



MINISTRY OF ECONOMY AND DEVELOPMENT



Implemented by



Improved Conditions for Economic Diversification (ICED) project

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HAPPY NEW YEAR TO OUR PARTNERS AND COLLEAGUES!

The GIZ “Improved Conditions for Economic Development” (ICED) and DeveloPPP “Green and Sustainable Financing for SMEs in Mongolia” (SFME) project teams would like to express our heartfelt gratitude for your dedication, collaboration, and support over the past year. Together, we have achieved so much, and we are truly excited to build on our successes in 2025.

May the Year of the 2025 bring you joy, good health, and success!

Happy New Year!



ECONOMIC PARTNERSHIP AGREEMENT BETWEEN MONGOLIA AND KOREA

The Government of Mongolia is paying special attention to diversifying its exports and obtaining favorable tax and origin conditions for agricultural products. Mongolia and Korea held the fourth round of negotiations of the Economic Partnership Agreement between Mongolia and the Republic of Korea was held in Seoul from November 25 to December 1, 2024.



The Ministry of Economy and Development (MED) led task force groups on investment, trade in goods and services, and digital trade. These groups play a critical role in shaping a framework that reduces barriers, fosters foreign investment, and strengthens economic diversification to protect Mongolia's interests and create preferential conditions. They also coordinate all issues related to the import of goods across the border, including hygiene, quarantine, standards, fair competition, and consumer rights protection.

Significant progress was made in protecting national interests and developing trade and investment. Both parties are aiming to expedite the process of negotiations and finalize the agreement text in the nearest future

MONGOLIAN DAYS IN THE USA: MED REPRESENTATIVES IN ATTENDANCE

Advisors represented the MED at the "Mongolian Days-2024", series of trade and investment events organised in New York between 14-25 October. They held discussions at the Environmental Systems Research Institute (ESRI) office in Washington DC to discuss the usage of the company's GIS system in Mongolia and for the MED and took part in introductory training in the system.

They also held meeting with officials from the international Green Climate Fund in Seoul, Korea regarding the projects implemented by GSF in Mongolia.



SUPPORTING SMALL AND MEDIUM-SIZED BUSINESS STARTUPS

STRENGTHENING OF SMALL AND MEDIUM ENTERPRISES



Launched in August 2024, the capacity-building program for SMEs continued through the end of the year. Consultants from the ICED project provided high-quality training and tailored advisory services to Mongolian SMEs. From August to November 2024, the project, in collaboration with its partner and service providers, conducted 3 trainings and consultations, engaging 56 participants from the business sector including 69% female.

This targeted capacity-building initiative, which combines theoretical knowledge with practical application, aimed to support SMEs by fostering growth, strengthening their businesses, and opening new market opportunities, thereby enhancing their export capabilities. The project's SME capacity-building program is planned to continue in 2025, strengthening and offering opportunities for investment, growth, and business success.

The UB SME Support Center, a partner in the project, plans to support SMEs qualified under the program by facilitating access to soft loans. These loans will be provided through several commercial banks, including TDB.



ENHANCING SME COMPETITIVENESS THROUGH CLUSTER COOPERATION



The development of export-oriented products depends on various factors, including stable production and adherence to quality standards by small and medium-sized enterprises (SMEs) and service sectors. Real, tangible results are expected to be achieved through cluster cooperation. In response, the Capital City SME Support Center has initiated a new approach aimed at strengthening cooperation among SMEs to increase their income, integrate innovation and technology into vegetable production, and enhance the agricultural sector's value chain. The center plans to implement a project titled "Increasing the Competitiveness of Small and Medium-Sized Enterprises and Service Providers in Ulaanbaatar through Cluster Cooperation."

The GIZ ICED project provided technical and financial support to promote this cluster development initiative. A feasibility study was conducted to assess the potential for establishing a vegetable cluster on a 40-hectare plot of land in the Ar Gunt area, located north to Ulaanbaatar.

The feasibility study examined the current status of vegetable production in the Ulaanbaatar area, market demand and supply, soil characteristics, and identified opportunities for establishing and developing a vegetable cluster.



INTERNATIONAL CONSULTANT FOR THE UB SME SUPPORT CENTER



The UB SME Support Center, with financial support from the project, has brought on board an international consultant to take their services to the next level. The international consultant will work at the center for a long time and will improve the quality of training and consulting services, conduct detailed research on foreign markets, and provide advice on developing export skills for SMEs planning to enter international markets.

An international consultant has been announced and selected. The consultant will support and collaborate with the UB SME Support Center team in all aspects and contribute to bringing entrepreneurs' products to the international market, creating new opportunities in Ulaanbaatar's business environment, and supporting economic growth.

SUSTAINABLE AND GREEN FINANCING FOR MONGOLIAN SMES (SFME) DEVELOPPP PROJECT

GIZ is implementing the "Sustainable and Green Financing for Mongolian SMEs" project funded by German Federal Ministry for Economic Cooperation and Development (BMZ) in collaboration with the Trade Development Bank (TDB) from March 2024 to May 2026. The project has two main objectives: capacity building for TDB and empowering TDB's SME clients.

EMPOWERING TDB'S SME CLIENTS

Training and consulting services for TDB's client SMEs began in October 2024. These trainings, attended by SMEs from Ulaanbaatar city, Darkhan-Uul, Orkhon, and Selenge (Mandal sum) province, cover a wide range of topics, including business plan development, investment planning, product development, and marketing and sales strategies. The training and consulting program will continue in 2025, and SMEs who participate and meet certain TDB criteria will be eligible for preferential loans from a special fund established under the TDB.



CAPACITY BUILDING FOR TDB



Starting from October 2024, the capacity building activities targeting to strengthen the TDB internal capacity, began. Short term consultants of the German Sparkassenstiftung, Mr. Michael Meinicke and Mr. Werner E. Thum, consultants with about 30 years of experience in bank management, visited Mongolia to carry out a preliminary evaluation (ex-ante analysis) of TDB's SME financing processes.

The primary goals of their mission were to analyze existing loan procedures to identify inefficiencies and unnecessary steps, provide recommendations to refine workflows and improve service delivery for SME clients and Green Finance Development.

During their visit, the consultants conducted a series of meetings and workshops with TDB's senior management, loan officers, and operational staff.



MONGOLIA'S REGIONAL DEVELOPMENT POLICY

PARTICIPATION IN THE NATIONAL CONFERENCE ON REGIONAL DEVELOPMENT

The Government of Mongolia designated 2024 as the "Year of Supporting Regional Development." In alignment with this initiative, Parliament adopted Resolution No. 64 of 2024, formally approving the "Concept of Regional Development of Mongolia." To advance these priorities, the National Conference on Regional Development was held on October 26, 2024, organized by newly established Institute for Regional Development (a state-owned enterprise).

The conference brought together representatives from the private sector, international organizations, local communities, and civil society to address spatial and structural challenges hindering regional growth. The forum fostered dialogue and facilitated the exchange of ideas among all stakeholders.

The ICED and SFME projects supported the Institute for Regional Development in organizing the event, and ICED Project Manager Ms. Nurjamal Bokoeva presented the experience of regional development in Europe and highlighted the contribution of GIZ in Mongolia to the development of Mongolia's Regional Development Policy. For example, the GIZ PROGRES project, which was implemented in 2021-2023, developed Mongolia's regional development concept and empowered relevant staff, while the ICED project is updating the online platform "Local Development Index" (LDI platform). This platform will play an important role in defining and implementing Regional Development Policy at the soum level.



INSIGHTS FROM THE KOREAN EXPERIENCE

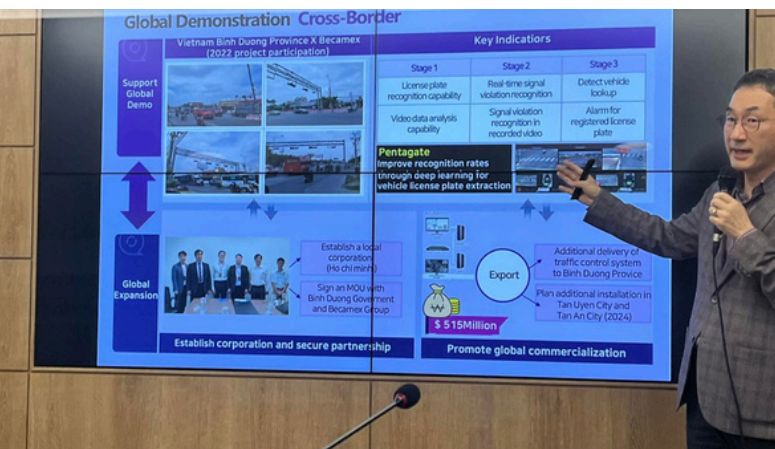


At the end of the year, from December 1–7, 2024, the DeveloPPP SFME project supported the National Institute for Regional Development of Mongolia in organizing and implementing a business trip to Incheon, Korea.

As part of the training and information tour, they met with policymakers and regional development experts to discuss Korea's regional development initiatives and strategic priorities. They also learned about the activities of organizations such as the innovation center, startup center, and business incubator hubs that support regional development and SMEs in Incheon.



During the Incheon University tour, participants gained both theoretical and practical knowledge about SME participation and integration in regional development policies, cluster development, and green and sustainable financing incentives tailored to regional priorities. These insights can serve as a foundation for developing customized solutions to enhance regional development in Mongolia, fostering sustainable growth and innovation.



The SFME project covered all expenses for five participants of the 10-person trip, which included representatives from the Institute for Regional Development, SMEs, and ICED.

'DEVELOPING THE MONGOLIAN INSURANCE SECTOR THROUGH BLOCKCHAIN TECHNOLOGY' (ISBC) PROJECT



The Developing the Mongolian Insurance Sector Through Blockchain technology (ISBC) project was co-financed by the DeveloPPP public-private partnership program of the German Federal Ministry for Economic Cooperation and Development (BMZ) and Monre Insurance LLC. It was successfully implemented by GIZ and Monre Insurance LLC from 2021 to 2024.

The closing event of the project, titled “Achievement Day,” was held on November 29, 2024, and was attended by representatives from the insurance and financial sectors.

The following achievements of the ISBC project that have contributed to the development of the Mongolian insurance sector are highlighted:

- **Risk Database:** By creating a platform (<https://riskmapping.mn/>) for identifying and analyzing regional risks, businesses and citizens are being enabled to avoid, reduce, and manage risks.
- **Blockchain-based insurance product:** A fully customizable, affordable insurance product that covers fire and flood risks for small and medium-sized businesses, and can be purchased through a mobile app.
- **Financial Education and Public Awareness Activities:** The insurance sector in our country is very small, accounting for only 0.5 percent of GDP. Spreading the concept of insurance and risk management to the public, along with offering affordable and accessible products, is crucial for expanding the insurance market and further developing the sector. Therefore, the project has organized training and consultancy services for more than 500 insurance industry professionals through the Chartered Insurance Institute training program. These professionals continue to provide training and consultancy services to SMEs and the public to promote the importance of insurance.

The project stakeholders and beneficiaries concluded that the ISBC project achieved its goal of **“enabling the target group to manage their risks using innovative technologies and innovations.”** We would like to express our gratitude to all the organizations and consultants who worked with us during the implementation of the ISBC project. We are confident that the results we have achieved together mark the beginning of new changes and developments in the Mongolian insurance sector.



ADVANCING THE REFORM OF THE FOREIGN INVESTMENT LAW:

LEGAL EXPERT CONSULTING SERVICE

As outlined in the Government's Action Plan for 2024-2028, revisions to the Investment Law and Law regulating business activities are being undertaken to protect the interest of investors and improve the legal environment to support entrepreneurs. The Investment Trade Agency (ITA) is obligated to develop the draft law on "Investment Law", present them to the Government and the Parliament for debate and approval in 2025.

GIZ ICED project in cooperation with another GIZ project "Legal advice on Just Transition processes and improving the capacity of an efficient judiciary" project recruited experienced legal consultants to conduct analyses of the impacts of the proposed changes.

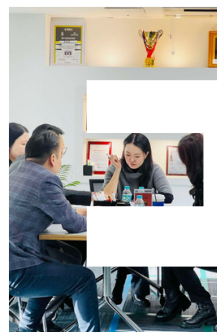
DISCUSSION ON THE DRAFT LAW

The public consultation on the draft Investment Law was held on December 16, 2024. This consultation is a key step in improving the legal environment for investment and ensuring meaningful stakeholder engagement. It brought together investors, international organizations, non-governmental organizations, and business representatives to exchange views

The proposed legal reform aims to safeguard the interests of investors while promoting transparency and stability in the investment environment, marking a significant step toward enhancing the overall business climate in Mongolia.



IMPROVED CONDITIONS FOR ECONOMIC DIVERSIFICATION (ICED)



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