions that should be incorporated into future programs by the government and international development organizations to empower MSMEs and ensure effective support.

BACKGROUND OF THE PROJECT

The COVID-19 pandemic severely impacted Mongolian businesses, particularly MSMEs. Since MSMEs generate about 70% of employment in Mongolia, disruption in their businesses led to losses of income for households relying heavily on wages and personal businesses, intensifying the impact of COVID-19 on households, particularly among poor and vulnerable populations. In response, the government implemented a series of economic stimulus measures, some of which are relevant to MSMEs, to accelerate post-COVID-19 recovery.⁴

The government had undertaken earlier measures to improve access to finance for MSMEs, such as the establishment of a small and medium-sized enterprise (SME) development fund in 2009, which was reorganized into the SME Agency in 2020. The SME Agency provides credit guarantee and employment creation funds, as well as training programs and advisory services for MSME capacity building. However, the benefits of these support measures have not effectively reached MSMEs, nor have they been efficient and effective in promoting MSME development. International institutions such as ADB have been working closely with the government and have provided support specifically targeted to MSMEs.⁵

The TA project (footnote 3) of \$300,000 sought to support MSMEs in the *ger* (traditional dwelling) areas of Ulaanbaatar during the COVID-19 crisis.⁶ Data was collected through a needs assessment baseline survey conducted between 30 May and 6 August 2021, which used a combination of quantitative (questionnaire) and qualitative (in-depth interview and focus group discussion) methods. The quantitative data was collected from MSME representatives of the target *khoroos* (municipal subdistrict). Qualitative data came from in-depth interviews with stakeholders working closely with MSMEs, such as banks, nonbank financial institutions, financial technology organizations, representatives of online and chain stores, *khoroos*, and SME support center. Focus group discussions were conducted with randomly selected participants from groups of industry, services, trade, and women.

NEEDS ASSESSMENT

The needs assessment surveyed 276 MSMEs in Bayankhoshuu and Selbe to determine their capacity, needs, and opportunities, as well as the impact of the COVID-19 pandemic on their businesses. Sixty-seven percent of the survey respondents were women-owned businesses.⁷ In the assessment of financial and nonfinancial conditions of MSMEs,⁸ 95% of the respondents had an annual income of up to MNT50 million (\$17,567),⁹ with only 14% registered as legal entities. Moreover, 57% had less than 10 employees, and only 6% have 5–10 employees. For informal and microenterprises in *ger* areas, business income accounted for more than 80% of household income and remained the main source of livelihood.

Interviews were also conducted with representatives from the government, international projects, and banking and financial institutions. Box 1 contains qualitative feedback from the focus group discussions in the Bayankhoshuu and Selbe subcenters in the Chingeltei district, while Box 2 contains feedback from stakeholders.

³ ADB. Mongolia: Supporting Micro, Small, and Medium-Sized Enterprises in the *Ger* Areas of Ulaanbaatar during COVID-19 Crisis.

⁴ On 25 March 2020, the government revised and approved the regulation on “Concessional lending, selection, sub-lending, repayment and monitoring from the Small and Medium Enterprise Development Fund” reflecting changes to the amount of loans for MSMEs and concessional loan procedure, reducing requirements for sub-lending commercial banks, and increasing the amount of regional loans issued.

⁵ ADB has provided three loans to Mongolia to improve the availability of financing with longer tenor to MSMEs through financial institutions. See ADB. Mongolia: Senior Loan to Khan Bank for Supporting Micro, Small, and Medium-Sized Enterprises; ADB. Mongolia: Supporting the Credit Guarantee System for Economic Diversification and Employment Project; and ADB. Mongolia: Agriculture and Rural Development Project.

⁶ The revised Law of Mongolia on Support of Small and Medium Enterprises and Services (2019) defines micro industry and service provider as a business entity with up to 10 employees, operating in the production, trade, and services sector, with annual sales income of up to MNT300 million. Small enterprise and service provider means a business entity with 10–50 employees, operating in the production, trade, and services sector, with annual sales revenue of MNT300 million–MNT1 billion. Medium-sized enterprise and service provider means a business entity with 50–200 employees, operating in the production, trade, and services sector, with annual sales revenue of MNT1 billion–MNT25 billion. (See Ministry of Justice and Home Affairs, Central Legal Information System.) Informal businesses mean sole proprietor, unincorporated, or unregistered businesses. Hence, based on the revised Law of Mongolia on Support of Small and Medium Enterprises and Services (2019), the majority of enterprises covered under the survey are informal and micro businesses.

⁷ In this document, women-owned businesses are businesses whose owners are identified as female.

⁸ The survey collected information on MSMEs’ business situation, business mindset and interest, financial capacity, business management, equipment conditions and needs, interest in cooperation, and COVID-19 pandemic impact.

⁹ \$1 = MNT2,846.26 as of 16 June 2021.

Box 1: Feedback from Focus Group Discussions and Interviews—Micro, Small, and Medium-Sized Enterprises

1. Labor Force

“People who come to work leave in just 1–3 days. This is a common problem for young people. They either learn to work and leave, or they are not able to adjust and learn.”

2. Workplace Rentals

“Workplace rents are high. Creation of workplaces with low rents and good locations in every district is crucial to support micro and small businesses.”

3. Financial Management

- “Inadequate knowledge on business development and investment due to lack of understanding of accounting and supervising financial income and expenses.”
- “Constant lack of funding due to the inability to generate financial savings from business income.”
- “Does not qualify for bank loans; unable to take out loan. The reason is that they do not meet two criteria: collateral and guarantee. Loans are provided to companies that are stable, have their own workplace, have factories, and are at low risk of bankruptcy. Even if loan requirements are met, the small amount of loans offered by banks and financial institutions makes it difficult to make considerable investments that can improve the business.”
- “Leasing of equipment and materials is limited, so inventories are low. This results in lower production and higher unit prices.”
- “Nonbank financial institutions and pawnshops have high interest rates, which put businesses in debt.”

4. Information Technology

- “Lack of essential and automatic equipment makes the work harder and requires high labor costs.”
- “Due to insufficient and outdated equipment, product output and quality are declining and there is high cost of electricity, with some days of inactivity and frequent production errors and defects.”
- “Because of lack of e-business and advanced technology knowledge, [MSMEs are] unable to expand business.”

5. Sales Channels

- “Focusing on *ger* districts [where there is] poor purchasing power limits market opportunities.”
- “Disposable packaging is often used due to poor packaging. When large numbers of products are produced, it is insufficient to meet demand.”

6. Raw Materials and Inventories

- “There is a shortage of raw materials for production.”
- “Due to poor infrastructure around Selbe and Bayankhoshuu areas, there is a risk of disruption to production.”

7. Product and Service Development

- “Due to low current assets, few varieties of goods are produced. As a result, they lose customers.”
- “Regarding businesses in the services sector, there are cases of loss among customers due to the lack of a bank account and not providing *e-barimt* receipts.” [An *e-barimt* receipt is issued by any legal entity when there is a purchase of products and services. If the entity is not registered, they will not be able to provide a e-receipt, hence, people will refuse the purchase.]
- “Opportunities to expand the business are limited due to the inability to generate savings and current assets.”

8. Intellectual Property and Patents

- “Due to the lack of a patent, products are sold at a much lower price than its market value.”
- “Business owners lose their products because of inability to protect their intellectual property—other manufacturers copy their product. This limits the ability to diversify their products.”
- “Failure to file workplace standards (patents) makes it only possible to sell products in the streets. For instance, even if we produce a product of the same quality as Monos pharmacy, because we don’t have a patent or an official document, we can only sell in the streets at a lower price.”
- “We contacted the Intellectual Property Office for protection [but] they asked a lot of money from us. So, it was better to get the inventory instead. Seems it wouldn’t work.”

Source: Asian Development Bank.

Box 2: Feedback from Focus Group Discussions and Interviews—Stakeholders

From Nongovernment Organization

1. Cooperation between Banks, Financial Institutions, and Government Agencies

- “Long-term and low-interest loans are provided for micro, small, and medium-sized enterprises (MSMEs) under the ‘Ten Trillion Program,’ the government’s shock response measurement. Banks are setting [difficult] criteria for the people. The requirements set by the government are manageable, but because they gave power to the banks, we cannot meet their requirements.”
- “In the case of banks, only the loan economist determines whether or not to lend to an individual. It is misleading that only a loan economist identifies and evaluates the operation of MSMEs only by things such as collateral. Banks need to cooperate with government agencies.”

2. Management and Organization

- “Business mindset is crucial for MSMEs. Micro businesses are often self-employed. Opportunities to work with others, raise funds, and expand operations are not being utilized. The attitude of “running your business on your own” is an issue.

Note: \$1 = MNT2,846.26 as of 16 June 2021.

Source: Asian Development Bank.

From Trainers, Subcenters, and Government Officials

3. Development Training for Business Owners

- “Micro and household business owners are interested in expanding their business, but they don’t know how. The prevailing mentality is to sell things and make a living. They see it as a matter of bringing home the bread. There is no mindset to make it a formal business especially among micro and household business owners. When they make a profit, instead of expanding their business, they only give a salary to themselves. They can’t differentiate between their business and personal finances.”

4. Cooperative Experience and Advantages

- “Business owners often borrow from individuals at high interest rates because they could not get loans from banks, so in many cases they become indebted. By becoming a member of [a cooperative], the businesses put money into a mutual fund and get loans when needed. We lend at least MNT300,000 to MNT1,000,000 to business owners, and now we have a project loan of MNT1 million to MNT4 million. There are many members who pay on time. Banks are busy and demand a lot. Because it is a simple loan, we have no delays, so people are happy with us.”

The COVID-19 pandemic had a significant impact on businesses, with 90% of respondents reporting a negative effect, of which 20% reported a significant impact and 18% reported having to close their businesses temporarily or permanently. Before the pandemic, 65% of MSMEs were profitable, 29% were breaking even, while 6% were loss-making. Between 2020 and 2022, 85% of the MSMEs had suffered financially from the pandemic, with 40% reporting decreased working capital and 30% reporting sales reduction. To cope with the negative impact of the pandemic, 32% of them used their savings; 16% borrowed from commercial banks, nonbank financial institutions, and individuals; 9% sold some of their family assets; and 6% made their sales channels online.

In addition, 72% of MSMEs were interested in training or capacity building to further develop their business. However, 80% had not attended any business or financial training. The MSMEs’ primary need was to purchase equipment, followed by expansion of sales channels, networking, access to loans, and improvement of financial accounting. They needed an average of MNT9.6 million for equipment support, but only 19% were contributed by the entities themselves. Only 7.2% of MSMEs purchased new equipment in 2019–2020.

The MSMEs had a high demand for improving their workplace conditions across all industries. In *ger* areas, MSMEs are primarily informal businesses with almost one in four having their homes as workplaces with very poor work conditions. Only 12% of MSMEs own their workplaces, while 29% use rental premises. The SME subcenters developed under the Ulaanbaatar Urban Services and *Ger* Areas Development Investment Program provided such workplaces;¹⁰ still, MSMEs showed high interest in collaboration. Only 23% had membership in partnerships, cooperatives, savings groups, women’s groups, and professional associations. Sixty-six percent of business owners were interested in cooperating with others, while 40% were interested in forming a joint savings group. During discussions, women expressed an interest in working together to alleviate challenges facing their businesses.

The targeted key sectors in the training and mentoring materials and activities are presented in Table 1, while the criteria for equipment grants are presented in Table 2.

¹⁰ ADB. Mongolia: Ulaanbaatar Urban Services and *Ger* Areas Development Investment Program.

Table 1: Need for Equipment Support by Sector

Industry/Sector	Number	Share (%)	Average Sales Revenue		Change (%)	Average Value of Equipment Utilized (MNT)	Average Value of Required Equipment (MNT)
			2019	2020			
Manufacturing industry	164	59	13,842,107	9,434,746	(32)	6,159,403	10,281,042
Manufacture of garments	92	33	9,771,538	5,298,591	(46)	3,173,909	7,864,000
Handicrafts	30	11	20,250,000	12,456,667	(38)	8,163,000	10,126,000
Manufacture of furniture and wooden products	24	9	25,729,167	22,179,167	(14)	13,156,667	20,629,524
Food production	10	4	10,660,000	9,320,000	(13)	9,528,571	11,000,000
Agriculture and others	8	3	4,940,500	7,578,500	53	7,775,833	6,714,286
Services sector	52	19	13,001,923	9,642,308	(26)	5,506,637	9,014,035
Hotels, apartments, accommodation, restaurant services	9	3	8,111,111	8,944,444	10	7,343,750	11,408,333
Other service activities	43	16	14,025,581	9,788,372	(30)	5,122,125	8,512,903
Trade sector	60	22	32,685,000	20,867,500	(36)	31,638,581	8,338,200
Wholesale and retail	42	15	39,364,286	23,898,810	(39)	8,722,258	5,676,000
Sales, repair and maintenance of motor vehicles, motorcycles, auto parts	18	7	17,100,000	13,794,444	(19)	85,110,000	14,550,000
Total	276	100	17,780,092	11,959,233	(33)	11,575,369	9,619,974

() = negative.

Note: \$1 = MNT2,846.26 as of 16 June 2021.

Source: Asian Development Bank.

Table 2: Selection Criteria for Beneficiaries of Equipment Grants

No.	Criteria
1	The business has been operational and generating revenue for at least 2 years.
2	Annual sales revenue of the business exceeded MNT5 million in any of the previous 2 years.
3	The business actively participated in project-organized training sessions and achieved measurable results.
4	The business is registered with the state registry as a taxpayer or is willing to register during the project period.
5	If the equipment the business wants to purchase is worth more than \$3,000, they must finance a certain share (20%–50%) of the equipment cost and have access to financial leasing services.
6	The business has created at least three or more jobs and has the potential to increase the number of jobs in the future.
7	The business belongs to the target group or provides jobs to people who belong to target groups.
8	The beneficiary is interested in cooperating with similar businesses and getting organized into groups and cooperatives during the project.
9	The beneficiary develops a project proposal requesting equipment support and attends an on-the-job interview.

Note: \$1 = MNT2,846.26 as of 16 June 2021.

Source: Asian Development Bank.

INTERVENTION 1: CAPACITY BUILDING

A total of 105 capacity-building activities were conducted for 1,357 beneficiaries including double counting of the ADB TA project (footnote 3), of which 81% were women-owned businesses, while 229 informal businesses received one-to-one and group mentoring services. Training was provided to 24 trainers (business incubator center staff, volunteer trainers) to ensure the sustainability of the intervention. Training materials in both English and Mongolian languages were developed, covering various subjects such as financial products and services. Based on the needs assessment, the project also supported the MSMEs' transition from the informal to the formal economic sector and improved their financial literacy.

Two pilot community cooperatives were established, which received support in the creation of their by-laws and registration as legal entities. Four training sessions on community-led financial institutions and five field trips were organized in collaboration with the Association of Savings and Credit Cooperatives. Local nonbank financial institutions and government and international development organizations, including the General Authority for the State Registration of Mongolia and German Sparkassenstiftung Mongolia collaborated to enhance the financial capacity of MSMEs.

After the capacity-building activities, the participants indicated that their level of knowledge had increased significantly: 78% reported that financial literacy training and mentoring helped them better understand financial services, and the number of registered companies increased from 14% to 32%. Value-added taxpayers increased from 15% to 26%. On a scale of 1–5 (with 1 the lowest and 5 the highest), they rated their knowledge had increased from 3.1 to 4.1; their overall assessment of the training activities was 4.8.

INTERVENTION 2: EQUIPMENT PROVISION

A total of 74 MSME beneficiaries and three cooperatives received 353 pieces (132 types) of equipment equivalent to MNT467 million.¹¹ The equipment covered various industries: manufacturing, service, and trade, and included items such as sewing machines, compression machines, meat grinders, coffee machines, and hairdresser chairs. To ensure transparency and fairness in selecting grant beneficiaries, participation in capacity-building activities and workplace assessments were included in the selection criteria (Table 2).

The provision of small equipment grants in scaling up MSMEs during the COVID-19 pandemic was highly effective: 95% of MSMEs reported an average increase of 57% in their revenues, with 32% doubling or even quadrupling their income. Furthermore, 68% of MSMEs created 123 new jobs (54% increase), of which 79% went to female employees, while 36% planned to hire for an additional 130 new jobs in the future. These are significant improvements for *ger* area businesses, which are primarily informal.

Additionally, 95% of MSMEs reported an increase in efficiency and product diversification, while 90% reported an average increase of 58% in customer growth.

The combination of capacity building and equipment provision fostered an integrated and long-term intervention in the business situations of MSME beneficiaries. On the one hand, efficient and sustainable utilization of equipment requires a good level of knowledge of financial and business management; on the other hand, having the equipment will allow the beneficiaries to apply their acquired knowledge and give them learning opportunities. On average, grant beneficiaries attended 10 capacity training sessions, while on average, project participants attended four training sessions.

Equipment procurement was exceptionally challenging under this project. First, the border closure between the People's Republic of China and Mongolia due to the COVID-19 situation in Mongolia had a significant negative impact on the equipment supply and timing of delivery. Second, most of the beneficiaries were not familiar with the specifications of the equipment they needed.¹² Third, the type and number of equipment meant that equipment suppliers were small and fragmented, resulting in a complex procurement process and high administrative cost. In addition to the necessity to screen all applicants for equipment grants, the criteria for equipment selection—the ability to operate in conjunction with existing equipment, energy efficiency, and user-friendliness, even for people with disabilities—were applied to enhance the sustainability of the intervention.

AWARENESS RAISING

Participant enrollment was a significant challenge at the start of the training, as most MSMEs lacked knowledge about the Bayankhoshuu and Selbe subcenters. To address this, a list of MSMEs from the program management office under the Ulaanbaatar Urban Services and *Ger* Areas Development Investment Program (footnote 10) was obtained, and data was collected from the target *khoroos*. A total of 1,285 MSMEs were contacted through phone calls, and 2,000 booklets about the project and training schedule were disseminated. These efforts led to a significant increase in the number of MSMEs in the subcenter Facebook groups. Box 3 shows the partners in the information and dissemination aspects of the project.

LESSONS AND RECOMMENDATIONS

While the project was limited to Bayankhoshuu and Selbe subcenters, there is a high demand for replicating the approach in other subcenters. What was unique in this project is that the MSMEs themselves, the subcenters, and stakeholders offered proposals and solutions (Box 4).

¹¹ Of the total, 66 (89%) are women-owned businesses and 23 (31%) are from the vulnerable population.

¹² Beneficiaries were connected with equipment suppliers to make sure that the equipment to be provided will meet the beneficiaries' demand.

Box 3: Communication Activities and Partners During the COVID-19 Crisis in the Supporting Micro, Small, and Medium-Sized Enterprises in the Ger Areas of Ulaanbaatar Project

Senior government officials from the Municipality of Ulaanbaatar, representatives from small and medium-sized enterprise (SME) support centers, and staff from program management office (PMO) of the Ulaanbaatar Urban Services and Ger Areas Development Investment Program^a attended the launch of the technical assistance project.^b Considering the limited knowledge and information of micro, small, and medium-sized enterprises (MSMEs) on various sources of support, a series of outreach activities were conducted through the subcenters' Facebook pages, phone calls, and trade fairs to raise awareness on training opportunities. The Financial Regulatory Committee, Mongolian National Association of Savings and Credit Cooperatives, Mongolian Sewing Association, World Vision, and three district SME support centers supported the activities.

Close to 100 participants including project beneficiaries, government officials, and international donor organizations such as European Bank for Reconstruction and Development, Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), Canadian International Development Agency, and United Nations Development Programme participated in the project's closing forum, which was broadcast on the National TV news. Government officials presented the support programs from SME Development Agency and Labour and Social Welfare Agency of the Capital City and moderated a panel to allow beneficiaries to ask questions on government programs and support.

A separate panel was organized to share achievements, experiences, and lessons by the MSMEs in the project. Four beneficiaries, three cooperatives, one partnership, and the Women Entrepreneur Mentors Club (WEMC) received awards for their outstanding achievements.^c The national broadcast featured interviews with the Asian Development Bank (ADB), PMO, WEMC, and beneficiaries. In addition, an interview by Bloomberg Mongolia was organized to spread public awareness on the project. A short video of project activities and testimonials from beneficiaries on their achievements was prepared and aired during the closing forum.

^a ADB. Mongolia: Ulaanbaatar Urban Services and Ger Areas Development Investment Program.

^b ADB. Mongolia: Supporting Micro, Small, and Medium-Sized Enterprises in the Ger Areas of Ulaanbaatar during COVID-19 Crisis.

^c WEMC is one of the associated consulting firms under the project.

Source: Asian Development Bank.

Box 4: Proposals and Solutions from the Focus Group Discussions and Interviews

1. Increase Access to Loans

- “Provide long-term (10–15 years) loans to support new micro, small, and medium-sized enterprises (MSMEs), with only interest payments for the first 2–3 years and start principal repayments from the 4th year.”
- “Bayankhoshuu and Selbe should enter into trust agreements with businesses in their centers and become bank guarantors.”
- “Establish a mutual savings and loan cooperative among MSMEs and create a flexible loan system with a trust agreement among themselves (for example, issue loans that can be guaranteed as a group, and reduce the interest rate of later loans if the previous loan is fully repaid).”

2. Best Practices from Cooperatives

“Organization is important to work as a cooperative. If one person is called the leader, that person should be the leader. Get to know the people, and if they come up with a new product, they should all work together.”

3. Business Incubator Centers

“Helping to write a project proposal should not be limited to writing the proposal itself. It is also necessary to provide financial advice, provide support to develop a business to a certain extent, monitor the business, and develop lifelong learning skills.”

4. Human Resources

- “Increase workforce.”
- “Get qualified and skilled human resources.”
- “Train the current workforce to operate modern equipment.”

5. Attitude Toward Development Training for Business Owners

“Business owners need training to grow. The training should cover topics such as developing a project, changing attitudes, earning money in the current market environment, how to cope with a sudden downturn, and financial management.”

6. Sales Channels

- “Although different, sales channels are very important. Even if you set up a cooperative and launch your product first, you need to study whether there is a market and a sales channel.”
- “Provide training in e-commerce. Online shops should have a travelling presentation booth for small and medium businesses, and provide information on requirements, photoshoots, addresses, and labels. Delivery is the most important thing when selling on Facebook. It is impossible to deliver it without a car. So, offer low-cost delivery service.”
- “Instead of [selling in] shopping malls and chain stores where rent is high, small and medium enterprises should unite and create a unified shopping center under the name of ‘Made in Mongolia.’ Expenses for such shopping center will be paid by a cooperative through a joint fund.”

Source: Asian Development Bank.

The lessons learned and the implemented actions from this project should be incorporated into future programs by the government and international development organizations to empower MSMEs and ensure effective support. The following are specific recommendations for capacity building, continuous learning, and participant engagement:

Capacity Building

With training, MSMEs exhibit much greater interest in self-development and learning tools that can help them build more resilient and sustainable businesses. The following are training aspects that were found useful and should be provided:

- financial products and services,
- loan application process and documentation,
- financial technology solutions,
- financial recording and planning,
- legal entities and regulations,
- accessing government services,
- digital marketing and/or e-commerce,
- crisis management,
- project proposal writing, and
- building self-confidence.

Sustained Learning

Most MSMEs in *ger* areas are not informed about programs run by the government and donor organizations; therefore, subcenters need to develop a database of MSMEs in their target area to communicate information on training, network events, and trade fairs. With increased revenue and knowledge from the project's extensive capacity-building activities, many MSMEs have begun exploring applications in government programs. This should be sustained.

Where there are limitations on physical attendance and in response to requests for additional training, video lessons on relevant topics could be offered, such as digital transformation, loan application requirements, project proposal development, income and expense tracking, financial record keeping, information gathering in online environments, financial planning, financial and tax reports submission, and credit and savings cooperatives creation and operation. Maintaining these subcenter functions will ensure continued, healthy, and robust growth of MSMEs.

Participant Engagement

In *ger* areas, MSMEs lack the digital skills to access e-Mongolia, e-Tax, and other government services. Entrepreneurs are frustrated with services provided by the government's single window at subcenters, partly because of their limited skills and capacity. Training and retaining local mentors in subcenters are effective ways of developing such capacity and increasing access to government services. Local mentors, who are entrepreneurs

themselves, have the patience and compassion to provide step-by-step explanations to resolve issues that fellow entrepreneurs are facing. Measures in the following areas are recommended to achieve the same results in other areas in Mongolia:

- (i) **Interactive capacity-building activities.** Engage MSMEs in discussions about challenges and opportunities in their businesses to create a sense of unity and belonging, which encourages positive changes in mindset and willingness to assist each other. Capacity-building activities have a strong impact on changing MSMEs' business mindsets and perspectives, enabling them to understand that it is their own responsibility to learn and prepare for future programs.
- (ii) **Equipment grant support for micro, small, and medium-sized enterprises.** In selecting grant beneficiaries, collaboration with local consulting firms and nongovernment organizations plays an important role in ensuring fair and transparent processes. Having the right equipment exerts a significant positive impact on the beneficiaries, creating new jobs, increasing income and productivity, and expanding markets.
- (iii) **Access to finance.** Equipment support increases MSMEs' access to finance and allows them to apply for loans and government programs using their branded equipment as collateral. Many of the respondent MSMEs are now looking to apply for government programs as a result of their increased revenue and knowledge from the extensive capacity-building activities.
- (iv) **Good workplaces.** Poor workplace conditions restrict MSMEs' business growth. More subcenters need to be developed, with improved designs so they can be workplace rental options, have bigger rooms for larger equipment, and have a special room for childcare services.
- (v) **Adequate budget for micro, small, and medium-sized enterprise subcenters.** To make the subcenters sustainable, allocate small budgets for mentors and training programs to provide essential support to MSMEs.
- (vi) **Creation of a vibrant business community.** Future programs should support local cooperatives and community initiatives, such as developing mentors from their communities, supporting trade fairs, and providing a place for learning. These are key to developing MSMEs in the *ger* areas by creating economies of scale through cooperation among MSMEs, which leads to bulk orders, larger clients, and even new export markets.

In Mongolia, MSMEs are crucial for maintaining social stability and enhancing the private sector. Replicating this project's approach in other subcenters could lead to healthy and strong growth of MSMEs and maintain a robust function for subcenters in providing services to residents and supporting the economy in the post-COVID-19 recovery period.

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