

Linkages between Macroeconomic Policies and Financial Inclusion

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Mongolia

- Liberal economic policy since 1991
- Main economic sectors are Livestock and mining and their related services
- Financial structure is similar with Eastern Europe and Russia
- Fiscal, monetary and other macroeconomic policy is the key for the financial inclusion in Mongolia and inclusive economic growth

Fiscal policy

- Government role –relatively high
- Free education –up to 12th grade
- Medical services for most free or through insurance
- Budget/GDP ratio 30 to 35 percent
- Local development fund in the budget since 2011 for each administrative unit (21 provinces, 330 sumon and Capital city)
- Every year allocation of money to SME Fund/ rolling in each Sumon
- Microfinance
- Employment promotion fund
- Student loans
- Lunch for Primary school children

Monetary policy

- Banking credit dominant financial market/ 90 percent
- Credit expensive and limited resources
- 17 commercial banks
- 270 Non-banking financial organizations
- 192 Deposit-credit cooperatives
- pawnshops

Development cooperation

- IMF: extended facility agreement since early 2017
- Facilities for SMEs from Japan, Germany, UNDP, ADB, EBRD, WB
- Capacity building programs for financial inclusion
- International best practices
- Micro business and microcredit

Challenges

- Lack of needed skills and culture of savings
- Increased number of disadvantaged people
- Rent seeking dominating in public administration
- Low economic knowledge
- Limited financial resources
- Limited job opportunities
- Limited infrastructure
- Seasonal (cashmere, wool and skin collection) features of Primary Sector of Mongolia which is the leading sector of the economy

Solutions (1/2)

- Expand availability of financial resources
- Reduce government role or optimization for enabling lead private sector
- Achieve political consensus on main issues
- Improve infrastructure
- Basic structural economic change
- Increase job opportunities: Micro finance, agriculture

Solutions (2/2)

Different approach for govt., companies and households

- Government:
 - Capacity building
 - Improve trust in government
- Companies:
 - Improve management
 - Respect labor
- Households:
 - Improve accountability
 - Foster a savings culture
 - Job based training

Thank you!