



SUPPORTING GROWTH: HOW THE PROMOTION OF A FAVOURABLE ECOSYSTEM CAN TRIGGER THE DEVELOPMENT OF LOCAL START-UPS

A deep dive into a Start-up support project in Mongolia

Start-ups have potential for innovation and growth. They can create new opportunities and drive economic development. But start-ups face challenges that can hinder their success, especially in rural and remote areas. These challenges include lack of entrepreneurial skills, limited access to business support, inadequate infrastructure, red-tape and corruption.

Rural businesses often lack knowledge in product marketing and sales. Access to finance is limited, especially for women entrepreneurs, who often struggle to balance business management with caregiving responsibilities. Additionally, access to technology and professional expertise is often lacking.

A successful multi-stakeholder approach...

The development of successful start-ups requires innovative solutions, the engagement of strong partnerships between several stakeholders, and a favourable ecosystem (see box below).

To support the development of successful start-ups, the “Youth Employment and Start-up Support Programme” was approved in 2019 by the National Employment Council. It was the first legal framework to implement youth specific employment and start-up interventions in Mongolia.

The programme formulation and design were supported by the Youth Employment Promotion Project (YEPP), which was funded by the Swiss Agency for Development and Cooperation (SDC). The project was implemented by GFA Consulting Group, in partnership with the Mongolian Ministry of Labour and Social Protection, the General Office for Labour and Welfare Services and its subsidiaries at local level.

The project practical "RECIPE" was threefold:

Encouraging collaboration at the local and national levels.

Creating common understanding on entrepreneurship.

Demonstrating the impacts of start-up promotion.



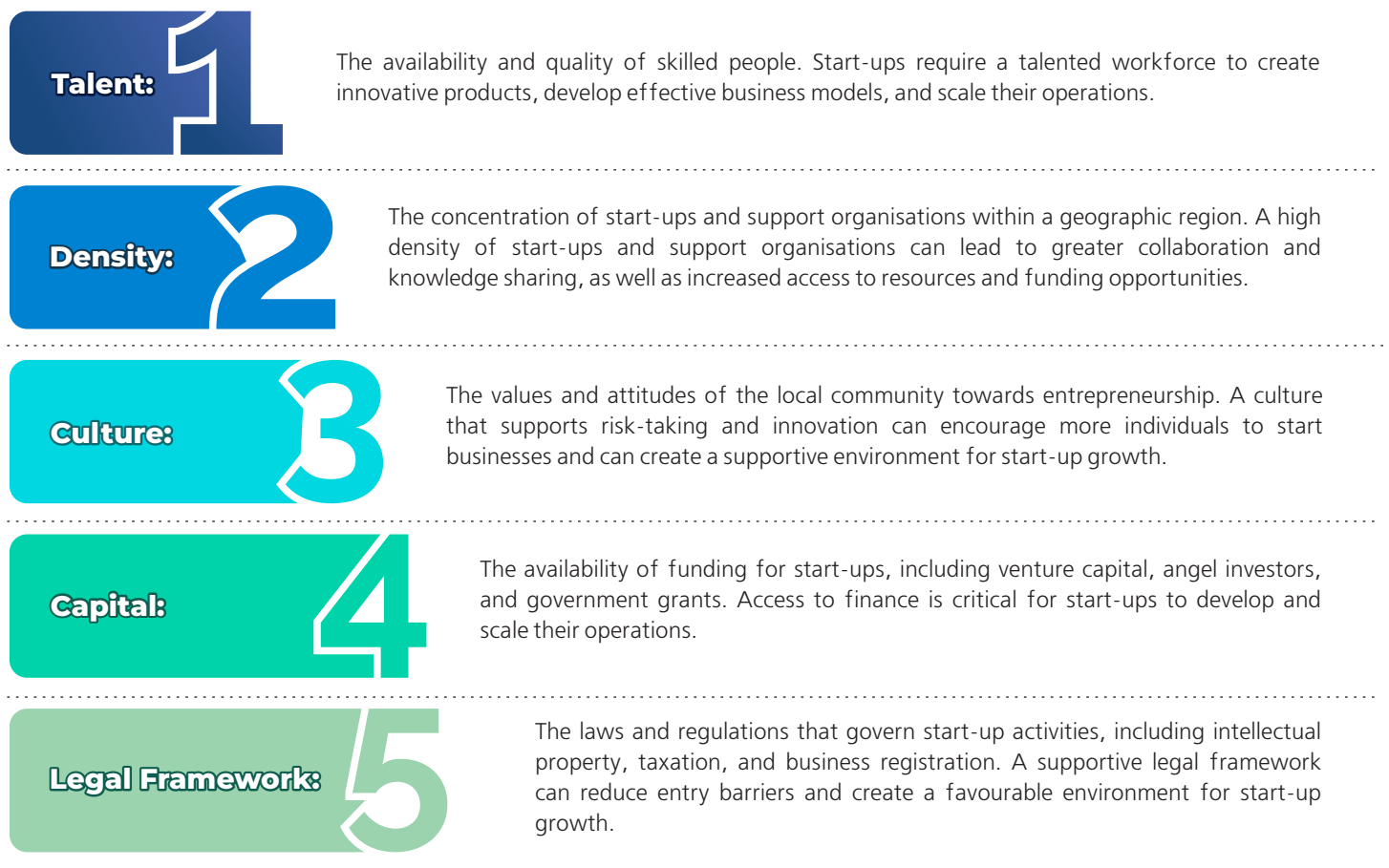
Galsansar Myagmar,
YEPP officer

"The YEPP worked on building a common understanding of what is needed among all stakeholders, national and provincial. The project provided capacity-building and other activities for training institutions, labour departments and divisions, mentors, and trainers in rural areas. It promoted a bottom-up approach."

Start-up community support groups were established in several provinces in Mongolia to improve local support for start-ups. These groups brought together public and private sector actors, TVET representatives, and entrepreneurs, and organised competitions to identify and support promising start-ups through transparent and fair processes.

What does a favourable Start-up ecosystem look like?

Five factors can contribute to the development of a healthy start-up ecosystem: Talent, Density, Culture, Capital, and Legal Framework.



The project dealt with limited resources in remote provinces by leveraging technology for distance learning. Consulting and mentoring services were provided on a regular basis and tailored to the local context and needs. For instance, activities were focused on local red garlic and vegetable growing in Zavkhan province, so that local producers could export, while the local government of Dornod province established a co-working office to support start-up businesses, managed by a local NGO.



Zayasaikhan Dugeree,
Senior National Programme
Officer, SDC Mongolia

All stakeholders collaborated with each other and had a role to play:

The public sector approved a youth start-up programme and introduced a systematic approach to start-up promotion by allocating funds for training, pitches and competitions, selection, and grants. They delegated the implementation to professional business development service providers and NGOs, built trust with the private sector, recognised the value of innovation, and increased transparency in public funds distribution.

The private sector contributed with local knowledge, experiences, and connections, participated in start-up events, provided mentoring services, and invested in selected start-ups.

The business development service providers and non-government organisations implemented youth start-up projects and organised start-up promotion events. They cultivated entrepreneurship, mentorship, healthy competitiveness, and social enterprising. They brought more international funding and advocated for investment in innovation and start-ups. They also acted as a bridge between the start-ups and public institutions.

SDC's role was to facilitate dialogue between these stakeholders. We provided funds for development and piloted initial schemes and linked the start-up supporting the business development service providers and NGOs with potential international investors.

Young entrepreneurs benefited from participating in the programme including with:

- Increased creativity and knowledge about innovation, product and service development, and customer needs.
- Financial support and funding opportunities to start and sustain their business, purchase equipment, packaging, and participate in pitch events or trade fairs.
- Access to accelerator and business mentoring services to develop their business skills, identify opportunities in the market, and refine their business idea.
- Improved attitudes, increased motivation towards entrepreneurship, enhanced communication skills, and networking opportunities.
- Increased understanding of sustainable business practices, and the importance of creating value for customers.



This, in turn, benefited the local economy through:

- Boosting economic activity: as the startup ecosystem develops, more investment opportunities arise, leading to increased economic activity. And as startups grow, they can foster a network of suppliers that benefits the entire community.
- Creating job opportunities: as startups and entrepreneurs emerge, they create employment opportunities.
- Reducing migration: by providing opportunities for people to work and thrive in their own communities, startups can help reduce rural-urban migration, leading to a more balanced and sustainable development of the local economy.

Stories of success: The voices of business owners



Ms. Enkhchimeg Delgertsetseg,
Yak milk ghee and dairy producer, Bayankhongor province

My plan was just to make general dairy products. But with guidance from mentors, when I passed the first selection process, my product was tested by the professional inspection office and the national laboratory of Ulaanbaatar. Then I understood what I can produce and offer to the market. I decided to focus on producing rich yak ghee products. It is unique and a niche in the market.

When I participated in the start-up competition with around 120 teams, I was selected as one of the two final teams, receiving 4 million MNT in funding. I used the funding to purchase packaging and received support from the Department of Labour and the State Bank, which helped me participate in trade fairs in the town and in Ulaanbaatar.

We need a local financing scheme to support local start-ups. It is difficult to obtain loans from banks. Access to the necessary technology, inspection, and laboratory services is also a challenge when you live and work in remote areas. There is also a lack of information about actual projects for young people in rural areas.

Young people in rural areas often sell their animals and migrate to the city for better opportunities, but this can lead to a more challenging life. Instead, it would be beneficial to help these young people discover their interests and abilities and find ways to earn additional income in their local communities. As someone who could have easily gone down that path, I am grateful to be running my family business and contributing to the happiness of those around me.



Mr. Chagnaadorj Yanjin,
Cow farm owner, Bayankhongor province

I attended the start-up training in product development. I presented my project in the start-up competition and was selected as a grant recipient in the second round. I received a non-refundable grant of 10 million MNT. It was the first time I had that much money and it made me very thoughtful. I purchased equipment: a cup packer, an industrial milk boiler pot, and a two-door refrigerator. I then attended an accelerator programme in Ulaanbaatar where I learned from coaches, mentors, and other young start-ups from different regions.

Having a mentor was crucial to my progress and allowed me to gain experience and knowledge. I later coached new participants at start-up events. It was exciting to share my experience and practices with other young people.

I learned a lot through that process. I realised that if what I'm doing isn't useful or valuable to people, then I should stop doing it. I reduced my cow farm because I wasn't using the milk properly and I was losing money. In terms of human resources, I learned that if you train people, and pay the social security, the employees stay.

I realised that it's important to create a production line according to standards. I gained a new understanding of business, and it's not just about making a profit. I also developed a hobby of coming up with new product ideas. I learned that one can earn a lot by investing smartly.

Building an ecosystem and changing perceptions: Lessons learned from Mongolia

The project has changed the perception of startups in the community. Local authorities now recognise startups as potential local businesses that can provide innovative solutions. As a result, there is more cooperation between the public and private sectors, contributing to the growth of the local economy.

The project was simply one small piece of a larger puzzle. We triggered the eco-system growth from the provincial and district levels all the way up to the national level.




Recommendations for similar projects include:

- Review the startups support legal framework.
- Support access to finance, including venture capital, angel investors, and grants.
- Build a start-up culture, by including entrepreneurship education and practical trainings in high schools, TVET, and life-long education.
- Facilitate access to mentorship and networking opportunities, since successful entrepreneurs, investors, and mentors can play an important role in advising, connecting, and mentoring startups.

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Start-up support / YEPP
project video

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