

HUMAN DEVELOPMENT REPORT MONGOLIA 2003



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Urban-Rural Disparities in Mongolia



Government
of Mongolia



Mongolia

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Creating a favourable environment for human development, raising the living standards of citizens, improving access to social services, and reducing both poverty and unemployment have been priorities of crucial importance in the current government's programme of activities, will continue to be during the remainder of its four year tenure. Moreover, they form the essence and guiding principles of the long-term development strategy of the Mongolian state.

As underscored by President Natsagiin Bagabandi in his decree entitled "Formulation of a National Development Programme" made on March 20, 2003, *"the concepts of development and the criteria for judging social progress are evolving towards an increasingly common usage of human development indicators"*.

Close attention to human development goals and their effective implementation are a commitment that the Government of Mongolia has undertaken before the international community as a party to the Copenhagen Declaration on Social Development (1995) and the Millennium Declaration (2000).

Hence, the objectives leading to the development of the people of Mongolia are reflected in detail in the government's Programme of Activities and its Action Plan, which are monitored and evaluated on a regular basis.

In recent years positive changes in the education, health and incomes of the population have resulted in the improvement of Mongolia's human development performance over and above the pre-transition levels. Equally, macro economic conditions have stabilized bringing about a return to growth. This indicates a welcome tendency towards the creation of the both human capabilities to achieve economic growth and of the economic conditions to sustain human development.

However, the fact that Mongolia's Human Development Index is ahead of only 58 countries and placed 117th among the 175 countries ranked globally, is a reminder that our achievements are not a reason for complacency.

It is encouraging that the Mongolia Human Development Report 2003 is being issued now, precisely when the current government, formed after the third general elections of 2000, is at the final stages of implementing its action plan for the remainder of the parliamentary term, not only for fulfilling what is still incomplete, but also for planning policies and strategies for the future.

It is important to recognise that although this report is a product of national scholars and experts and it does not necessarily reflect the official government position on the issues. This independence is to be valued, and I consider the report an important and helpful document that identifies the differences in the situations of people in urban and rural areas of the country, analyses the factors and the trends behind these phenomena and offers broad-ranging conclusions and recommendations to eliminate the gaps and inequalities which exist.

Improving human capability as a source of development is a highly complex issue that depends on government policies and actions on the one hand, and the efforts and initiatives of individuals themselves and civil society, on the other. I believe that the data, analysis, findings and recommendations of this report will necessarily engage the attention of decision- and policy-makers at all levels, non-governmental organizations, academia as well as students and the public at large and inspire them with fresh vigour and ideas in their activities in all walks of life.

I express deep gratitude on behalf of the Government of Mongolia to all scholars, experts and the staff of governmental and non-governmental organizations who worked hard to produce the Mongolia Human Development Report 2003 as well as the UNDP Office in Mongolia for its support and assistance in bringing this endeavour to a successful conclusion.



Nambaryn Enkhbayar
Prime Minister of Mongolia

UNDP has supported the preparation of National Human Development Reports (NHDR) throughout the World since the publication of its first global Human Development Report in 1990. Each NHDR has applied the key concepts of human development to a country specific context examining the state of development through the lens of human development. These reports articulate people's perceptions and priorities, highlight achievement and deprivation in the capabilities of men and women and their opportunities, advocate for a more people-centred approach to policy making, and provide a tool for development planning.


The first Mongolia Human Development Report (HDR) (1997) provided an assessment of the Mongolian people's well being in the transition period. The second Mongolia HDR (2000) attempted to analyse the role of the State in modern Mongolia in order to facilitate debate on what citizens expect of the State. The Mongolia HDR 2003 focuses on urban-rural disparities. The theme of the report was selected in a national consultative meeting in recognition of the clearly perceptible deepening inequalities between urban and rural areas.

The report highlights that in spite of some positive signals in the economy, there are significant disparities emerging between urban and rural areas. Income poverty is more common in urban areas while the reverse is the case in rural areas. These disparities propel increasingly rapid internal migration and urbanization. This could mean the emergence of more complex deprivation, including the urbanization of poverty. At current rates of migration, half of the population of the country will live in Ulaanbaatar by 2015. The Mongolia HDR 2003 details human development disparities in urban and rural areas, the responses of state and citizens to these changes and offers policy options to eliminate gaps between two areas. The Mongolia HDR 2003 also provides an updated picture of the state of human development and for the first time gives Human Development Indexes by region and aimag.

Mongolia's economic growth is expected to be steady for a second consecutive year and foreign investment is on the rise. The Government has finalized its first Millennium Development Goals Report and prepared the Economic Growth Support and Poverty Reduction Strategy. Success in the achievement of the Millennium Development Goals is contingent on tangible improvements in the lives of the urban and rural population, particularly the poorest people. Mongolia has to continue to invest in urban and rural development to reduce poverty and ensure an adequate standard of living for population in both rural and urban areas. Too often the poor remain excluded from development. They do not benefit because they do not participate in decision-making that directly affects their lives. They do not receive recognition for the economic and social contributions they make to development. Indeed, growth is essential, but public policy is needed to ensure broad-based growth that includes the poor in these benefits and to translate growth into human development. The Mongolia HDR 2003 advocates that economic growth is only a means of enlarging people's choices; human well being is the purpose and end of development.

Balanced development has been advocated in the report to reduce gaps between urban and rural areas. This does not only mean equitable investments in urban and rural areas, but also the empowerment of people in urban and rural areas to decide their development path. Greater decentralization, devolution and participation are key to balanced development.

UNDP would like to thank the independent experts and organizations that prepared the report and the advisory group that guided its finalization. We sincerely hope that this report will be used to enrich debates on human development and inequalities and draw attention to critical issues of the disparities, which could undermine, if not check, the future development of Mongolia.



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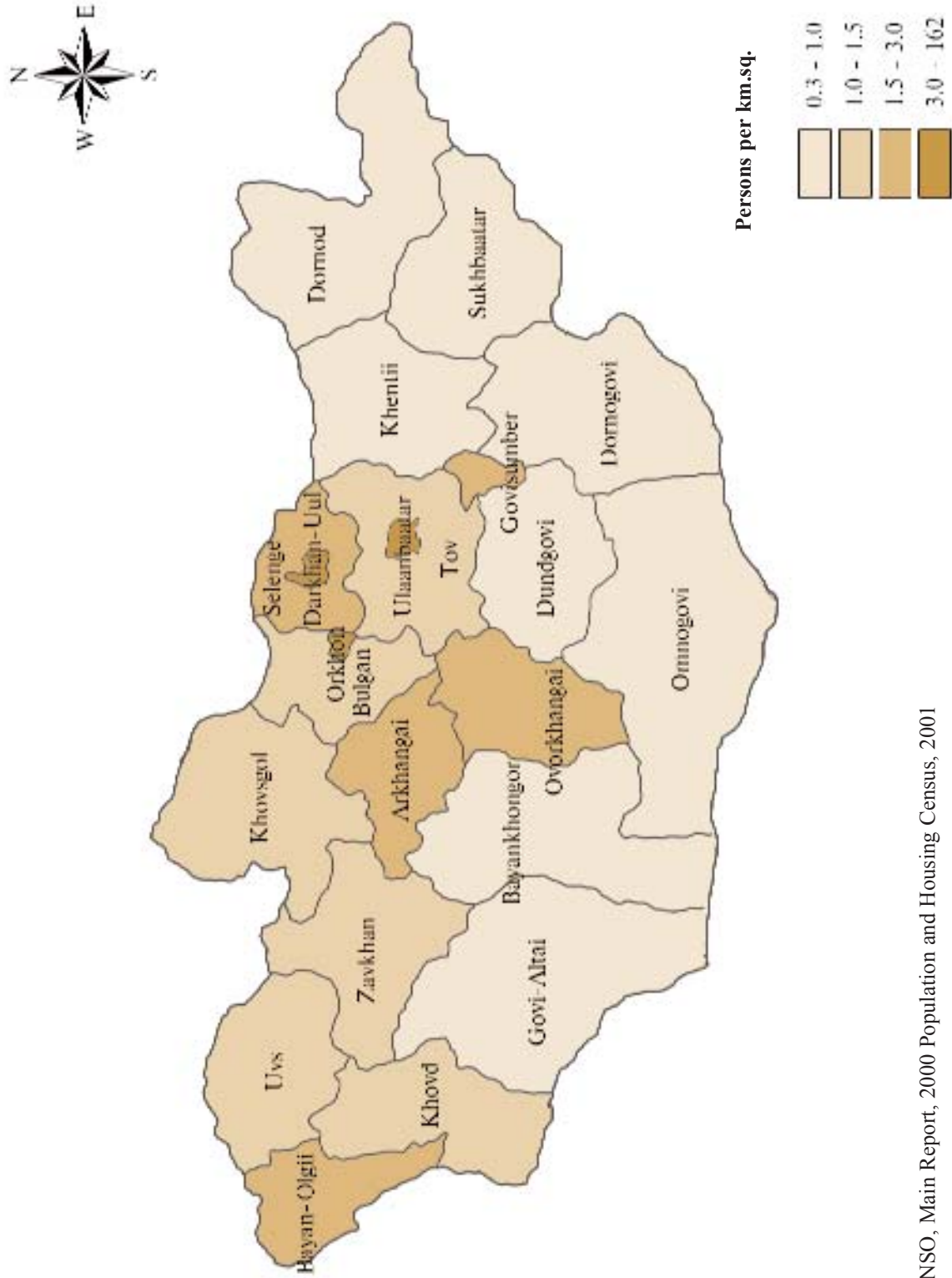
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A B B R E V I A T I O N S

ADB	Asian Development Bank
CMEA/COMECON	Council for Mutual Economic Assistance
EGSPRS	Economic Growth Support and Poverty Reduction Strategy
EU	European Union
FDI	Foreign Direct Investment
GEM	Gender Empowerment Measure
GDI	Gender- Related Development Index
GDP	Gross Domestic Product
GTZ	German Technical Cooperation Agency
HDI	Human Development Index
HDR	Human Development Report
HIV/AIDS	Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
HIPC	Heavily Indebted Poor Countries
HPI	Human Poverty Index
IFAD	International Fund for Agricultural Development
IMF	International Monetary Fund
ILO	International Labour Organization
LSMS	Living Standards Measurement Survey
IMR	Infant Mortality Rate
MDGs	Millennium Development Goals
MDGR	Millennium Development Goals Report
MMR	Maternal Mortality Rate
MoFE	Ministry of Finance and Economy
MoH	Ministry of Health
NGO	Non-Governmental Organization
NHRC	National Human Rights Commission
NNP	Net National Product
NSO	National Statistical Office
NPAP	National Poverty Alleviation Programme
ODA	Official Development Assistance
PLSA	Participatory Living Standards Assessment
PPP	Purchasing Power Parity
PRG	Poverty Research Group
PRSP	Poverty Reduction Strategy Paper
RHS	Reproductive Health Survey
SIDA	Swedish International Development Cooperation Agency
SMEs	Small and Medium Sized Enterprises
SNA	System of National Accounts
STIs	Sexually Transmitted Infections
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
UNESCO	United Nations Science and Cultural Organization
UNICEF	United Nations Children's Fund
UNIFEM	United Nations Development Fund for Women
UNFPA	United Nations Population Fund
USAID	United States Agency for International Development
WB	World Bank
WHO	World Health Organization
WTO	World Trade Organization

Map-1. Population Density, by aimag and city, 2000



Source: NSO, Main Report, 2000 Population and Housing Census, 2001

Having overcome the initial turbulence of transition experienced between 1990 and 1994 when real incomes collapsed, unemployment rose sharply and human conditions deteriorated, Mongolia is now poised to take advantage of the opening up of markets and the potential offered by private enterprises. A recent phenomenon, however, that has emerged is the striking differentials between rural and urban areas in the quality of people's lives. Eliminating these spatial inequalities - the theme of this year's National Human Development Report - is fundamental to accelerating human development and securing a prosperous future for the citizens of Mongolia.

Mongolia has recorded several gains in human development in the recent past. In 1999, the Human Development Index recovered to, and surpassed 1990 levels. Infant mortality has declined steadily from 64.4 deaths per 1,000 live births in 1990, to 48 in 1994 and 29.9 in 2002. Literacy levels had reached 98.0 percent by 2000 - 98.5 percent among men and 97.5 percent among women. School enrolment indicates an unusual "reverse gender gap", with more girls enrolled than boys and this applies to every aimag across the country.

Mongolia's economic performance has improved in recent years. GDP is estimated to have grown at 4.0 percent in 2002 - higher than in previous years, but well below the target of 5.5 percent needed to meet the country's poverty reduction goals. Also, little headway has been made in reducing income poverty. Both the depth and severity of poverty have increased in recent years, as has the inequality in income distribution. Close to 35.6 percent of the population was below the income poverty line in 1998 - marginally lower than the 36.2 percent recorded for 1995.

Women in Mongolia, unlike in many other countries, do not face a serious problem of gender discrimination. Progress for women has been quite positive in the past under the socialist regime as well as in recent years. However, not all developments and outcomes have been favourable to women. In 1998, the proportion of poor women (44.0 percent) was more than double the proportion of poor men (21.0 percent). Women's share of parliamentary representation has fallen from 23.0 percent in 1990 to 10.0 percent in 2000.

There are stark differences in the quality of life of people in rural and urban areas. The extent of rural disadvantage in Mongolia is very striking even though a higher proportion of the poor live in urban areas. The urban sector generates 61.6 percent of the country's GDP and conversely, the rural sector only 38.4 percent in 2002. However, in 1998, urban poverty (39.4 percent) exceeded rural poverty (32.6 percent). More than half (57.0 per-

cent) of the extremely poor lived in urban areas - 26.0 percent of them in the capital. Whereas, 43.0 percent of the poor lived in rural areas. Almost one-half of the maternal deaths in 2000 were women from herding households, perhaps hours by horse or motorcycle from the nearest source of help. Sixty percent of urban residents have central heating and bathrooms with showers, compared to 32.0 percent in aimags, and virtually no one in soums and baghs. Just 4.0 percent of ger dwellers in urban areas have telephones, compared to 10.0 percent in aimags, and 2.0 percent in soums and baghs.

Geography and topography are responsible for much of the striking spatial inequalities across the country. The cost of providing infrastructure and social services to a population dispersed over such a vast territory is high, and a challenge for a small, underdeveloped nation with a weak rural economy. It is difficult to reach many of the poor in Mongolia with health care, schools, inexpensive urban goods, and other services because they are scattered, isolated and highly mobile. The challenges raised by the vast amounts of space that separate communities in Mongolia are often referred to as "the tyranny of distance." The country's harsh climatic extremes - including long snowstorms, short growing seasons, dust storms and droughts - add to the vulnerability of rural residents who depend on livestock or the land for their livelihood. Remoteness and low population density in rural areas also add to the costs of public provisioning of basic social services. For example, fuel prices are 10.0 to 20.0 percent higher in rural areas.

Many Mongolians have responded to the massive economic change by migrating in search of opportunity, working in the growing informal sector, having fewer children, and trying to eke a living from herding. The birth rate has declined sharply over the past 10 years as Mongolians decided to have fewer children, or have them less frequently. Herders have responded to the changing circumstances and crises by diversifying income sources, liquidating assets, strengthening kinship and informal networks, borrowing from informal credit lenders. A new informal sector has grown side-by-side, and today offers employment to large numbers of people, especially women, who are well educated and highly skilled. But it remains unregulated and mostly incapable of offering adequate economic security to people. Many Mongolians migrated from cities to the countryside, and, especially later in the decade, from rural areas to cities. Besides migration between urban centres and the countryside, there were also movements from borders and remote areas to the centre, and from cities to foreign countries. All this movement has rendered large sections of the population more vulnerable and economically insecure.

The Government has initiated several policy measures to address growing inequality and poverty. Nevertheless, correcting the rural-urban inequalities requires that the State assign priority attention to four areas: pro-poor growth, balanced development, strengthened decentralisation, and financing human development.

Promoting pro-poor growth

Mongolia needs to address some structural and institutional dimensions closely linked to macroeconomic management. Specific measures needed to promote pro-poor growth ought to include:

- Various policy interventions to support competitiveness, including rationalisation, within WTO rules, of the tariff structure, and potentially, the devaluation of the national currency.
- Improved public provisioning of infrastructure in rural areas, including state delivery of collective production-supporting services (wells, veterinary provision and so forth)
- Encouragement of the private sector, particularly the growth of small and medium enterprises that generate employment and incomes for people, in particular through expanding the supply of credit to businesses.
- Appropriate policies and incentives to further attract foreign direct investments (FDI) to boost industrial performance.
- Strengthening the economy's regulatory framework.
- Rationalization and re-orientation of the patterns of social sector expenditures in order to correct the inequities in human development outcomes

Encourage balanced development

Ensuring balanced regional development is the most effective migration policy that Mongolia can pursue. Specific measures should include:

- Accelerating rural development by strengthening agricultural marketing, agro-business and manufacturing
- Initiating land reforms to prevent the degradation of overused pastures
- Investing in water wells, and herd support institutions to boost the productivity of animal husbandry
- Establishing and developing cooperatives for herders to engage in a more profitable cost-efficient business

- Promoting rural business enterprises with better access to credit, transportation, and other infrastructure
- Encourage the expansion of the informal sector by improving access to loans, new technologies, raw materials and equipment.
- Investing in urban housing and infrastructure to alleviate the overcrowding and poor conditions in many urban ger districts.

Strengthening decentralisation

The decentralisation process needs to be strengthened by:

- Augmenting the administrative and managerial capacity of aimag and local government staff.
- Empowering local governments to take on more governance responsibilities, including local budgeting, self-regulation, and local planning and policy development.
- Devolving governance and development functions to the lowest rung of government possible.
- Streamlining revenue mobilization responsibilities between the Centre and local governments.
- Encouraging meaningful public participation in local governance.
- Initiating confidence building measures to reinforce people's faith in democracy.

Financing development

Correcting the rural-urban imbalances necessarily implies a shift in the patterns of public spending recognizing fully that the costs of public provisioning of infrastructure and basic social services are likely to be much higher in rural areas than in the urban centres. The State has to mobilize and allocate a larger proportion of funds for such investments. More specifically, the State ought to:

- Evolve a pattern of public spending that looks beyond the aimag level to promote rapid regional and equitable development.
- Work out a realistic costing for the functioning of Citizens Representatives Khurals, executive and judiciary institutions.
- Step up investments to promote the quality of basic social services.
- Develop clear-cut guidelines for resource allocations that seek to reduce disparities and inequalities.

- Rationalize and reduce dependence on overseas development assistance.
- Monitor and minimize the burden of external debt.
- Improve and better manage the effectiveness of aid flows.

Tackling the issue of spatial inequality is fundamental to sustaining the country's many human development initiatives. The challenges before Mongolia are no doubt many. However, the real concern of the State must be to ensure that benefits accrue evenly to all citizens, not just to the privileged groups living in urban areas. In such endeavours lie the prospects of securing a prosperous future for all Mongolians.



CHAPTER 1

THE STATE OF HUMAN DEVELOPMENT



The state of human development

"The real wealth of a nation is its people. And the purpose of development is to create an enabling environment for people to enjoy long, healthy and creative lives." These are the opening lines of the first global *Human Development Report*, published in 1990. Since then, the focus of human development reports has been to judge progress, not simply by looking at trends in economic growth, but more comprehensively by focusing on a widening of choices, an enhancement of human capabilities, an assurance of human rights and an expansion of freedoms.

Mongolia has overcome the turbulence of the initial transition experienced between 1990 and 1994 when real incomes collapsed, unemployment rose sharply and the quality of life deteriorated. Since 1995, Gross Domestic Product (GDP) growth has been positive if not substantial, inflation is under control, and private sector performance has shown improvement. Positive social trends can also be seen. Primary school enrolment, which fell dramati-

Mongolia has overcome the turbulence of the initial transition experienced between 1990 and 1994.

cally after 1990 has begun to rise, and school dropout rates are showing signs of improvement. Child life chances are improving and immunization coverage has remained at a high level.

The recent economic revival has led to positive growth in GDP of 4.0 percent in 2002. In spite of this, the foundations of the Mongolian economy still remain weak. Little headway has been made in reducing poverty, and inequalities appear to be widening.

Trends in human development

Human development before 1990

For many decades, from 1921 until 1990, Mongolia remained a single-party state closely allied to the Soviet Union and Council for Mutual Economic Assistance (CMEA also known as COMECON). The pursuit of socialism until 1990 resulted in many impressive gains, including improvements in health and education, gender equality, social protection and human security. From a human development perspective, the most significant achievements of the socialist era were in the field of health, education and social security. By 1990, life expectancy had increased from 46.7 years in 1960 to 63.7 years, and adult literacy had risen to 97.8 percent. Virtually the entire population had access to health services; 98.0 percent of pregnant women received prenatal care; 87.0 percent of one-year-old children were immunized against disease; and malnutrition was rare. In accordance with the educational policies of the time Mongolians received on average eight years of formal

education. There was no recorded unemployment and income poverty.

The pursuit of socialism until 1990 resulted in many impressive gains, including improvements in health and education, gender equality, social protection and human security.

Ensuring universal access to basic health and education is no small achievement for a country where nomadism is the dominant lifestyle of the majority, where geography and topography make the physical provision of basic services extremely difficult, and where popu-

lation density is extremely low. Population density even today is only 1.6 persons per square kilometre - one of the lowest in the world

Also impressive during the socialist period were the achievements in the realm of gender equality. A quota system existed during this period that promoted women's participation in decision-making. In 1989, about 95.0 percent of women were literate and, 86.0 percent of women were in the work force. Women accounted for 43.0 percent of graduates from tertiary education, and dominated professions such as medicine and education.

The State's performance in the economic sphere was considerable in terms of the speed at which industrialisation took place, yet the economy still required enormous direct subsidies from the former Soviet Union to sustain the levels of consumption. Most of the industrial enterprises were large state monopolies, there were no small enterprises and the informal sector did not exist. The share of Net National Product (NNP) accounted for by industrial production increased from 7.0 percent in 1940 to 35.0 percent in 1985. But, by and large, agriculture was starved of investment. The agricultural sector grew less rapidly than the population. A small number of state farms were created and these were highly mechanized, generating little employment. The internal terms of trade were unfavourable to the rural economy and the livestock sector. Indeed, prices received by rural producers are reported to have remained virtually unchanged for three decades, until 1991. The rural sector was isolated from the rest of the economy - and remains largely so to this day. But having made this point, central planning did provide a framework supportive of livestock husbandry that at least ensured agricultural public goods were provided, such as drinking wells, veterinary services and animal fodder. And arguably, the collapse of this limited provision, during the transition, intensified the impact of the dzuds (massive winter storms) of the late 1990s.

From a human development perspective, the biggest failing of the socialist regime was the curbing of individual freedoms. The ideology of the one-party system placed restrictions on an individual's freedom of speech

and political participation. There were also restrictions on the freedom of the press and media. Private initiative and enterprise were stifled. Opportunities to voice demands on the State were limited.

Human development after 1990

From a human development perspective, the biggest failing of the socialist regime was the curbing of individual freedoms.

With the collapse of the Soviet Union and CMEA in 1990, Mongolia, like other countries, found itself undergoing rapid transition, swept along by the wave of democracy, by the urge to abandon State control, and by the promise of markets to expand

consumer choice and the potential to accelerate human development. The democratic movements of early 1990s led ultimately to the first multi-party elections, the introduction of a new constitution and the beginning of the transition from a centrally planned to a market-guided economy.

The shift to a market-guided economy was turbulent as Mongolia pursued a "shock-therapy" approach: industry collapsed and social services and employment faltered. The initial years of reform and transition - between 1990 and 1994 - saw a marked deterioration in human development. Real incomes fell, human insecurity increased, and people became more vulnerable as employment opportunities shrank. Many of the gains during the socialist regime were directly linked to both heavy external subsidies during the pre-1990 period and the guaranteed export of Mongolian products on favourable terms to the CMEA countries. When this external support was withdrawn in 1990 the extensive socialistic system of public provision that had been established across the nation was simply not sustainable with Mongolia's limited national resources. Likewise, many of the domestic industries were either not viable or ill-equipped to enter the competitive global economy. This combination of the deterioration in social services and the loss of employment from the closure of former state industries have led directly to Mongolia's current problematic position with high levels of poverty and human insecurity.

In 1995, a modest recovery began and the nation has overcome the initial turbulence of transition. The massive deterioration in living standards has been arrested although not completely reversed. At the same time, agriculture, the private and informal sectors have absorbed a substantial share of the labour released from the state sector. Inflation is no longer rampant, the togrog is stable and private sector businesses are doing better. However, Mongolia has much ground to cover in terms of enhancing people's capabilities and assuring citizens a decent quality of life.

Measuring human development

Human Development Reports have since their inception in 1990, published the Human Development Index (HDI), which serves as a broader measure of human development. The HDI measures the overall achievements in a country in three basic dimensions of human development; longevity, educational attainment (adult literacy and combined primary, secondary and tertiary enrolment) and adjusted income.

It was not until 1999 that the Human Development Index surpassed the 1990 level.

According to the global Human Development Report 2003, Mongolia ranks 117th out of 175 countries for which the HDI is calculated. HDIs for selected transition countries are provided in the Annexes to this report.

It was not until 1999 that the HDI surpassed the 1990 level. In recent years this trend of improvement has continued. The National Statistical Office (NSO) has computed Mongolia's HDI for 2002 as 0.679. These points are illustrated in the table below.

Table 1.1 Human development index for Mongolia

Years	Life expectancy at birth (years)	Adult literacy rate (% 15 age and above)	Combined primary secondary and tertiary gross enrolment ratio (%)	GDP per capita (PPP, US\$)	Life expectancy index	Education index	GDP index	Human development Index
1990	63.7	96.5	60.4	1,640	0.645	0.845	0.467	0.652
1992	62.8	97.7	54.3	1,266	0.638	0.874	0.474	0.626
1995	63.8	98.9	57.0	1,267	0.647	0.849	0.474	0.635
1998	65.1	96.5	62.0	1,356	0.669	0.850	0.435	0.651
1999	63.2	97.8	66.0	1,707	0.636	0.872	0.472	0.661
2000	63.2	97.8	69.6	1,838	0.636	0.884	0.486	0.669
2001	63.4	97.8	69.6	1,968	0.639	0.884	0.497	0.674
2002	63.5	97.8	69.7	2,125	0.642	0.884	0.510	0.679

Source: NSO, Calculation for Mongolia HDR 2003.

Dimensions of human development

Mongolia has experienced many demographic changes since 1990. The country has a relatively young economically active population. Of the approximately 2.5 million people at the end of 2002, 38.0 percent were below the age of 16 years, and 55.0 percent were in the working age group. Mongolia's total fertility rate has fallen from 4.6 in 1989 to 2.1 in 2002. The current birth rate



is 20.6 per 1,000 population - down from 36.5 in 1989. As a result, the number of children born has fallen in recent years - from 73,209 births in 1990 to 46,922 in 2002. The number of deaths has also fallen sharply from 17,559 to 15,857 between 1990 and 2002, as the death rate fell from 8.5 to 6.4 per 1,000 population.

The following section reviews progress and achievements in terms of the key dimensions of human development.

Survival

Average life expectancy in Mongolia, which was 63.7 years in 1990, fell to 62.8 in 1992, yet by 2002, it had gone up to 63.5 years.

In addition, data from the NSO suggests a steady decline in infant mortality from 64.4 deaths per 1,000 live births in 1990, to 48.0 in 1994 and 29.6 in 2002. These estimates are based on a reliable system of vital registration.

Whereas child mortality has shown improvement, maternal mortality has not.

Maternal mortality has been fluctuating sharply; between 1985 and 1990, the maternal mortality rate (MMR) ranged from 1.5 to 1.2 per 1,000 live births. In 1993, however, it shot up to 2.4 reflecting the tragic human consequences of the initial years of transition. Maternal mortality has come down since then, it fell to 1.4 in 1997, and by 2002 it was down to 1.2¹. In spite of this decline and the fact that almost all births are assisted by trained birth attendants, concerns remain about the safety

of expectant mothers. Almost half of the maternal deaths occur among women belonging to herding communities². According to the 2002 health statistics, the main causes of maternal deaths were pregnancy complications 40.0 percent, delivery complications 28.0 percent, post delivery complications 7.0 percent, and other associated disorders 25.0 percent.

Health

Before 1990, during the socialist regime, the health system ensured free and universal health coverage to the entire population. Much of the health infrastructures created in the socialist era remain, but they need to be refurbished and modernised. Access to health care facilities however, is far from uniform. Much of it is concentrated in Ulaanbaatar and the main cities, and aimag centres. In 2002, there were 754 hospitals with 18,616 beds, and 6,823 physicians, and thus there was, on average, one physician for every 360 persons. These are impressive statistics. Yet at the same time, the ratio of population to physicians varied greatly from 209 in Ulaanbaatar and 314 in Orkhon to over 700 in Arkhangai, Bayankhongor, Zavkhan, Khovsgol, Uvs and Tov aimags.

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In 2002, cardiovascular diseases and cancers accounted for more than 58.0 percent of all deaths - and acute respiratory infections and diarrhoea remained the leading causes of death among infants. According to the 1998 Reproductive Health Survey (RHS), almost 98.0 percent of deliveries in urban areas and 92.0 percent in rural areas took place in a healthcare facility. And a gynaecologist, a doctor or a professional midwife conducted almost 98.0 percent of deliveries.

¹ MoH, Health Sector of Mongolia 80 years. 2001; MoH, Health Indicators 2002.

² MoH, Strategy for the Reduction of Maternal Mortality 2001-2004.

Table 1.2 Access to reproductive health services (%)

Region	% of pregnant women receiving antenatal care from			Place of delivery		Assistance during delivery		
	Gynaecologist	Other doctor	Professional	Health facility	At home	Gynaecologist	Other doctor	Professional
Central	45.6	16.9	26.5	93.1	5.1	39.4	11.9	41.4
East	39.2	13.3	42.3	94.8	5.0	30.7	18.0	44.5
West	32.7	19.6	33.0	91.9	7.6	29.3	16.5	45.4
South	50.5	8.6	27.2	95.3	4.7	40.1	6.5	48.7
Ulaanbaatar	79.7	14.1	2.7	97.9	1.6	63.6	8.2	26.3
Location								
Urban	71.7	19.9	3.5	97.7	1.9	59.1	9.3	29.3
Rural	33.7	13.9	38.9	91.8	7.0	28.8	14.8	47.1
Total	48.4	16.2	25.2	94.1	5.1	40.5	12.7	40.4

Source: NSO, Reproductive Health Survey 1998, 2000

Urinary tract infections and anaemia are reported to be common antenatal problems. The 1998 RHS also points out that aimag and soum hospitals lack the minimum laboratory facilities to make definitive diagnoses. Drugs are in short supply and, iron and folic acid tablets are not distributed to pregnant women.

The study also shows that sexually transmitted infections (STIs), especially gonorrhoea and syphilis are increasing throughout the country. Between 1991 and 2002, the incidence of syphilis increased from 3.7 to 6.7 per 10,000 population and of gonorrhoea from 9.4 to 19.6 per 10,000 population. Rates of unemployment and poverty remain high (almost half of those infected with STIs are unemployed or homeless).

In the light of widespread STIs, the low prevalence of Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome (HIV/ AIDS) is no cause for complacency. Moreover, Mongolia has a number of other risk factors, which predispose it to the risk of infection. Specifically:

- a young population with 50.0 percent being under 23 years of age;
- an increased number of sex workers and a reduction in the age of new entrants to the sex trade;
- a rise in migration and population movements between countries, by people in search of work, trade or study;
- a steady rise in intravenous drug-use, which although not widespread yet, is growing;
- the rapid spread of HIV infections in recent years in neighbouring countries such as Russia, Kazakhstan and China.

The near doubling in the incidence of tuberculosis between 1991 and 2002 from 7.4 per 10,000 population to 14.9 in 2002 presents a serious concern for Mongolians. The country is one of the 7 World Health Organization (WHO) Asia-Pacific countries with high incidence of tuberculosis³.

Most of the people with tuberculosis are unemployed, and poor people. Though the medical treatment has been relatively successful, the incidence has not declined.

Available data suggest that the average nutritional status of children is fairly good. Less than 3.0 percent of children below five years are reported to be underweight. This relatively low figure also reflects the good nutritional status of mothers. However, anaemia among women remains high. According to the 2000 Child and Development Survey, close to 16.0 percent of pregnant women were found to be anaemic. And the proportion of low birth weight babies born less than 2.5 kilograms is 23.0 percent among boys and 18.0 percent among girls. Some analysts feel that rising unemployment and the associated fall in real incomes has placed an increasing burden on women that has affected caring practices and this is beginning to threaten the nutritional security of children.

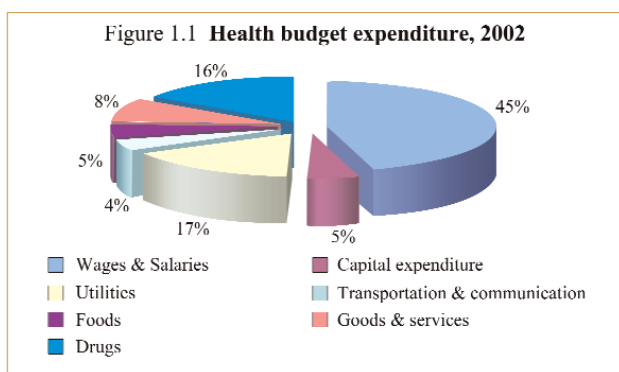
Across the country many have no access to safe drinking water. According to the Living Standards Measurement Survey (LSMS) 1998, close to half of the population received water from sources regarded as unsafe, such as unprotected wells, rivers, run-off or snow. In urban areas, only a quarter of the poor have access to piped water from central sources compared to half of the non-poor. Ger area residents in urban areas face severe problems of access to safe water.

³ Government of Mongolia, Economic Growth Support and Poverty Reduction Strategy, 2003.

In 1990, 70.0 percent of health sector financing came from the State. This fell to 54.0 percent in 2002.

Although urban residents are engaged in production and services that do not depend on nature and climate, they suffer from pollution due to high concentrations of people and industry. Air pollution in the cities harms the health of urban residents. The three power stations, located in Ulaanbaatar use over 5.0 mln. tonnes of coal, and the stoves of over 80,000 gers and 250 steam boilers emit over 200 different poisonous gases. At the same time the exhaust fumes of more than 40,000 cars emit carbon dioxide and heavy metals. Frequently, air pollution in the capital city exceeds safety standards 5 to 10 times over. As a result, the urban population in winter suffers from a sharp increase of respiratory diseases, influenza, and lung diseases.

Total expenditures on health went up from 3.1 percent of GDP in 1995 to 4.7 percent in 2002. In 2001, health accounted for 12.0 percent of total budget expenditures. Health expenditures are financed from three main sources: the state budget, health insurance and from payments for services. Since 1990, there has been a sharp decline in public expenditures on health. In 2002, it accounted for 10.6 percent of total government expenditure. A breakdown of health expenditure is provided in the figure below.



Source: Directorate of Medical Services, MoH, Health Indicators, 2002.

Educational attainment

Literacy levels are high in Mongolia with little variation across regions, but at the same time, the number of children dropping out of school has increased during the transition. Literacy levels had reached 98.0 percent by 2000 (98.5 percent among men and 97.5 percent among women) largely due to a vast and innovative network of schools set up under the socialist regime. Overall literacy rates varied only minimally within the country from 96.5

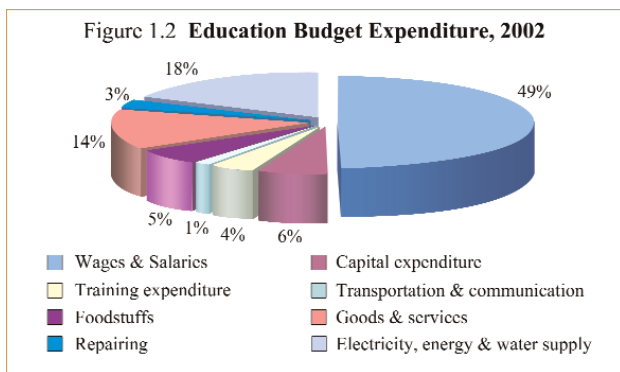
percent in Dundgovi to 99.0 percent in Darkhan and Erdenet. This achievement is indeed remarkable given the extremely low density of population, and the predominant nomadic lifestyle in rural areas. Basic education is still largely provided in schools free of charge.

The education sector, in the initial years of reform faced a series of setbacks following the cessation of Soviet aid. In particular, inadequate resources were available for heating and maintenance of the school infrastructure. Moreover, the privatisation of livestock led to an increase in school dropout rates, especially among boys who were needed for cattle rearing. As a result, enrolment in the first three years of schooling fell from 233,000 in 1990 to 187,900 in 1995. The overall enrolment rate, which was 98.6 percent among 8-15 year olds in 1990, dropped to 84.3 percent in 1995. A further significant reason for the increase in the number of dropouts between 1990 and 1995 was the introduction of fees to recover the costs of school dormitories. Even though such charges may appear to be nominal, they impose a substantial burden on rural poor families - who have been facing declining real incomes and increasing unemployment.

In 2002, almost 88,711 children had access to 668 pre-school institutions. There were more than 527,931 students studying in 688 schools spread evenly across the country. In addition, another 19,493 students were pursuing vocational education in 2003. In 2002, a favourable pupil-teacher ratio of 32 in primary schools and 23 in secondary schools was reported. There is a very small difference in pupil-teacher ratios across aimags.

School enrolment data indicates an unusual 'reverse gender gap', with more girls enrolled than boys - in every aimag across the country. This is particularly noticeable at the higher levels of education where typically girls greatly outnumber boys.

Total expenditures on education went up from 4.6 percent of GDP in 1995 to 8.8 percent in 2001. The Law on Education mandates that an expenditure level of education sector should be not less than 20.0 percent of the budget expenditure. In 2002, education accounted for 18.9 percent of total budget expenditures. A breakdown of education expenditure is provided in the figure below.



Source: NSO, Macroeconomic and Business Statistics Department, 2003.

Economic performance

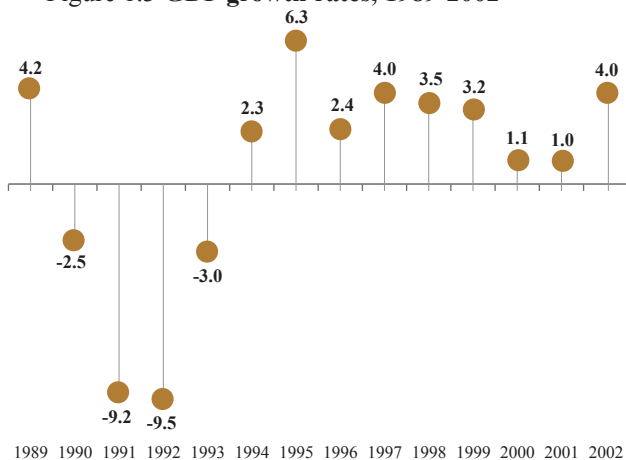
Mongolia's GDP fell sharply in the initial years of transition. In 1991, the country recorded a negative growth rate of 9.2 percent and in 1992, of 9.5 percent. There has been a recovery since then, though growth has been rather weak in recent years. Real GDP went up by 1.0 percent in 2001 and by 4.0 percent in 2002. It is also worth noting that because of ongoing population growth, the change in real per capita GDP has been considerably lower, and negative in some years.

In 2002, real GDP went up by 4.0 percent - higher than in previous years.

Targets for 2003, given in the Economic Growth Support and Poverty Reduction Strategy suggest a growth rate in GDP of

5.5 percent. This is the base-case scenario and clearly the target rate is higher than the rates recorded for recent years.

Figure 1.3 GDP growth rates, 1989-2002

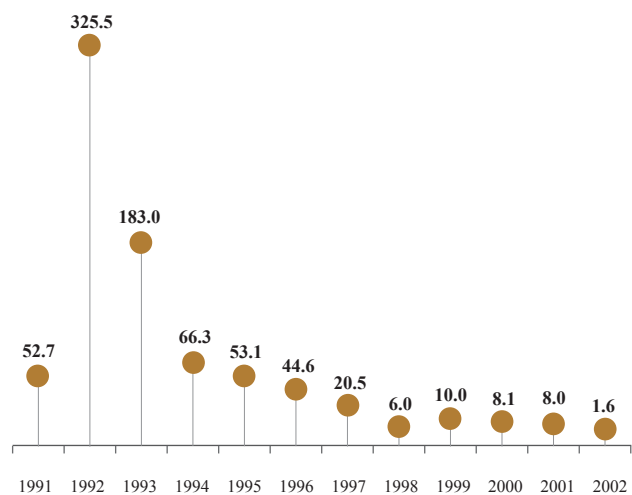


Source: NSO, Mongolian Statistical Yearbook, 1989-2002.

The composition of GDP has undergone a significant change between 1995 and 2002. In 1995, agriculture accounted for 37.1 percent of GDP. By 2002, this share had dropped to 20.0 percent. Between 1995-99, the share of livestock husbandry in GDP was between 37.0-38.0 percent. But unfavourable climatic conditions during the dzuds of recent years saw a sharp decline in the share of this sector. Over the same period, however, the share of services went up from 34.5 percent to 56.8 percent in 2002. Growth in recent years has been spurred by the mining sector. Unfortunately this has little potential for generating employment, though it does boost opportunities for mobilizing additional taxes and stimulating activities in the service sector.

The inflation rate was stable at around 8.0 percent in 2000 and 2001. In 2002, it fell to 1.6 percent - the lowest since 1991. In July 2003, prices have risen by 6.5 percent compared with the same period of the previous year, and had risen by 5.2 percent compared to the end of 2002⁴. However, interest rates remain strikingly high in Mongolia and the supply of credit remains limited. The substantial growth in money supply has not been accompanied by inflationary outcomes. This suggests that monetary policy is too restrictive.

Figure 1.4 Inflation rates, 1991-2002, (%)



Source: NSO, Mongolian Statistical Yearbook, 1997, 1999, 2000 and 2002.

⁴ NSO, Monthly Bulletin of Statistics, July 2003.

Mongolia's economy and its citizens' livelihoods depend on prices for animal raw materials, skins and hides, woven and knitted items and minerals - which make up over 90.0 percent of exports. Since most of our exports are concentrated in a few raw materials, Mongolia is especially vulnerable to falls in world market prices. An average, 62.0 percent of a herder's household income is derived from the sale of wool and cashmere and 29.0 percent from the sale of livestock⁵. In the period 1995 to 2001, the average annual price for copper concentrate fell by 54.3 percent and the price of cashmere dropped by 4.4 percent. Both of these factors greatly affected incomes⁶.

The country's demand for industrial products is not met entirely by domestic production. Mongolia produces a narrow range of specialized goods. So dependency on imports has been high, and foreign trade has always occupied an important place in the economy. Mongolia imports more than it exports and relies and uses capital inflows particularly foreign aid, to bridge the trade deficit. In 2002, total trade turnover reached an estimated US\$1.21 bln⁷. Exports contracted by 4.0 percent due to lower copper prices and textile exports, whilst imports grew by 3.3 percent. A fairly significant depreciation in the currency does not appear to have remedied the situation and the country still faces a sizeable trade deficit. Minerals accounted for almost a third of all exports. Erdenet Mining Corporation alone accounted for nearly 28.0 percent of total exports. Textiles and textile products accounted for 27.3 percent of exports. Machinery and electric appliances accounted for nearly 19.5 percent of imports, foodstuffs for 19.0 percent, and oil products for 16.6 percent.

Alongside the foreign trade deficit, debt has increased markedly. This in turn has led to an increased tax burden on urban and rural areas. Private transfers (amounting to US\$64.4 million in remittances) and official capital transfers, however, offset the trade deficit, and produced a balance of payments surplus of US\$72.4 million in 2002⁸.

Trade data for Mongolia reveals continuing vulnerability to fluctuations in the world economy. Some experts have suggested that a 1.0 percent increase of world market prices causes a 0.15 percent slump in the country's GDP.

The overall fiscal balance, as a percentage of GDP, fell from 13.0 percent of GDP in 1999 to 4.5 percent in 2001 and then rose to 5.7 percent in 2002. Underlying the reduction in fiscal deficit are cuts in public spending that are slowing down progress in the social sectors and also limiting the pace of much-needed institutional capacity building in Mongolia.

Income poverty

Income poverty is a new phenomenon in Mongolia. It was virtually non-existent before 1990. However, follow-

ing the transition wages have, in general, remained low. The LSMS 1998 gives the most recent and reliable data on income poverty. According to this Survey, 35.6 percent of the population was below the income poverty line in 1998, marginally lower than 36.2 percent in 1995.

Box 1.1

Measuring poverty in Mongolia: methodological improvements

The Government of Mongolia has made dramatic improvements in both the quality of information on poverty in the country as well as its technical capacity to collect and maintain the data over the course of the 1990s. These efforts were supported by two LSMSs funded by the World Bank in 1995 and by UNDP in 1998.

The poverty threshold in Mongolia is based on an estimate of the income necessary to purchase a 2,100 kilocalorie diet, with an adjustment for necessary non-food expenditures. In 1998 two important changes were made to the measurement of poverty in the country. First, the Mongolian Parliament approved the Law on the Population Poverty Line and its Determination. As its name implies, the law transferred the administrative authority for setting the national poverty line from the Cabinet to the NSO. Equally significant was the second change, when starting in 1999, the NSO began to construct the poverty line based on the results of the 1998 LSMS, adjusted annually for inflation.

These nationally representative household income and expenditure surveys, as well as the poverty measurements drawn from them, represent a significant departure from the NSO's monthly Household Income and Expenditure Survey and related poverty measurements in several respects.

A second major improvement in both of the LSMSs was the utilization of regional price indices to account for cost-of-living variation across the country. The government's earlier method only made adjustments for the difference between urban and rural food prices. There are several slight differences in both the structure of the survey and the calculation of poverty lines between the two years. In particular, households from two new aimags, Khovsgol and Govi-Altai, were sampled in 1998. In that year the NSO also chose to calculate poverty lines for each region as a whole, something not done in 1995.

Source: Keith Griffin, Poverty Reduction in Mongolia, 2003.

⁵ Rural Business News, No. 9, 2002.

⁶ Customs Office, Foreign Trade and Customs Statistics, 1995-2001.

⁷ NSO, Mongolian Statistical Yearbook, 2002.

⁸ Bank of Mongolia, Annual Report, 2002.

Although the incidence of poverty declined marginally between 1995 and 1998, because of population growth, the number of poor people in Mongolia increased. In 1995, an estimated 828,700 lived below the poverty line, by 1998; another 21,100 Mongolians had joined the ranks of the poor taking the total to 849,800 people. More than half of this increase (54.0 percent) was in urban areas.

The depth of poverty and its severity worsened in Mongolia between 1995 and 1998. The Gini-coefficient went up from 0.31 in 1995 to 0.35 in 1998 reflecting the growing disparities in levels of incomes. At the same time, there is an increase in inequality of incomes within large urban centres and between them and remote

The number of poor people in Mongolia increased between 1995 and 1998. The depth of poverty and its severity worsened.

aimag centres. There is also a divide between the income in *soum* centres, and among herders, and within the *soum* centres

themselves. The poverty depth measure, that captures the difference between the poverty line and the incomes of the poor, went up from 10.9 percent in 1995 to 11.7 percent in 1998. During this period, the poverty severity index, that reflects consumption inequality amongst the poor, showed a 17.0 percent deterioration. Data on poverty suggest the emergence of two distinct classes of people, the rich and the poor, and the gap between these two groups continues to widen.

There is a close link between the levels of education and the incidence of poverty. As would be expected, a smaller proportion of the educated are poor. Table 1.3 presents the incidence of poverty according to the level of educational attainment. The survey also classified the population into five categories: very poor, poor, and three categories of non-poor: not poor (low), not poor (middle) and not poor (upper). In the category of very poor, only 21.0 percent of the heads of rural households had higher than a secondary education. Conversely, the proportion of the upper non poor with higher than secondary education was as high as 73.1 percent in urban areas. This is well above the comparable figure for rural areas. These figures are quoted in full in the table below.

Table 1.3 Percentage of heads of household with higher and secondary education, by income level

	Very poor	Poor	Non poor (L)	Non poor (M)	Non poor (U)
Urban	31.0	47.3	57.1	66.3	73.1
Rural	21.0	18.8	19.8	28.1	31.5

Source: NSO, LSMS, 1998.

The rural economy heavily depends on the livestock sector. Herding is characterized by a barter economy with many households surviving at a subsistence level. Almost 98.0 percent of a herder's income depends on livestock

husbandry. Only when the number of animals is sufficiently large herders can earn a surplus. A herd size of 200-300 animals is considered necessary to make a reasonable living and meet the basic needs of an average household with 4-5 members⁹. But the majority of herder households have herd sizes below this threshold. Nearly 85.0 percent of the herders have less than 200 animals and almost 63.0 percent have less than 100 animals. The absence of local markets exacerbates the economic isolation and vulnerability of herders, who often must either sell or barter their products to itinerant traders at unfavourable terms or incur high transport costs to urban markets. Poor infrastructure makes access to markets difficult and expensive.

A severe shortage of water has further added to the vulnerability of livestock and the incomes of herders. Between 1990 and 2000, the number of functioning wells fell from 41,600 to 30,900. Of these, the number of mechanized wells fell from 24,600 to 8,200 and capacity of water points decreased by almost three times. The water shortage had its adverse impact on the availability of pasture.

Unemployment

The official registered unemployment rate in Mongolia has fallen steadily from 7.8 to 3.4 percent between 1997 and 2002. Though more women are unemployed than men. Caution is required here though as government unemployment figures reflect only the numbers that are registered with the employment offices and are therefore of limited value, since they under-estimate the real level of economic inactivity.

According to the LSMS 1998, which sought to provide an alternative economic activity-based measure of unemployment, suggested the overall rate was 15.0 percent with the urban and rural rates being 30.0 percent and 11.7 percent respectively. Additionally, the 2000 Population and Housing Census data shows that the total rate was 17.5 percent, the urban rate 24.4 percent and rural rate 10.2 percent.

Setting this aside, the official figures do at least, provide some guide as to the direction and rate of change. These show the unemployed increased dramatically between 1991 and 1994 from 55,407 to 74,881 an increase of 35.0 percent. Since then, the numbers have fluctuated dropping to 45,107 in 1995 and rising to 63,690 in 1997. In 2002, there were 30,900 registered unemployed, of which 16,800 (54.3 percent) were women. The unemployment rate among women is 3.8 percent, which is about 12.0 percent higher than the national level, and 22.0 percent higher than the men's unemployment rate¹⁰.

⁹ MoFE, PRG, An examination of the effectiveness of herd restocking strategies in building and securing the incomes and the livelihoods of herder households, 2003.

¹⁰ NSO, Mongolian Statistical Yearbook, 2002.

Gender disparity

An assessment of the legislative framework and the relatively small gaps in the aggregate social indicators, such as the Gender Development Index (GDI), suggest that Mongolia does not face a serious problem of gender inequality. In 2002, for instance, women accounted for 50.4 percent of the total population, and 51.3 percent of the labour force. The Employers Association Survey conducted among 482 small and medium enterprises (employing between 1 and 21 people) reported that only one third of entrepreneurs were female. The actual rate of women's participation in these enterprises was 38.0 percent. The proportion of women was highest though in the smallest companies (1-5 people) and decreased with companies of progressively larger size¹¹.

Mongolia has also achieved a range of extremely impressive outcomes with respect to female education. Since the socialist era, enrolment rates of girls have consistently been higher than among boys for primary, secondary and tertiary education. There has been, during the period of transition, a widening 'reverse gender gap' in secondary and tertiary education though enrolment rates of both boys and girls have fallen. In secondary education, gross enrolment rates of girls are 20.0 percent higher than boys, while in tertiary education women now account for 70.0 percent of all students. The main reasons for the growing gender gap in education have been the withdrawal of boys from school to assist in income-earning activities - mainly herding - and the collapse of the vocational education system that was traditionally male-dominated¹².

However, not all developments and outcomes have been favourable to women. During the transition, many women lost employment-based benefits and economic security formerly offered by their state employers. Despite the achievements in education, they have not been able to take full advantage of their higher educational status and the emerging opportunities. The pattern of employment shows a considerable division of labour and discrimination especially when it comes to managerial positions. The retrenchment of the public sector, where women were allowed generous maternity benefits, has meant their entry into the more insecure private and informal sectors. The decline in public provisioning by the State of childcare and closure of crèches and kindergartens, coupled with a high cost of private child care, have made it difficult for women to seek employment. Increasingly through the transition process, there has been some reinforcement of the roles of women in domestic and care spheres, and men have reasserted their traditional role as heads of households. Moreover the number of female-headed households has increased by 11.8 percent in 2002 compared to 1999.

Since 1990, the number of women occupying elected offices, has decreased significantly. Today, the nation's

political leadership is male dominated. Women's share of parliamentary representation has fallen from 23.0 percent in 1990 to 10.0 percent in 2000. There are no women in the Cabinet and not a single aimag governorship is held by a woman.

Since 1990, the number of women occupying in elected office has decreased significantly.

The situation at the higher levels of the public service is no better, barely 12.0 percent of members of the Supreme Court are women, and only 11.0 percent of diplomatic service personnel are female.

Women also lack adequate security in the work place. There are few effective employment protections for women in the private or the informal sectors. Neither do most of them they enjoy the benefits of job tenure, labour safety and hygienic conditions. Women also lack access to resources, funds, and market information in order to set up businesses. They also have limited access to information on recent legislation and social entitlements.

Women face a significantly higher incidence of poverty throughout the country; in the capital city, in aimags, in soums, and in rural areas. For example, in Ulaanbaatar, data for 1998 reveal that the proportion of poor women (44.0 percent) is more than double the proportion of poor men (21.0 percent). A similar differential exists in the soums, where 52.0 percent of women are poor, against only 28.0 percent of men. However, in the remote rural areas, the proportion of men (25.2 percent) who are poor marginally exceeds the proportion of poor women (23.6 percent).

Table 1.4 **Incidence of poverty, by sex of household heads and location, (%)**

	Capital	Aimag	Soum	Rural
Male	21.4	39.1	28.5	25.2
Female	43.8	53.2	51.7	23.6

Source: NSO, LSMS, 1998.

Gender-Related Development Index (GDI)

The GDI uses the same variables as the HDI. The difference is that the GDI adjusts the average achievement of each country in life expectancy, educational attainment and income in accordance with the disparity in achievement between women and men. In 2002, Mongolia's GDI was 0.679 - the same as its HDI. On the face of it this is a very favourable result, indicating at the macro level at least, a lack of gender disparities. But as the discussion above indicates this aggregate level data hides many ills.

¹¹ UNIFEM, Women in Mongolia: Mapping Progress under Transition, Mongolia, 2001.

¹² Government of Mongolia, MDGR Background Paper (unpublished), 2003.

Table 1.5 Gender development indicators, 2002

Indicators	
Life expectancy at birth (year)	
Male	60.8
Female	66.5
Adult literacy rate (% 15 age and above)	
Male	98.0
Female	97.5
Combined primary secondary and tertiary gross enrolment ratio (%)	
Male	66.3
Female	73.0
GDP per capita (PPP, US\$)	
Male	1,950.7
Female	2,303.2
Equally distributed life expectancy index	0.643
Equally distributed educational attainment index	0.884
Equally distributed income index	0.509
GDI	0.679

Source: NSO, Calculation for Mongolia HDR 2003.

The Gender Empowerment Measure (GEM) uses variables constructed explicitly to measure the relative empowerment of women and men in political and economic spheres of activity. A relatively low GEM for Mongolia of 0.458 in 2002, shows that women's participation in political and economic life is low and they lack authority in the public sphere.

Infrastructure

The improvement in Mongolia's physical infrastructure since 1992 has been limited. Over the past 10 years, official statistics reveal that:

- Only 500 kilometres of tarmac roads were added
- Electricity production has remained almost unchanged.

Participation

Participation means taking an effective role in decision-making and planning. Poverty can prevent people from shaping policies that influence their own human and

The number of non-governmental organizations, including professional associations and clubs, has multiplied five-fold between 1997 and 2001.

economic development. Channels for participation have opened for Mongolians, through the growth of civil society, expansion of the market, democracy, and telecommunications. However,

public participation is low, due to a lack of initiative, and due to the inertia left behind by a command-administrative system, which discouraged ordinary people at the grassroots from taking personal and community responsibility. In addition, the low population density and under-developed communication networks has added barriers to participation, while there exists a poor understanding of democracy and human rights.

Mongolia's Constitution, enacted in 1992, established a multi-party system, democratic elections of representatives, and, at the same time, preserved the national tradition of enabling direct participatory governance at the local level. Citizens hold general meetings at the bagh level in aimags, and at the khoroo level in the capital.

Local elections have been held three times since 1990. However, Mongolians have yet to fully take advantage of these opportunities.



As the table below illustrates overall political activity has declined since the early 1990s. Interestingly, rural voting in regional and national elections is higher than urban voting.

Table 1.6 Infrastructure development, 1992-2002

Indicators	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Improved roads (km)	3,076	3,101	3,163	3,223	3,325	3,350	3,351	5,451	5,516	5,582	5,547
Tarmac roads (km)	1,303	1,308	1,359	1,413	1,471	1,519	1,532	1,712	1,715	1,715	1,802
TV transmission & re transmission stations	491	599	700	674	664	633	639	645	625	619	647
Number of telephone units (thous. units)	69.2	66.4	69.3	75.5	82.1	86.8	93.8	104.1	112.2	119.7	126.7
Number of cellular phone users (thous. persons)	-	-	-	-	1.5	3.6	5.3	48.2	75.1	91.2	256.8
Number of internet users (thous. persons)	-	-	-	-	-	-	-	4.2	5.2	10.3	8.0
Produced electricity (mln. Kwt)	2,929	2,582	2,715	2,628	2,614	2,720	2,675	2,842	2,946	3,017	3,112

Source: NSO, Mongolian Statistical Yearbook, 1997, 1998, 2002.

Table 1.7 Elections of the President and State Ikh Khural

	Share of voters			Decline of activity
	1993	1997	2001	
Elections to the President				
Urban	90.2	80.5	79.1	-11.1
Rural	94.1	86.6	84.3	9.8
Elections to the State Ikh Khural				
Urban	93.2	88.3	76.2	-17.0
Rural	96.9	94.4	86.0	-10.9

Source: General Election Committee, Calculation for Mongolia HDR 2003.

The number of non-governmental organizations (NGOs), including professional associations and clubs, has multiplied five-fold between 1997 and 2001, from 410 to 2,214. Although, civil society continues to strengthen, interest groups have not yet found a strong voice in the decision-making process.

Decentralisation and local governance

Since Mongolia has such a vast and sparse population, many believe that the most effective way to reach citizens in much of the country is through a decentralised system of governance. In fact the National Poverty Alleviation Programme (NPAP) took a decentralised approach and through this helped roughly 30,000 poor households in every soum and 9 duuregs, or city districts were helped to overcome income poverty. Mongolia's constitution provides autonomy to local governments and sets out an administrative structure for democratic local governance. However, this level of devolution of authority has not been realized. Barriers include inertia left from decades of central planning, and a lack of understanding by citizens at the grassroots, of their responsibility to guide and monitor their local governments. In addition, there is no ability except in the major cities to raise enough revenues to be self-reliant. Local revenue is generated from scant collections of vehicle taxes, and taxes on the use of natural resources, and other sources, which in rural areas, are dwarfed by central revenues. Another centralizing tendency is the fact that skilled civil servants are in short supply in the country, and most of them work in the central government.

Urban areas are closer to being self-financing than aimags, which are often forced to operate at a deficit and have to rely on transfers from the central government. Although aimags and soums have administrative authority they do not have effective fiscal powers.

The central government determines how much to allocate to local governments, but it is at the aimag level that decisions on the budget are made. Local governments are responsible for providing health care, and education from the primary to secondary level. Norms and standards for service delivery are set by the central government, but

there is no systematic mechanism to ensure that they are met.

Public administration received low ratings in virtually all locations in the seven aimags examined for the 2000 Participatory Living Standards Assessment (PLSA). As per this assessment, the reason given was the perceived lack of accountability and transparency at aimag and soum levels. Petty corruption was seen as adding to inequality by discriminating against the

poor. Soum governors received generally low ratings in all locations, but bagh governors were thought to be more in touch with local people. However, bagh governors are also known to have limited authority and no budget. At each of the three governance levels: the aimag, soum and bagh a political appointee called a governor presides over the relevant local authorities. There are however, direct elections of citizens' representatives to soum and aimag Khurals.

Many believe if the voices of communities across the country were heard by policymakers, a more equitable distribution of resources between rural and urban areas would result. To make this happen, citizens will need better access to information about developments that affect their lives, including laws and policies, prices and economic opportunities. A major challenge also lies ahead in opening up the state budget to closer public scrutiny and allowing patterns of public spending to be influenced by the priorities emerging from rural and urban communities.

Physical insecurity

Crime is both a cause and consequence of social tension in society, and is often exacerbated by economic crises. Poverty and unemployment leads to social and family tensions, and can easily lead to alcoholism. This explosive mix sometimes results in domestic violence, an

issue that is gaining growing attention in Mongolia, where the victims are women and children. In fact, abuse in the home forces children to run away from homes - they are left with no other choice but to live on the streets. Equally, poverty is also pushing growing numbers of children to turn to the streets to eek out a living from often illegal activities. According to the UNICEF 2002 study entitled *Juvenile Justice in Mongolia*, "it is estimated that there are approximately 3,700 unsupervised children in Mongolia's cities...". It is estimated that 80.0 percent of street children come from single-parent families and more than 50.0 percent have been abused.

Since 1990 the number of crimes committed has been increasing steadily. Rising unemployment, falling incomes, increased inequality, reduced access to health care and education are among the contributing factors. Some of the frustrations of this growing insecurity are reflected in the crime statistics.

Between 1990 and 2001, the total number of crimes reported in Mongolia increased by 160.0 percent, followed by a slight reduction in 2002. The pattern of violent crimes has also risen steadily, doubling since 1990. This trend is most visible and disturbing in the rural areas. Since the emergence of property crimes at the start of transition, when the concept of private property was first introduced, the incidence of property crime has skyrocketed. Recently, the trend, has however, has decreased in the countryside, whereas it is increasing in urban areas. The crime figures, by type of offence are given in the table below.

Through the transition, the number of crimes committed in all areas more than doubled, reflecting the increases in poverty and uncertainty.

tion in 2002. The pattern of violent crimes has also risen steadily, doubling since 1990. This trend is most visible and disturbing in the rural areas.

Since the emergence of property crimes at the

Access to justice

The state has an obligation to give remedy to any person who has been wronged, and to bring perpetrators to justice. The new age of openness has diminished the ability of law enforcement agencies to combat crime by drawing on the unacceptable practices permitted in socialist times to extract information or confessions. Moreover, agencies have not been equipped with modern crime fighting technologies and up to date policing skills. The result has been a system of judicial, prosecutorial and policing institutions with limited ability to guarantee justice.

For instance, due to inefficiencies in the system, free legal assistance has not been fully used by citizens charged with crimes. A key underlying cause of this is likely to be a shortage of well-trained lawyers. Until October 2002, for instance, there were only 390 certified advocates in the country, of whom only 21.0 percent were located outside Ulaanbaatar. There were fewer than five advocates in most aimags. Bayan-Olgii and Govi-Altai aimags had just one advocate each. While the number of lawyers has increased with the holding of qualification examinations for lawyers in 2002, the concentration of lawyers in Ulaanbaatar has also continued to increase.

The lack of funds and transportation hampers the police and courts in rural areas from dealing with suspects in a timely manner and according them due process, as required by the new laws. For instance, one of the most important improvements of the 2002 Law on Criminal Procedure is a requirement for police to obtain a warrant that is approved by a prosecutor and judge in order to make an arrest. When arrests must be made before a warrant is available, police must gain approval from a judge within 48 hours.

Reform is needed in order for Mongolia's judicial system to guarantee justice while respecting rights to due process.

However, the distances that must be traversed in rural areas can make it nearly impossible to comply with this law. In a typical soum, police stations might have only one vehicle, with a daily allowance for only 10 or 15 litres of petrol, or they may have to rely on the horses of neighbouring ger families, or on transportation provided by the family of the accused. Assuming a typical soum station were located in a mid-sized aimag such as Bayan-Olgii, an arresting officer may need to travel 200 kilometres to obtain the necessary authorizations from the aimag centre. Disparities in access to justice extend beyond the law enforcement institutions. The capacity of civil society to protect human rights is much stronger in the

Table 1.8 Types of offences, 1990-2002

Year	Total	Violent crimes	Property and other crimes	Violent crimes (%)	Property and other crimes (%)
1990	9,060	3,265	5,795	36.0	64.0
1991	9,825	3,038	6,787	30.9	69.1
1992	12,467	3,057	9,410	24.5	75.5
1993	17,354	3,318	14,036	19.1	80.9
1994	18,563	3,941	14,622	21.2	78.8
1995	20,196	3,961	16,532	19.3	80.7
1996	22,368	4,552	17,816	20.4	79.6
1997	24,653	5,586	19,067	22.7	77.3
1998	22,737	5,571	17,166	24.5	75.5
1999	23,352	5,748	17,604	24.6	75.4
2000	23,163	5,873	17,590	25.0	75.0
2001	23,670	5,883	17,787	24.9	75.1
2002	22,555	6,518	16,037	28.9	71.1

Source: NSO, Mongolian Statistical Yearbook 1997, 2002.

cities than in rural areas. In Ulaanbaatar, free legal aid is available to the poor from the legal advice centres operated by two universities, as well as a number of human rights NGOs and trade unions specializing in women's rights, and the rights of specific professional groups. Some NGOs maintain branches in aimags, but their ability to provide free legal aid is greatly diminished beyond the cities. There are no law schools offering a free legal service for the public outside of Ulaanbaatar.

As in other sectors, proper functioning of the justice system requires timely access to information. Efforts are being made to computerize legal information, including legislation, court judgments and case schedules, to make it more accessible not only to legal professionals but also to claimants, defendants, and any other interested persons. Increasingly, public information is being made available online. These efforts, although welcome will only bring immediate benefits to the capital city, where 95.0 percent Internet users are located.

These factors have stretched the justice institutions to the point where the costs of pursuing cases in court often put it beyond the means of potential claimants who are poor, particularly in the rural areas. Defendants must not only invest in their defence, but in subsidizing the transportation and other costs of the justice organs to obtain their own right to due process. Such severe financial constraints have no doubt contributed to a widespread perception of corruption among law enforcement and judicial officials¹³. This exacerbates the still strong remnants, actual and perceived, of the old control mentality.

Environmental sustainability

The country is famed and revered for its pristine natural environment, but this is under threat from a variety of challenges including growing urban air pollution, the overgrazing of grasslands, deforestation and loss of biodiversity. These issues are in part a result of the huge economic and social changes that have taken place, but equally, the nation faces the consequences of global warming.

It is important to recognise the connections that exist between environmental quality and human quality of life. The impacts of the environmental challenges are far from uniform across the country, and they go to the heart of key human development issues, including health and household livelihoods.

Summing up

Mongolia weathered a rough transition to a market-guided economy during which many indicators of human development faltered. Income fell and mortality went up, unemployment rose, and over the decade poverty steadily mounted. In addition, crime, an extremely rare phenomenon before 1990, began to surface and spread throughout the country.

However, at the same time, the nation has emerged from the transition with some of its strengths intact, in particular, sound levels of educational enrolment and achievement.

People's lives underwent major changes. But the distribution of the gains of democracy and the opening up of markets has been uneven. In recent years, whereas, on average, national indicators have not necessarily worsened - and some are even beginning to show improvement - the challenge facing Mongolia is one of growing inequalities. Apart from the fact that population is dispersed over a vast and climatically inhospitable region, investments in infrastructure are also inadequate and uneven. Providing services to citizens in remote enclaves is expensive. As a result, opportunities for education, income generation, small business development, and access to information and health are not uniformly accessible to its citizens. Urban residents have a distinct advantage over rural residents. Yet even within urban centres, opportunities are far from even and there is a great divide between the "haves and have-nots". The challenges of spatial inequality are growing. There is a pressing need for us as Mongolians, to develop a deeper understanding of the causes that underpin this growing spatial inequality.

¹³ Mongolian Open Society Foundation and Zorig Foundation. Public Perception Survey on Corruption in Mongolia, 2002.



CHAPTER 2

SPATIAL INEQUALITY IN MONGOLIA



Spatial inequality in Mongolia

Geography, topography and demographics play a critical role in Mongolia's human development. Great distances, extreme weather conditions and a sparse isolated population, have all contributed to the striking spatial inequalities across the country. It is difficult to deliver key public services, such as health and education, to the many let alone meet the special needs of the poor. The challenge is made more difficult by the vast amounts of space that separate communities in Mongolia often referred to as "the tyranny of distance". Geographical location is a principal driver of opportunities and the cost of living in Mongolia, especially considering the poor state of roads in remote regions, and the relatively high cost of petrol outside of cities.

The Country's deserts, dust storms and other natural and climactic features intensify the challenges and vulnerabilities of living off the land. The country's vast territory is divided into six zones: high mountains, taiga forest, forest steppe (grasslands), steppe, desert steppe and desert regions. Each differs by its soil, flora, fauna and climate. Widely divergent features create disparities in human development across the zones. For instance, the northern and central parts of the country have a harsh, changeable climate, long periods of snow cover, and a short growing season, while rainfall is low in steppe and desert regions. In both of these regions harvests are low, as is animal productivity and household incomes. Each year, 20 to 30 dan-

Mongolia's deserts, long periods of snow cover, dust storms and other natural and climactic features add to the challenge and vulnerability of living off the land.

gerous climatic phenomena occur, one-third of which are on the scale of natural disasters. Each year they damage between 5 and 7 bln. togrogs worth of property. The most harmful of the

natural disasters are heavy snowstorms, drought, heavy rain, strong winds, floods and dust storms. Snowstorms, which inhibit herding and other outside work, can last more than 15 days in certain areas. Similarly, winter is long, lasting between four and six months in the steppe and Gobi Desert. Between 30 and 100 days a year dust storms rage, again limiting outside work, causing food shortages and harming people's eyesight. In deserts, drought can continue for two to three years. Harvests depend on summer rains, but droughts in the last few years, and global climate changes, point to the need for large-scale irrigation if crop cultivation is to be productive.

It is difficult and expensive to reach many of the poor in Mongolia with health care and other services because they are spread over vast distances and many are nomadic. With its territory of 1,564 square kilometres, Mongolia is

It is difficult and expensive to reach many of the poor in Mongolia with health care and other services because they are spread over vast distances and many are nomadic.

the 17th largest country in the world. Yet in 2002, 34.2 percent of Mongolia's 2.4 million people lived in Ulaanbaatar and 18.2 percent lived in the central region, where the capital is

located. At the same time, none of the 21 administrative units outside the capital contained more than 5.0 percent of the population. Figures for 2001 show that GDP is 1.6 times higher in urban centres than rural areas. Generally, towns and cities and large aimag centres of the central region have better facilities and infrastructure than the more remote south and east regions.

The cost of providing infrastructure and social services to a population dispersed over such a vast territory is high, and a challenge for a small nation with a weak rural economy. For this reason, the majority of Mongolia's 21 aimag centres are not linked by paved roads to the capital. Communications infrastructure in rural areas is also inadequate.

A survey carried out in 2001 established that the causes of maternal mortality are associated with a decreasing level and quality of medical services (36.0 percent), delay of emergency medical aid (28.0 percent) and living far from medical institutions. Almost a half of the maternal deaths in 2000 constitute women from herding households, perhaps hours by horse or motorcycle from the

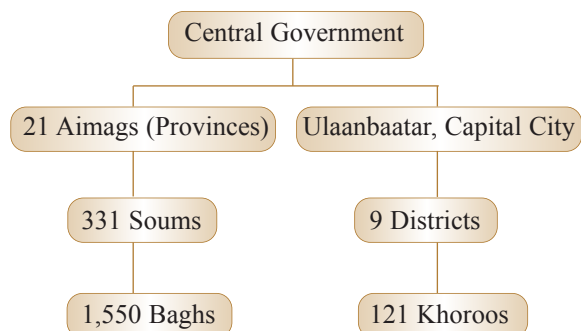
Remote communities face higher costs for petrol, transportation and consumer goods while poor roads further isolate them.

nearest source of help. Remote communities face higher costs for petrol, transportation and consumer goods while poor roads further isolate them.

Before 1990, consumer goods were sold through a national wholesale network and their prices were the same both in urban and rural areas. With the transition, the cost of living in rural areas has increased greatly relative to the cities. Today, fuel prices are 10.0 to 20.0 percent higher in rural areas. This means not only that the cost of consumer goods goes up the greater the distance from the city, but also that transportation costs for the sale of production are highest for those living in the most remote areas. Mongolia is itself isolated from world markets as it is a landlocked country. The physical isolation of many rural communities and small urban centres poses a severe challenge for the provision of social services and other public goods, which rural community members say they desperately need if their livelihoods are to be both more secure and more sustainable. Better roads, and more secure

access to water and electric power are critical to overcoming "the tyranny of distance".

Figure 2.1 **Administrative Structure of Mongolia**



Source: NSO, Mongolian Statistical Yearbook 2002.

Mongolia is divided into 22 major administrative units, including 21 aimags and the capital city of Ulaanbaatar. All are governed by Khurals, or elected bodies. Aimag populations vary and range between 12,500 and 122,000 people, they also vary in size with the largest covering as much as 165.4 square kilometres of territory. An aimag is comprised of up to 27 soums, including the aimag centre. Soums in turn are comprised of baghs. In Mongolia there are 331 soums and 1,550 baghs. Also, the capital city, Ulaanbaatar, is subdivided into 121 service districts called khoroods.

Though it contains one-third of the country's population, Ulaanbaatar produces more than half of its wealth. Ulaanbaatar is not only the country's capital, but also the economic, business and cultural centre. The country's two other urban centres - Darkhan and Erdenet - were established in the mid-1900s and have grown into industrial and business centres. Large mining and minerals processing operations exist in Erdenet.

In Mongolia, the aimag centre is the administrative seat of local government, and the home of the aimag's legal institutions, theatres, hospitals, businesses, schools, and industry. Most of the aimag populations work in light industry, services and small business enterprises. Bagh populations tend to work in agriculture and animal husbandry.

Bagh residents mainly lead a nomadic life. They migrate with their herds depending on the change in season and weather conditions. Typically their seasonal camps are located within the borders of their soum and bagh, though droughts, dzuds, and other natural disasters, can push them to different areas. Their movements make it more challenging for them to access health care and other services.

The challenges in analysing rural and urban disparities

There are no adequate prior analyses of urban-rural disparities in Mongolia. Studies have focused on urban issues, such as ger settlements and the informal sector. Research centres and donors that fund such studies are concentrated in Ulaanbaatar. Other parts of the country do not receive much attention even though the government, donors and the research community recognize the importance of urban-rural disparities. This national HDR cannot wholly make up for the lack of previous research. Instead, its aim is to raise a number of issues that can guide future research.

A further complicating factor is the fact that there are different analytical definitions of what is meant by the terms 'urban and rural'.

The researchers use an international definition that identifies cities based on high population density, sustainable regular activities such as industry and trade, and highly developed infrastructure. This definition stresses the urbanisation process as well as the divide between the three largest cities and the rest of the country. Aimag centres were excluded from the urban definition because of their lack of infrastructure and an industrial sector, the fact that they do not produce finished goods and there is no data on GDP per capita of aimag centres for research purposes.

For this report, the authors identified three cities as urban: Ulaanbaatar, Darkhan and Erdenet. However, the authors' definition had the disadvantage of lumping together the aimag centres with small settlements in the aimag. As a result, extreme disparities in income levels between population groups within rural and urban areas themselves are muted somewhat.

From a policy perspective it is vital to properly define urban and rural areas in order to recognise disparities and to provide adequate social services. The fact that they have not been carefully defined illustrates the lack of attention to development of cities and town outside of the capital.

Box 2.1

Definitions of "Urban and Rural" in Mongolia

CONSTITUTION OF MONGOLIA

Chapter Four. Administrative and Territorial Units of Mongolia and their Governing Bodies

Article 57

- The territory of Mongolia shall be divided administratively into aimags and a capital city. Aimags shall be subdivided into soums; soums into baghs; the capital city shall be divided into districts and its districts into khoroods.

SUPPLEMENTAL LAW TO THE CONSTITUTION

Article 13.

- The city, where the highest state authority bodies of Mongolia are located, shall be called the Capital City. Ulaanbaatar is the Capital City of Mongolia.

ARTICLE APPENDED TO THE CONSTITUTION OF MONGOLIA

Article 4. To implement the provisions of the Constitution of Mongolia on Administrative and Territorial Units of Mongolia and their Governing Bodies

- Until the legal status of towns and villages is identified by laws and their self-governing bodies are established in accordance with the laws, Darkhan, Choir and Erdenet shall have the administrative and territorial structure similar to aimags.

LAW OF MONGOLIA ON THE LEGAL STATUS OF TOWNS AND VILLAGES

Article 3. Towns and villages

- Towns are the urban settlements with more than 15,000 residents, majority of which employed in industrial and service sectors; with developed urban infrastructure and self-governing structure.

Article 4. Status of towns.

- Towns, in accordance with the number of residents, level of urban infrastructure development and their role in economic and social development of the country and the

corresponding administrative and territorial unit, shall have state or aimag status.

- Towns with more than 50,000 (in case of necessity up to 50,000) residents can obtain state status with consideration of their roles in economic and social development of the country and the level of urbanisation and urban infrastructure development .

LAW OF MONGOLIA ON ADMINISTRATIVE AND TERRITORIAL UNITS AND THEIR GOVERNING BODIES

Article 3. Administrative and Territorial Units

- The territory of Mongolia shall be divided administratively into aimags and a capital city; aimags shall be subdivided into soums; soums into baghs; the capital city shall be divided into districts and its districts into khoroots.

- Aimags, the Capital City, soums and districts are self-governing administrative, territorial, economic and social centres with their functions specifically stipulated by laws.

- Baghs are administrative units of soums, and khoroots of districts.

Human development in rural and urban areas

Levels of human development vary between rural and urban Mongolia. The table below shows the computation of the HDI for rural and urban Mongolia for the years 1999-2002.

Table 2.1 HDI components of Mongolia, urban vs. rural, 1999-2002

		Life expectancy at birth (year)	Adult literacy rate (% 15 age and above)	Combined primary secondary and tertiary gross enrolment ratio (%)	GDP per capita (PPP, US \$)	Life expectancy index	Education index	GDP index	Human development Index
1999	Urban	63.04	99.2	82.5	7468.19	0.634	0.936	0.535	0.707
	Rural	63.21	96.7	61.2	1244.15	0.637	0.849	0.421	0.635
	Total	63.18	97.8	66.0	1706.78	0.636	0.872	0.474	0.661
2000	Urban	63.04	99.2	82.5	2895.53	0.634	0.936	0.562	0.711
	Rural	63.21	96.7	61.2	1163.54	0.637	0.849	0.410	0.632
	Total	63.18	97.8	69.6	1838.12	0.636	0.884	0.486	0.669
2001	Urban	63.39	99.2	82.5	3057.64	0.640	0.936	0.571	0.716
	Rural	63.21	96.7	61.2	1253.22	0.637	0.849	0.422	0.636
	Total	63.36	97.8	69.6	1968.29	0.639	0.884	0.497	0.674
2002	Urban	63.54	99.2	82.5	3423.37	0.642	0.936	0.590	0.723
	Rural	63.37	96.7	61.2	1245.54	0.640	0.849	0.421	0.636
	Total	63.51	97.8	69.7	2125.35	0.642	0.884	0.510	0.679

Source: NSO, Calculation for Mongolia HDR 2003.

The HDI for urban areas (0.723) is 14.0 percent higher than the HDI for rural areas (0.636) in 2002. There is no difference in life expectancy between rural and urban areas. The difference in HDI is accounted for by the education and GDP indexes. The level of literacy in urban areas is 99.2 percent while it is 96.7 percent in rural areas. However, enrolment rates in rural areas are markedly lower (61.2 percent) than in urban areas (82.5 percent). At the same time, urban incomes are considerably higher than the rural incomes. In urban areas, the main sources of household monetary income are wages, salaries, pensions and allowances (36.8 percent), whereas in rural areas, income is derived from household businesses (livestock meat, milk, butter, fat, vegetables), which accounts for the greatest share, at 33.0 percent.

The HDI for urban areas (0.723) is 14.0 percent higher than the HDI for rural areas (0.636) in 2002.

The NSO has also computed the HDI and GDI for aimags and cities; this can be seen in the Annexes.

HDI data reveal that:

- Out of total aimags and cities, only the capital city Ulaanbaatar and Orkhon aimag, fall in the High human development category according to a national classification proposed by the researchers. It is perhaps not surprising that both Ulaanbaatar and Orkhon aimag have a connection to the railway.
- 15 aimags and city are in the Medium human development category.
- 5 aimags and city fall in the Low human development category.

Table 2.2 HDI level by aimag and city, 2002

Classification	HDI level For Mongolia	Aimags & Cities
Low human development	up to 0.630	Bayankhongor, Dornod, Ovorkhangai, Uvs, Khovsgol
Medium human development	0.631-0.700	Arkhangai, Bayan-Olgii, Bulgan, Govi-Altai, Dornogovi, Dundgovi, Zavkhan, Omnogovi, Sukhbaatar, Selenge, Tov, Khovd, Khentii, Darkhan-Uul, Govisumber
High human development	0.701 and above	Ulaanbaatar, Orkhon

Source: NSO, Calculation for Mongolia HDR 2003.

In addition, the GDI for urban areas is also significantly higher than in rural areas as seen below.

Table 2.3 Gender-Related Development Index and its indicators, urban vs. rural, 2000-2002

		Adult literacy rate		Combined primary, secondary, and tertiary gross enrolment ratio		GDP per capita			Equally distributed life expectancy index	Equally distributed educational attainment index	Equally distributed income index	GDI
		male	female	male	female	total	female	male				
2000	Urban	99.4	99.1	78.3	86.5	2896	2738	3064	0.639	0.937	0.561	0.712
	Rural	97.1	96.4	58.6	63.7	1164	1054	1272	0.636	0.849	0.408	0.631
	Total	98.0	97.5	63.7	75.5	1838	1702	1977	0.638	0.883	0.485	0.669
2001	Urban	99.4	99.1	78.3	86.5	3058	2593	3550	0.642	0.937	0.568	0.715
	Rural	97.1	96.4	58.6	63.7	1253	1159	1346	0.639	0.849	0.421	0.636
	Total	98.0	97.5	63.7	75.5	1968	1747	2194	0.641	0.883	0.496	0.673
2002	Urban	99.4	99.1	78.3	86.5	3473	3072	3793	0.644	0.936	0.588	0.723
	Rural	97.1	96.4	58.6	63.7	1246	1177	1314	0.641	0.849	0.421	0.637
	Total	98.0	97.5	66.3	73.0	2125	1951	2303	0.643	0.884	0.509	0.679

Source: NSO, Calculation for Mongolia HDR 2003.

As is also clear from the table, GDI and its components, except the income index are strong and improving and this pattern is replicated in both urban and rural areas. The GDI and the life expectancy and education indexes are something the nation should be proud of. Attention now needs to be devoted to resolving the disparities between both male and female, and urban and rural, incomes.

Encouragingly, poverty and rural-urban disparities in Mongolia are not driven by ethnic differences.

Box 2.2

Ethnic diversity does not contribute to disparities in access

Legally, there is no difference in the entitlement of the 30 different ethnic groups to natural resources, and practically there is no variation in their access to them. Language and tribal differences have not been a point of social or political divisiveness in Mongolia. The influx of migrants to the central aimags has resulted in a greater ethnic mix, but common economic goals override ethnic distinctions.

Ethnic groups in Mongolia are descendants of Mongolian nomadic tribes. Khalkh Mongols make up 81.5 percent, Kazakhs 4.3 percent, Dorvod 2.8 percent, Bayad 2.1 percent, Buriad 1.7 percent and others 7.6 percent of the populace in 2000.

Source: NSO, Main Results, Population and Housing Census, 2000.

The rural-urban divide

Opportunities for human development are unequal, based largely on geographic location. Rural residents have less access to education, health care, information, jobs and other human development opportunities than their urban counterparts. Besides the urban-rural divide, there is a growing underclass in the major cities, many of them migrants forced to leave the countryside because of the lack of options there. Though data has not traditionally been collected to inform an authoritative study of the emerging urban-rural dichotomy in Mongolia, the information available can be examined along five dimensions central to human development, including access to education, health care, information, infrastructure, and economic opportunities.

A study conducted in seven aimags for the 2000 Participatory Living Standards Assessment (PLSA) provides insights into which services are particularly vital to the people who live in rural and urban areas of our vast

Rural residents have less access to education, health care, information, jobs and other human development opportunities than their urban counterparts.

and sparsely populated land. Education and health services were overwhelmingly the most important institutions to the community members interviewed. But

those surveyed reported that these services are dogged by problems, specifically poor quality, a lack of resources, excessive distances to facilities and the high cost of use. Communication services are widely considered to be important, which reflects the isolation of rural communities, but they were regarded as inaccessible or inadequate in their coverage.

Box 2.3

Case study: Getting the right information

Since 1992, my family has herded livestock. Our winter camp is located at a distance of 18 kms from the soum centre. Many times the Soum administration organized cultural events. We periodically participated in the evening parties and meetings. Sometimes we would see performances of ensembles from the City .

We do not subscribe to newspapers. Sometimes the bagh governor distributes the Rural news sheet. I don't read books. Our family has a motorcycle and a radio. We get the information we need through the radio.

Mr.S.B. is a 43 year-old, head of household , who lives with his wife and two children, Lun soum, Tov aimag.

Economic opportunities

Access to economic opportunities is a fundamental factor in human development. Not only can it influence income, but also more importantly, work is an expression of individual potential and is necessary for self-realisation. Economic opportunities diminished greatly across Mongolia during the 1990s. Today, although diversity and dynamism, is evident in the urban economy economic gains have not reached rural areas.

The urban economy, principally concentrated in Ulaanbaatar, consists of mining (in Nalaikh and Baganuur districts), manufacturing, utility supply, construction, trade, transportation and communications. Other urban-based production includes food processing, knitwear factories, agricultural raw materials processing, wood processing, construction, chemicals and metal industries as well as power and heating production. People in urban areas are affected by the lack of jobs and rising costs of health and education.

The closure of government farms and herd support collectives left a thin, weak rural economy dominated by agriculture and short on cash and credit.

While the private sector and the informal sector have grown in urban areas, the rural economic base has narrowed and weakened through the 1990s.

Agriculture dominates the rural economy as it does the national economy, though since 1996, productivity of the sector - the output per herder - has declined significantly to a near subsistence level. The closure of government farms and *negdels* (agricultural collectives) left a thin, weak rural economy dominated by subsistence agriculture, short of both cash and credit. The de-industrialisation of Mongolia left virtually no other jobs in rural areas, except civil service posts and trading activities. Rural food processing enterprises closed as did firms that produced construction materials.

Veterinary restrictions on the import of Mongolian meat have greatly disadvantaged meat-processing exports to nearby countries. Prices of raw materials in foreign markets - the main source of herders' livelihoods - have fallen sharply in recent years. Today there are few small or medium sized enterprises in aimag centres and soums besides small scale services and trade and light industries. Due to the low demand for raw materials in foreign markets, herders are forced to sell their products cheaply. Their exchange of these products for consumer goods from cities has created imbalanced trade relations between the city and countryside, which lowers income and quality of life in rural areas.

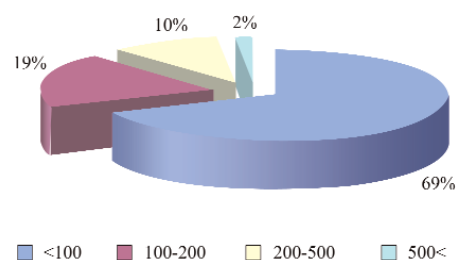
Rural areas are especially hurt by the closure of state farms that supported livestock herds. With their closure, the amount of land in agricultural production has dropped fourfold, and output decreased by a factor of five. People whose livelihoods were supported by these farms were left without land, capital, cattle or jobs. Overall, the level of capital investment in herding and agricultural infrastructure has dropped significantly. In 1990 capital investment made up 32.0 percent of the GDP and one-third of it went to agriculture. In 2001 capital investment equalled 24.8 percent of GDP and less than 5.0 percent went to the agricultural sector.

Capital markets do not work effectively in Mongolia with high interest rate spreads, punitive rates of interest and short repayment horizons stifling investment in the productive sector. Yet access to credit is particularly difficult for rural residents. Herders and the rural poor are not attractive risks because their income is often seasonal and their only collateral is livestock, which is vulnerable to disease and weather. For most, the primary sources of credit are local traders and shops, or kiosks. Herders also migrate within their *bagh* or *soum* and further a field, if

weather extremes demand it. This has hampered livestock-related small businesses from starting up in rural areas. Compounding this problem is the absence of local markets and the high cost of petrol in remote aimags.

Herders in remote areas have very limited opportunities for participation in markets through the sale of raw materials and the purchase of necessary goods. As a result, many herders in remote areas still engage in barter with small traders, and trade their raw materials even when it is unprofitable to do so. Access to markets, services and information is vital and thus communities located nearer to the major cities have a distinct advantage. At the beginning of the transition, herders privatised their livestock and this went hand-in-hand with an increase in the livestock population. This has also led to improvements in their living standards. However, this phenomenon was short-lived. Prices of raw materials have fallen sharply in recent years. Also, livestock privatisation and the disbanding of *negdels* have led to a decline in the quality of infrastructure and services supporting herders, thus adding to their vulnerability.

Figure 2.2 Herd size composition of families with herds, 2002



Source: NSO, Mongolian Statistical Yearbook, 2002.

Over the last few years, the predicament of herders has worsened due to frequent natural disasters, such as droughts, dzuds and overgrazing of pastureland. This has been partly responsible for the sharp decrease in the contribution of the rural sector to 38.4 percent of Mongolia's GDP in 2002, with the urban sector generating 61.6 percent of the country's GDP.

Box 2.4

Time use and compensation: the lives of men and women in rural and urban areas

According to a Pilot Time Use Survey conducted in spring 2000, rural women have less time to rest, study, attend social and cultural events, read the newspaper, or care for themselves than rural men, or urban adults of

either sex. Rural women spend more time than their urban counterparts, or than men, in unpaid work, including domestic chores, and care for family members, such as children and elderly relatives. Rural women spend the least amount of time of the four groups doing work that they are paid for. Urban men spend the most time engaged in paid work. Compared to urban adults, rural men and women spend the most time engaged in unpaid work such as livestock rearing, growing crops and pig breeding for their own consumption.

Source: Pilot Time Use Survey, 2000.

Poverty and living standards

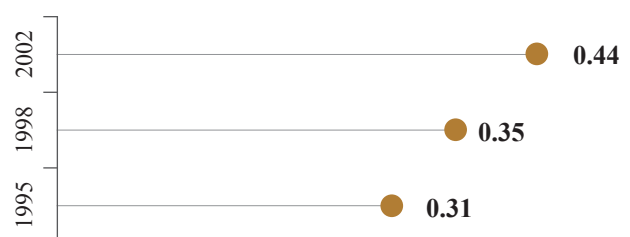
Between 1995 and 1998 poverty rose slightly in Mongolia's urban areas (although it fell slightly in Ulaanbaatar), and was consistently higher in the rural areas than in the rural areas according to the LSMSs conducted by NSO. This result is quite different from the typical pattern observed in transition countries, where rural areas experience the most extreme forms of deprivation. In 1998, urban poverty (39.4 percent), including aimag centres exceeded rural poverty (32.6 percent). But it is important to emphasise that the LSMS adopts the rural/urban definition, which counts all aimag centres as urban areas.

With this apparent urbanisation of poverty came urban slums and an urban underclass - including roughly 4,500 homeless adults and children - and a rural economy with so few options that net migration for the decade shows more people left the countryside for cities than sought refuge there. In 1998, 57.0 percent of the poor in Mongolia lived in urban areas, of which 26.0 percent - in the capital. Conversely, 43.0 percent of the poor lived in rural areas.

The figures in the table 2.4 show that inequalities in income and consumption are growing, both within large urban centres, and between them and the remote aimag centres. There is also an increasing divide between soum centres and herders living in baghs. Labour productivity is much lower in rural areas than in urban economic sectors.

The Gini-coefficient, which measures income inequality, increased by 42.0 percent between 1995 and 2002, from 0.31 percent to 0.44 percent (preliminary figure given). This shows that the income distribution is becoming more unequal in Mongolia.

Figure 2.3. Gini-coefficient, 1995, 1998, and 2002



Source: NSO, "Household Income and Expenditure Survey", 2002; "Living Standards Measurement Survey", 1995, 1998, NSO; Preliminary estimation of the Gini-coefficient based on LSMS 2003 data, 2003.

Table 2.4 Characteristics of the poor, 1995 and 1998 (percentages)

Characteristics	1995		1998	
	Poor	National Average	Poor	National Average
Location				
Urban areas (including aimag centres)	57.0	54.0	57.2	52.5
Ulaanbaatar	25.9	27.0	25.7	27.2
Rural area	43.0	46.0	42.8	47.5
Educational Status				
Primary only completed	66.7	56.4	51.3	42.7
Higher education completed	13.2	26.3	4.2	11.4
Employment Status				
Unemployed	36.0	19.3	32.8	19.2
Gender of head of household				
Male	70.4	81.8	78.2	84.7
Female	29.6	18.4	21.8	15.3

Source: Keith Griffin, Poverty Reduction in Mongolia, 2003.

There is a lively debate over how the character of poverty differs between rural and urban areas. For instance, some would argue that rural residents can live off their animals and grow food while the urban poor are more vulnerable because of the high cost of housing. This thinking overlooks the fact that many rural households have too few animals to sustain their livelihoods, and that rural population have relatively little access to the social safety net that might exist in cities. Rural residents also have less access to new technologies and educational opportunities that foster increased productivity, and upward mobility. Clearly, the types and levels of insecurity - and poverty, are different in rural and urban areas. For instance, livestock holdings, the most common assets of the rural poor, are subject to uncontrollable influences like drought, and to disease. The 1990s also saw a rise in client-provider relationships in which relatively wealthy families paid poorer ones for cutting wood, cleaning, and herding their animals. In some cases children from poorer households are now sent to live with wealthier relatives or neighbours where they work in return for their upkeep. Meanwhile, access to markets has become one of the strongest determinants of livelihood security. As a result, much of the rural population migrated to cities, or to soum and aimag centres. Whilst the better off have invested in motorcycles, Russian jeeps and trucks to increase their returns from trading.

Among the top causes of poverty identified by medium-income, poor and very poor urban and rural households were loss of employment, the cost of medical treatment, the cost of their children's education, illness and natural hazards that have led to a loss of livestock. It is difficult to use income measures of poverty for a rural economy where a large part of the production is consumed within the household. In fact, individual aimags calculate income, and poverty thresholds, in different ways.

Access to health

The distribution and allocation of medical services is uneven across urban and rural areas. And this inequity is partly to blame for the fact that life expectancy is higher in urban areas, and mortality and disease lower.



Inequalities in health status across the divide are also caused by the differences in living and working conditions, the varied natural environment, income level, and nutrition.

Disparities in mortality and disease rates between urban and rural areas reflect uneven coverage of public health services; most facilities are concentrated in urban areas while rural areas suffer a shortage of doctors and have hospitals, which are ill-equipped to give aid. A profile of the health resources in Mongolia shows up the key contrasts. First and foremost, public and private health services - including diagnostic and treatment centres, and medical specialists - are concentrated in urban areas. Urban and rural areas suffer from generally poor quality care, but it is particularly a problem in the countryside, where there is a shortage of qualified doctors in soums and baghs. Urban residents surveyed in both Ulaanbaatar

Disparities in mortality and disease rates between urban and rural areas reflect the uneven coverage, public health services are concentrated in urban areas while rural areas suffer a shortage of doctors and have hospitals ill-equipped to give aid.

and aimag centres for the 2000 PLSA were generally satisfied with the quality of their local services. Health services were considered by most communities in the seven aimags studied to be the most

Table 2.5. Major five causes of morbidity per 10,000 population, urban vs. rural, 2002

Rural and urban	Diseases of the respiratory system	Diseases of the digestive system	Diseases of the genitourinary system	Diseases of the circulatory system	Injury, poisoning and certain other external causes
Rural*	970.6	672.6	685.9	471.1	122.0
Urban	615.0	561.8	418.6	407.2	681.0
Total	850.6	635.2	605.8	449.5	310.6

Source: MoH, Health indicators, 2002.

Note: * including Darkhan-Uul and Orkhon aimags

important institutions to them. But residents of soum centres and rural baghs were widely dissatisfied. While they commended bagh level doctors for their efforts, the doctors frequently lacked the transportation and medicines they needed to do their jobs. Rural doctors are often not given post-graduate training and do not receive in-service training. They are not paid well and do not have an adequate standard of living.

Some rural clinics lack electricity and running water. As a consequence, child mortality rates and incidence of maternal deaths are consistently higher in rural areas than in urban towns. This indicates rural people do not benefit equally from improvements in health services. Due to lack of funds, many rural hospitals also face a shortage of basic equipment and medicines. In the last decade, modern technical equipment has not been adequately supplied to soum hospitals, whilst existing equipment has become obsolete and cannot be used. As a result, the majority of soum hospitals regularly have to cope with equipment shortages. There is also a failure to deliver medicines to the rural population, which means they do not have a reliable supply of high quality and inexpensive medicines. Instead, patients have to buy their own syringes and medicines from private traders who sell out-of-date and low-quality goods. Soum hospitals suffer from inadequate budgets, and unreliable cash flows, with official payments often being received late. As a result, some hospitals ask clients to pay for the petrol for ambulances.

Among poor families easily preventable causes of child mortality include acute respiratory diseases, and gastro-intestinal infections complicated by diarrhoea. Anecdotal and some data suggest that the risk of death faced by poor children is higher than that of their non-poor counterparts. These disparities are partly caused by the poor quality of care in rural areas, and long distances to health centres and to emergency medical aid. Vitamin and mineral deficiencies are also more likely in rural areas.

Rural women face higher mortality rates because of inadequate medical care received during pregnancy, delivery and after birth. In 2002, there were 57 maternal deaths, of which 23 (40.0 percent) occurred in Ulaanbaatar and 34 (60.0 percent) - in aimags. From 34 aimag 15 deaths (26.3 percent) occurred in aimag general hospitals and 19 (33.3 percent) - in soum hospitals. The maternal mortality rate in 2002 was relatively high for women in the remote, mountainous western aimags. Maternal mortality is associated with a decreasing level and quality of medical services, delayed emergency medical aid, and living far from health care services. Most women giving birth at home were in herder families in remote areas. Rural women are also more likely to give birth to underweight children due to their relatively difficult life and work conditions. In addition, urban women more frequently exercise their

right to an abortion than rural women.

People in rural areas used health facilities only half as often as those in urban centres. Rural migrants in urban ger settlements who cannot obtain residency documents are prevented from enrolling in the health insurance scheme, and thus from benefiting from medical care or immunizations.

The standard of health enjoyed by the population of both urban and rural communities depends greatly on a quality of the local drinking water. Two-thirds of rural dwellers use water from unprotected wells, rivers, rain or snow compared with less than a tenth of urban residents.



Box 2.5

Water - a divisive factor

Water supply for agricultural production and for drinking is a security issue for urban and rural Mongolia. A significant proportion of Mongolians derive their water from unsafe sources. Access to drinking water is closely associated with geographic location and income. For instance, in 2000, 66.0 percent of rural residents used water from unprotected sources compared to 9.0 percent of urban dwellers. In urban areas, just one quarter of the poor have access to piped water from central sources compared to one-half of the non-poor. Urban ger settlements have severe problems with access to safe water. Typically residents of ger districts must carry water from sources around the neighbourhood, and in certain khoroos of the capital, the distances are substantial.

Ger residents pay more for their water and use less of it than apartment dwellers. Water consumption of the average urban resident is nearly three times higher than that of a rural resident. In addition, more than 100 soum centres are located in regions with permafrost. Whilst, residents of the Gobi aimags drink water with high levels of

minerals and low levels of fluoride, which lead to kidney and urinary tract diseases, thyroid disorders and tooth decay.

Harvests in Mongolia depend very much on the summer rains. Droughts in recent years and overall changes in climate have made it clear that without an investment in irrigation infrastructure, rural residents who depend on agriculture will become more economically vulnerable. Since the beginning of the transition, 60.0 percent of the 35,000 mechanised and deep-water wells built during the socialist era have become non-operational. As a result, the risk of loss of livestock loses during the dry periods has increased enormously and pastures near abundant water sources have become overused. In recent years, further climate changes have caused groundwater levels to fall, which has resulted in the drying up of some traditional water sources.

Source: NSO, Child and Development Survey, 2000.

Table 2.6 Access to drinking water, 1998-2000

Population with access to safe water, %	1998	1999	2000
Urban	89.9	89.9	90.8
Rural	46.1	46.1	74.4
Population without access to safe water, %			
Urban	10.1	10.1	9.2
Rural	53.9	53.9	65.6
Combined %	32.0	32.0	37.4

Source: NSO, Calculation for Mongolia HDR 2003.

Access to knowledge

Education is perhaps the most significant factor influencing human development since it is a basic requirement for people to reach their full potential. Mongolia's relatively good education system during the socialist period included free and widespread access, good quality, impressive levels of attainment, a policy of non-discrimination between men and women and social groups, and measures that provided education to the nomadic population through a system of boarding schools. During the transition, public spending on education fell in absolute terms and as a percentage of GDP, while private spending increased. Based on several indicators, human capital in Mongolia, as reflected in education, declined during the transition. Disparities across income groups and between rural and urban areas emerged.

According to school quality performance monitoring analyses carried out by the Ministry of Education, between 1990 and 2000, the performance of pupils in

soums was more than 10.0 percent lower than the performance of their aimag and/or capital city counterparts. This is in part due to a shortage of teachers in rural schools. In fact, rural parents surveyed for the 2000 PLSA complained that most rural teachers were either only high-school graduates or retired people. Recently trained teachers prefer to work in urban centres where the living conditions are better.

Today, school enrolment, literacy and educational achievement are all higher in urban than in rural areas. Primary education has remained virtually universal, except in rural areas. In roughly two-thirds of soums, primary enrolment rates in 2001 were below 80.0 percent. Seventy percent of pupils who dropped out of school lived in the countryside. Many of these were boys who needed to help their parents to rear herds and earn money for their families. Another factor that explains higher dropout rates in rural communities, particularly for poorer families, include long distances from schools. For example, few rural baghs in the seven aimags that took part in the 2000 PLSA had schools. Pupils had to travel to the soum or aimag centre, and had to stay-over in dormitories if they had no relatives nearby. However, the dormitories were filled well beyond their capacity, forcing many children to share beds.

Today, school enrolment, literacy and educational achievement are all higher in urban than in rural areas.

The resources for building maintenance are even scarcer in rural areas. Indeed, they are in such short supply that 88.0 percent of all schools are closed in winter



months because of obsolete heating systems. Even though school textbooks are provided to pupils free of charge, there is a shortage of textbooks because of tight funds.

The disparities in educational resources and attainment show up among the adult population as well. For

instance, adult literacy is much higher in urban areas, and the disparity between urban and rural adult literacy widened between 1995 and 2000. On average, 33.0 percent of the rural population did not complete secondary school compared to 21.0 percent of urban school children. These proportions parallel the differences between rich and poor in the country. A child of a rich family is nearly eight times more likely to go on to higher education than the child of a very poor family. Less than 5.0 percent of the rural population benefit from higher education whereas nearly 20.0 percent of the urban population do.

The cost of education is a very real barrier to the poor. It was ranked among the top three causes of poverty by medium-income poor and very poor households in seven aimags studied in the 2000 PLSA. The cost of clothing, supplies, and donations to school collections were ranked as the top three causes of poverty by urban and rural residents. Costs are for clothing, texts, and notebooks, school collections for parties and holiday celebrations, as well as requirements for boarding places that families provide 45 to 60 kilograms of meat per child.

The cost of clothing, supplies, and donations to school collections were ranked as the top three causes of poverty by urban and rural residents.

Recent literacy and enrolment statistics tend to mask the fact that many migrant children now living in Ulaanbaatar are not in school and not

counted in the official dropout statistics. One barrier for them, until recently, has been a requirement that their parents formally register with the capital city authorities. Registration fees have been a requirement since 1997, and by 2001 had reached a substantial 50,000 togrogs per adult and 25,000 togrogs per child. This was required before they could send their children to school, or themselves find mainstream employment. On 1 July 2003, the National Human Rights Commission (NHRC) petitioned and succeeded in obtaining a Supreme Court (civil cases chamber) judgement that the fees violated the right of all Mongolians to freedom of movement, and moreover that charges had been imposed in a discriminatory manner in that certain categories of persons had been exempted. Registration fees have been abolished in Ulaanbaatar, with the ramifications subsequently being felt in other urban centres.

Access to housing and infrastructure

Favourable conditions for human development require investment in basic infrastructures and decent housing. In Mongolia, these investments vary widely by geography and by housing type.

Today, roughly half of Mongolians live in houses and apartment buildings, while half live in gers. The rural-urban breakdown is such that 78.3 percent of the rural population live in gers, against 28.3 percent of urban dwellers. There are wide disparities in access to heat, water and sanitation between the two types of dwellings.

Table 2.7 Housing conditions in urban and rural areas, as percentages

Administrative unit	Ger ¹⁴				House/apartment			Total
	Less than 5 walls	5 walls	6 walls	More than 6 walls	1 room	2 room	3 and more rooms	
Urban areas	1.3	5.6	0.5	0.1	11.3	0.3	6.1	36.6
Aimag centres and settlements	1.7	4.7	1.5	0.3	4.7	4.2	2.1	19.1
Soums and baghs	7.4	18.9	7.6	1.2	5.2	3.0	0.9	44.3
Total	10.5	29.3	9.6	1.6	21.2	18.5	9.4	100.0

Source: NSO, Population and Housing Census 2000.

¹⁴ Walls in the traditional 'ger' refer to the size of the dwelling; the term refers to the number of wooden lattice panels employed in construction

Table 2.8 Living conditions of households residing in houses and apartment buildings, in percentage

Living environment	Cold and hot water	Cold water	Deep and engineering wells	Central heating	Bathroom and shower	Kitchen	Electric power	Telephone	Waste collection point	Toilet indoors
Urban areas	59.5	4.2	29.5	60.4	59.9	85.6	99.2	40.4	94.0	64.8
Aimags centres and settlements	20.5	13.7	46.7	31.8	31.4	78.5	96.4*	30.1	85.2	38.7
Soums and baghs	0.0	2.2	49.1	0.0	0.0	57.4	66.0*	5.2	81.3	0.0

Source: NSO, Population and Housing Census 2000.

Note: * - included households with scheduled electric power supply

Table 2.9 Living conditions of households residing in gers, in percentage

Administrative unit	Deep and mechanized wells	Rivers, springs, lakes	Other	Electric pump	Telephone	Waste collection point	Plumbing	Toilets
Urban centre	78.0	8.7	13.3	89.6	4.2	73.0	77.4	95.4
Aimags centres and settlements	35.6	54.8	9.6	79.5	10.3*	76.4	78.2	90.6
Soums and baghs	65.6	21.7	12.5	24.6	2.1*	71.6	42.8	70.2

Source: NSO, Population and Housing Census 2000.

Note: * - included households with time scheduled electric power supply

Urban residents are much more likely to have indoor bathrooms, telephones, drinking water and central heating than rural residents. About 25.0 percent of urban gers do not have facilities for waste disposal. Ger districts also suffer from shortages of water, and residents are often forced to drink from open, and potentially polluted sources. This, combined with the fact that urban ger districts are usually densely populated, leads to the spread of disease. Most of the urban poor lack central heating, a significant factor considering Ulaanbaatar is the coldest capital in the world. Meanwhile, apartment buildings in large cities provide access to running water, electricity,

Urban residents are much more likely to have indoor bathrooms, telephones, drinking water and central heating than rural residents.

central heat, bathrooms and showers and kitchens. Apartment

dwellers in Ulaanbaatar consume 240 to 450 litres of water a day compared with 8 to 10 litres in ger districts. When Mongolia privatised its public assets, it gave away its public apartment buildings to the people who lived in each unit, free of charge. The poor, and the rural dwellers did not benefit from this enormous transfer of wealth.

An urban-rural breakdown of amenities shows that 60 percent of urban residents have hot and cold water, compared to 21 percent in aimag centres and settlements. Hot and cold water is typically not available in soums and baghs. Sixty percent of urban residents have central heating and bathrooms with showers, compared to 32 percent in aimags, and virtually no one living in soums and baghs. Sixty-five percent of urban dwellers have indoor toilets compared to 39 percent of those who live in aimags, and scarcely anyone in soums or baghs. Of ger dwellers in urban centres, 90 percent have electricity compared to 80

percent of ger dwellers in aimag centres and settlements, and 25 percent in soums and baghs. Just 4 percent of ger dwellers in urban areas have telephones, compared to 10 percent in aimags, and 2 percent in soums and baghs.

Construction of apartment buildings halted during the transition, and has only recently begun to recover. Yet the cost of newly built apartments is not affordable even for many of urban residents. This is one reason migrants from the countryside have settled in urban ger districts. The concentration of new children in urban ger settlements has outpaced the construction of new schools. As a result, pupils in some ger settlements have to divide into three shifts to go to school. Land for ger settlements is scarce near the centre of cities, forcing migrants to live on the outskirts, and to pitch their gers in flood plains, on steep slopes, and near power lines and dams. Unpaved streets in ger districts turn muddy during the warmer months.

Box 2.6

Herders' perceptions, Altanbulag soum, Tov aimag, August 31, 1999

Attractions/ factors responsible for the migration of herders to Tov aimag from neighbouring areas:

- No state regulation preventing the crossing of boundaries
- Lack of administrative control
- Better prices for livestock products
- Robbery and theft of livestock in neighbouring soums from thieves across the Russian border
- Closer to schools, hospitals and the capital
- Closer to markets and better prices available for consumer products

Emerging effects of overcrowding:

- Not enough winter shelters
- Increased demand for water
- Degrading of pastureland
- Conflicts over winter pastures
- Increasing competition for markets
- Conflicts for occupying better areas in summer pastures
- Declining body weight of livestock
- More slaughter of animals for consumption
- Reduction of livestock productivity
- Influx of hunters from city/settlement areas for large scale poaching of wildlife and natural resources
- Resolution of conflict over pasture through discussion

Herders' suggestions for striking a new balance:

- Development of neighbouring areas
- Creation of political stability
- Price of livestock products should be improved
- Regional development
- Government should pay pensions

Gers themselves are a traditional dwelling, which is well adapted to nomadic life. They can be collapsed and moved since they are on average made up of five three-meter-long walls. The more walls the larger the radius of the ger. Adjustments to the felt insulation make them adaptable to cool and hot seasons. Some urban residents are starting to build wooden houses to escape the upkeep required of gers, and the expense of the plastic covering needed to protect the felt from the elements.

Rural residents with no access to electricity burn wood collected from forests. Because of the country's harsh temperatures, heating houses in the winter is an important issue. Residents of ger districts spend a fair amount of time collecting wood and coal. In urban areas, smoke from fires made of wood or coal is one of the main sources of air pollution. The smoke limits visibility in cold weather, and causes respiratory and cardiac disease.

Access and use of information

At a time when access to new information and technologies is seen as crucial for competing in a globalizing world, the gap between urban and rural areas in Mongolia is enormous. In the last decade access to information in the country has skyrocketed as a result of democratisation, the freeing of the press, increased foreign relations, and foreign investment in information and communications sectors. However, it is only the cities and major settlements that enjoy access to this new information. The hunger for information remains a recurring issue in rural areas, and communications services were highly valued, according to interviews conducted for the 2000 PLSA. People were especially anxious to hear about policies, laws and regulations that they thought had been approved at the national level, but which had not been implemented in their own communities. Rural residents rely on communication centres for telephones, postal and telegraph services. A further consequence of the demise of the collectives and state farms, has been the opportunity for public meetings.

Access to newspapers, magazines, television and telephones is limited in rural areas; in some enclaves residents resort to passing around old newspapers for reading.

In rural areas the amount of information exchanged has actually declined during the transition. Access to newspapers, magazines, television and telephones is limited in rural areas; in some enclaves residents resort to passing around old newspapers for reading. For instance, under the socialist system the government supplied newspapers to soums and baghs. This system has broken down and has not been replaced. Today most local newspapers are not published regularly due to lack of funding. In fact, 8 aimags have stopped publishing newspapers altogether. Today newspapers are a rarity in remote soums. In 2000, 160 newspapers and 37 magazines were published regularly. Nearly all the newspaper sales and most of the magazine sales were in the cities and bigger settlements. Overall, the number of printed materials published each year per capita has dropped from 3.6 to 1.2. The number of public libraries has dropped from 421 to 305 between 1990-2002 and half of the 331 soums do not have libraries.

Herders depend on short-wave radios for information. More recently, several aimag short wave radio stations and public radio centres have started operating. In 2002 there were 35 radio stations, 27 TV stations and 11 cable TV stations with regular broadcasting. In Ulaanbaatar, more than 30,000 households have access to cable TV, however the service is largely unavailable in rural areas. All but five percent of women in Ulaanbaatar have access to mass media while in the Western and Eastern regions 90 percent or more of the women have no such access.

In 2002, almost 260.0 thousand Mongolians had the use of a mobile phone. In soums and baghs conventional telephones are available only in official buildings like schools or clinics. Herders in baghs or at winter pastures might be hundreds of kilometres from the nearest telephone. Calling for emergency aid is therefore impossible or requires a long journey by horse or motorcycle. When roads are blocked in the winter, they are still more isolated. For that reason, information about weddings or other festivities that could be passed in 20 or 30 minutes in urban areas by mobile phone, can take two or three days to circulate in the countryside.

Those who are cut off from information are more vulnerable, and less able to access the new economic and other opportunities. For instance, urban residents use information to get jobs, make business contacts, access international markets, and to look for financing for their businesses. Herders surveyed in 2002 said that they were keen to track the market prices for hides and skins, as well as cashmere and wool in order to sell their raw materials at the highest possible price. Information can have other wide-ranging influences such as to warn herders or travellers of impending winter storms, to foster government accountability, and to bridge vast distances that separate communities.

Participation

Geography has also had an impact on political and social participation. Whilst rural turnout rates in local and national elections are higher than in urban areas, overall participation in local elections is much lower than in national elections. In 2000, 76.0 percent of urban voters and 86.0 percent of rural voters participated in the elections to the Ikh Khural.



Participation in Ikh Khural elections dropped by 8.0 percent in urban areas and 11.0 percent in the countryside. In 2001, for instance, 79.0 percent of urban voters, and 84.0 percent of rural residents voted in the Presidential election. Yet of course, migrants to the cities are required to register in order to be able to vote as residents, thus the real figures may be even lower.



The number of non-governmental organizations (NGOs), including professional associations and movements, has multiplied between 1997 and 2001, from 410 to 2,214, but they have not yet developed a strong voice in the decision-making process. Here again, the spread is uneven across rural and urban areas. By and large, people in urban areas have greater opportunities for participation.

Summing up

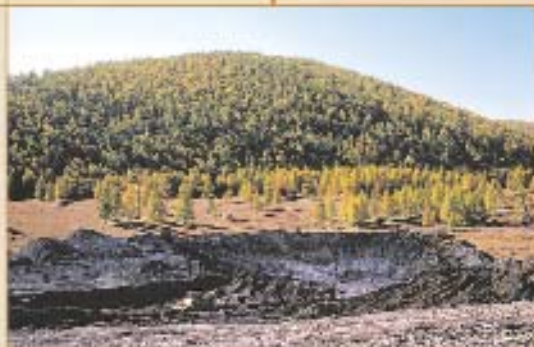
Mongolia's climate, demographic structure and geography conspire to make it difficult to provide a uniform level of services to its population. As a result, health care, consumer goods, culture and jobs are concentrated in the country's few urban centres where they are cheaper to provide due to the higher population density. Many of the disparities, which are apparent today, were kept at bay by a socialist system that limited migration and set up rural institutions to facilitate regional development. However, with the uneven expansion of employment opportunities, following the economic transition, disparities began to develop, and these are now reflected in the data for health, education and earnings.

This rural-urban divide in people's access to opportunities must become the focus of concerted policy actions. Rural poverty is a drag on national well being, as is the intense poverty in the urban enclaves occupied by recent rural migrants. Migration from rural areas to cities has been a symptom of the lack of options in the countryside. Migration was just one of several coping strategies adopted by rural people when faced with the dire uncertainties of the transition years. Investments in infrastructure, education and health care can genuinely remove barriers that keep rural residents from becoming both more productive and living better lives. Decentralized local government and an active, informed citizenry would further facilitate rural development and help rebalance inequities between regions that fuel migration. There is a need to develop an understanding the causes for the growing spatial inequality and using policy to minimize the costs of human suffering and to strengthen people's responses.



CHAPTER 3

RESPONDING TO CHANGE



Responding to change

The growing spatial inequalities and the increasing insecurity among people occurred as Mongolia experienced a turbulent economic, political and institutional transformation from centrally planned state to market economy. The traditional sense of security provided by the State was shattered. The State was in the process of redefining its role and responsibilities, and was fiscally weakened. As a result, most people affected by the growing disparities were forced to devise their own survival and coping strategies. Policy responses were weak and slow; the State did little to address the onset of growing spatial disparities and human suffering.

Societal transformation

Mongolia, like some transition countries, adopted an economic restructuring process that relied on rapid privatisation, price liberalisation, removal of trade restrictions, and a reduced role of government. The outcome was a dramatic increase in poverty, inflation, economic insecurity, and rising inequality in income distribution. During the initial years between 1990 and 1993, many industrial enterprises went bankrupt, production fell, and thousands lost their jobs. During these three years, industrial production declined by 41.0 percent. Almost all sectors - food

Mongolia's structural adjustments to transform the economy - price liberalisation, privatisation, removal of trade barriers, and downsizing of government - led to massive cutbacks in production, unemployment and poverty.

processing, textiles, clothing, leather processing, metal and mineral industries, recorded massive falls in production. For the first time,

Mongolians had to endure unemployment and poverty. This forced many urban residents to move to the countryside to engage in herding. Between 1990 and 1994, the number of agricultural workers increased from 258.8 to 336.6 thousand. Many of the new farmers had, however, no knowledge of agriculture. Similarly, an increasing number who took up herding as a livelihood had little knowledge of animal husbandry. The resulting adverse impact was a sharp decline in agricultural productivity.

The massive influx into herding and agriculture was not accompanied by an expansion in the availability of credit. Banking, financial and insurance support to rural development was almost entirely absent. Also, most herders had little faith in formal banking institutions as thousands had become victims of the bankruptcies declared by several large banks during the initial years of the transition, and had lost most of their savings. Even today, opportunities for the rural population to access

loans, deposit their savings and insure their property remain poor. Herders and farmers are also not interested in bank loans because interest rates are punitively high and lending periods too short. At the same time, even if they want to take loans, they often do not have adequate property or other assets to use as collateral.

Although in recent years there has been an interest in insuring livestock, none of the existing insurance institutions are interested in insuring risky livestock production. Barter trade still takes place where livestock and raw materials are traded for commodities. As the former agricultural cooperatives were disbanded and the centralized raw materials procurement system collapsed, agricultural product processing factories closed down.

As a result, herders faced many difficulties. First of all, herders needed to sell raw materials, but the newly emerging private sector had not the means nor interest in taking over the responsibilities of former cooperatives. This led to the export of unprocessed raw materials. Recent estimates for 2002 reveal that 65.0 percent of total wool produced, 60.0 percent of sheep wool, 65.0 percent of standard wool, 20.0 percent of cattle hides, and 35.0 percent of small animal skins underwent only primary processing - and conversely that only 30.0 percent of cashmere, 30.0 percent of sheep wool, were used for production of final products. The rest of the raw materials were exported. The export of such primary products with little or no processing means that the national economy fails to secure the gains accruing from high value-added activities associated with finished goods, and suffer from weak terms of trade. Rural businessmen and herders also find themselves not only far from the market, but also lacking useful business information.

Privatisation of state property, first by voucher distribution and later by sale began in 1990 and continues today. Although it has been a successful experiment in creating an economic system based on many forms of

Through the transition, Mongolia's urban, rural and pastoral economies have diverged.

property, and has given new opportunities for people to participate in economic activities, the expansion of opportunities has not been equitable. Privatisation of

Small and Medium Enterprises (SMEs), livestock and equipment have left industries and agricultural enterprises in inexperienced hands. Faced with shortages of capital, equipment, fuel and raw materials, many of these enterprises collapsed. Privatisation also affected the distribution of wealth in rural and urban areas. Not everyone has been able to enjoy the benefits of privatisation equally. This was one of the main causes of the widening of the gap between the wealthy and the poor, and of urban-rural disparities.

Major political and institutional changes took place alongside the economic transformation of the country. The 1992 Constitution laid the basis for principles of good governance in Mongolia. Citizens were granted the right to participate in politics, and exercise freedom of association in political parties and other voluntary associations. They were guaranteed freedom of thought, opinion, expression and speech.

The Constitution of Mongolia and the Law on the Government Civil Service provide a legal framework for the management of the civil service. Mongolia introduced a new civil service system in 1995. However, the legal framework and the institutions involved in management

Among political changes was state promoted development of a vigorous civil society, an effective judicial system, human rights, rule of law, and good governance.

of the service need to be strengthened. In 1996, and again in 2000 when opposition political parties gained

power, there were reportedly widespread violations of the principles of civil service neutrality, a principle that is enshrined in the Law on Government Service. In both instances, as the National Human Rights Commission found that many career civil servants were in effect dismissed from their positions. In neither case did the Government Civil Service Council, set up to protect the supposedly merit-based system, effectively discharge its duties. Institutions of governance were still evolving, and continue to do so.

Responses by citizens

The economic and social changes in the country have led to the emergence of five distinct population groups: 1) rural nomads, 2) urban ger dwellers, 3) the homeless, and 4) people in conventional housing in cities, and 5) those living in soums and aimag centres.

Mongolians used a number of strategies in the 1990s to cope with and survive the dire and uncertain times of economic transition. Many responded to the massive economic change by migrating in search of opportunities, working in the growing informal sector, having less children, and trying to eke a living from herding. For instance, with industries collapsing and government downsizing, many people took up work in the informal sector, an unof-

Many responded to the massive economic change by migrating in search of opportunities, working in the growing informal sector, having less children, and trying to eke a living from herding.

official dual economy, which can also function as an incubator for small enterprises. Tens of

thousands migrated, ultimately adding to the urbanization of the country. Mongolians also chose to have fewer children. These responses are expected to adapt and change as and when economic conditions improve and poverty declines. Some strategies such as the informal sector and long-distance trading - can be capitalized on as major sources of growth in their own right.

Decreases in the birth rate

The sharp fall in average income that marked the economic crisis triggered a drop in the rate of births as women exercised their choice not to take on the financial burden of more children. In 1989 the population was growing at 2.7 percent. By 1999, the growth rate had fallen to 1.4 percent per year. The birth rate declined by nearly 52.0 percent in 10 years as people opted to have fewer children, or have them less frequently in order to avoid becoming more economically vulnerable. Without this decline, the population in 2000 would have been nearly 9.0 percent higher. If this were the case, per capita income would have been lower and the number of people living in poverty would have been higher than it already was. This response was rational. Population groups considered most vulnerable to economic shocks and stresses include; children who have lost one or both of their parents; the elderly; female-headed households with many children; disabled persons and the unemployed.

The birth rate declined by nearly 52.0 percent in 10 years as Mongolians decided to have fewer children, or have them less frequently in order to avoid becoming more economically vulnerable.

Factors contributing to the decline in the birth rate included a drop in the marriage rate by nearly 40.0 percent over the same period, greater use of contraceptives to prevent pregnancy, increased reliance on abortion to terminate pregnancy, and a longer interval between births.

Today the fertility rate barely exceeds 2.1 births per woman of reproductive age, which is the rate needed to maintain a stable population. In 2002, the crude birth rate was 19.1 per 1,000, a 47.5 percent decline from 35.5 per 1,000 in 1989. Fertility declined most for women in urban areas, women in the Eastern region, the capital, and for those with less than four years of schooling. In the predominantly rural Western region, the crude birth rate dropped from 40 per 1,000 in 1989 to 27 per 1,000. According to the 1998 RHS, the average woman is expected to bear 3 children. In urban areas, the figure is 2.5 while in rural areas it is 3.7.

Urban areas experienced a greater decline because urban women have better access to information, contraception and abortion and so are better able to exercise

choice in times of hardship. These fertility trends are similar to those in other transition countries in recent decades. One key difference, however, is that in Mongolia, the decline in the birth rate occurred in the context of strong pro-natalist government policies coupled with hefty incentives. In line with its population policy, the government seeks to create conditions for population growth of no less than 1.8 percent. This includes reducing mortality rates of infants and children under five by one-third and reducing the maternal mortality rate by 50.0 percent, from 1990 levels. A related goal is to increase the life expectancy at birth. To facilitate this, the government in 1992 established the Ministry of Population Policy and Labour, with a representative in every aimag and city government. The government also disseminated information on family planning. Since the decrease in birth rate was a response to economic insecurity, many argue that policies promoting economic development, including investments in education and infrastructure, would be a more effective means to encourage an increase in the birth rate.

Table 3.1 Demographic indicators, by region, 1989 and 2000

Region	Crude Birth Rate		Crude Death Rate		Natural Growth Rate	
	1989	2000	1989	2000	1989	2000
Ulaanbaatur	30.4	15.2	7.6	6.5	22.8	8.7
East	36.3	20.2	9.3	7.0	26.9	13.2
Central	35.9	20.6	8.0	6.8	27.9	13.8
Khangai	42.2	22.1	9.3	6.4	32.9	15.7
West	39.8	27.2	8.2	5.8	31.6	21.3

Source: NSO, Main Results, Population and Housing Census 2000.

Table 3.2 Intercensal urban population growth, by region, 1979-1989 and 1989-2000

Regions	Intercensal growth (%)	
	1979-1989	1989-2000
Mongolia	42.7	15.3
West	35.8	-5.0
Khangai	55.2	7.9
Central	55.7	5.8
East	41.8	4.4
Ulaanbaatur	36.7	44.6

Source: NSO, Calculated from 1979, 1989 and 2000 Population and Housing Censuses of Mongolia.

The return to herding

The urban-to-rural migration that dominated much of the 1990s coincided with a profound shift in the composition of employment.

Unemployed urban dwellers moving back to the countryside found refuge in agriculture and, specifically in the newly privatised livestock sector. Just before the transition less than one-third of the workforce was engaged in agriculture. By 2000 agriculture provided employment for

half of the labour force - a 45.0 percent increase in 11 years.

State provided infrastructure and services for herders dissolved just as tens of thousands of unemployed urban residents turned to this sector as a mean of salvation.

Similarly, by 1993 agriculture comprised an increasing share of GDP. Agriculture's jump from 14.1 percent of the GDP in 1991 to 35.1 percent in 1993 coincided with the collapse of production in construction, trade, transportation, communication and services.

Meanwhile, within agriculture, livestock became increasingly dominant. While in 1989 it accounted for 70.0 percent of agricultural output compared to crop cultivation, by 1999 it accounted for 90.0 percent. In 1990 there were 74,710 households that depended on herding for their livelihood. By 2000 there were 191, 526. Similarly, in 1990 there were 147,508 people who would have ranked herding as one of their means of support. By 2000 there were 421,392. By the end of the decade, agriculture was by far the largest sector in the economy and production was almost completely specialized on livestock rearing. State provided infrastructure and services for herders dissolved just as tens of thousands of unemployed urban residents turned to this sector as a means of salvation. However, while the sector absorbed new labour, productivity per capita fell throughout the decade to a near subsistence level, making the shift into herding nothing more than a household survival strategy. The massive return to the livestock sector also meant the entry of a large number of inexperienced herders.

Herders have responded to the changing circumstances and crises by diversifying income sources, liquidating assets, and strengthening kinship and informal networks, for example by borrowing from informal credit lenders. But like other survival strategies, these are responses to a collapse in the formal risk reducing institutions and are by their nature an inferior last resort. However, a number of factors further conspired to make herding an unstable and unprofitable choice of livelihood. First, between 1990 and 2000, the number of livestock per herder household fell by 54.0 percent and the number of livestock per herder fell by 59.0 percent. The decline of this ratio contributed to the fall in labour productivity. Meanwhile, although the size of the national herd actually increased, its composition changed significantly in response to market incentives. Between 1990 and 1999 the number of animals increased from 25.9 million to 33.6 million, or by 29.7 percent. In those same years, the number of sheep remained roughly constant because of a decline in the market for wool. The number of goats, however, increased by 215.3 percent with new opportunities to export cashmere to China and other countries. Camel numbers dropped by 34.0 percent - reflecting the con-

sumption of the camel meat by low-income groups. Finally, the number of horses increased by 40.0 percent, perhaps in response to the overall growth in the number of herders.

It is important to note that the shift toward livestock as a source of livelihood was accompanied by changes in the home that principally affected women and boys. The changes in the composition of herds demanded more herd management, a task that fell to wives and sons. The school dropout rate for boys, in turn, has increased dramatically. Overall, the workload of women doubled as their families shifted to a rural lifestyle that called on them to be more self-sufficient by providing food for the household and felt for gers. The productive responsibilities of women merged with domestic tasks and child bearing and rearing.

Box 3.1

Women and cashmere

Diversification and introduction of cashmere goats in the southern region has been a major source of income since the transition period. The ratio of sheep to goats has now reached 1:1 compared to 3:1. The switch to goats, which was the livestock type traditionally tended by women in the division of labour, is a result of the increased demand for wool. However, the processing of "raw" cashmere is a hard work and very labour intensive. Mongolia has a competitive advantage as far as the availability of the pastureland and the intensive labour is available at low cost. Raw cashmere is sold in rural markets at a price ranging from US\$13 to US\$30 a kilo. Yet the real value-added accrues to the commodity from the moment it is sold to intermediaries. Women are heavily engaged in the production and processing of raw cashmere, and may also be involved in marketing activities with men. Apart from one state producer of cashmere, Gobi Cashmere, other sellers have diversified into new markets, most notably in the cross-border trade with China. Indeed, the scale of cross-border trade with China has led to a Chinese import ban. Many raw cashmere producers sell or barter through intermediaries. Without access to price information in different markets the terms of trade are made even be less favourable for the isolated rural herder.

Source: UNIFEM, Women in Mongolia: Mapping Progress under Transition, 2001.

A second set of factors that weakened the productivity of herding stemmed from the dissolution of the 281 negdels (agricultural collectives) in 1990 that had previously supported herds and regulated herders. Moreover, the negdels had maintained wells, emergency fodder storage facilities, and winter shelters for animals. They also

provided veterinary services that curbed disease. Negdels had supplied a marketing function by buying raw materials from herders. Each negdel also presided over a demarcated territory. Within this area, it reserved some pastureland for emergencies and set out land use rights. For instance, members of one negdel could not use land belonging to another without prior agreement.

When the state-provided marketing system disappeared, marketing intermediaries slowly replaced it. But they were few in number, and thus a non-competitive buyers' market, or monopsony emerged. In addition, today, with privatised herds, many animals are slaughtered where they graze and their carcasses transported by truck to market. The more remote the herd the higher the transportation costs and the less likely the herder is to receive an attractive price for his product. Without negdels, herders have been forced to rely on family and friends, to breed more animals, and to relocate where services are available.

In addition to the economic effects, the closure of the negdels led to negative environmental externalities. Among the public goods provided by negdels were veteri-



nary services and the maintenance of water sources. Without either, herders began to concentrate near cities, where veterinary services are more likely to exist, as well as near functioning water sources, placing stress on the pasturelands near each. In addition, regulation of usage of the country's vast grasslands and steppe pasture has been weakened. In most places where open-access common lands exist there are institutions that regulate their use to ensure long-term sustainability. In Mongolia, the unregulated availability of grass - the primary input in the production of animal husbandry - is already leading to the classic 'tragedy of the commons', with the degradation of the shared space. Before the advent of socialist-era

negdels, herders had organised informal institutions that managed grazing land. In some areas they have been revived, but they remain weak and small.

A final blow to the productivity of herds came in the form of dzuds - heavy and spring snowstorms - of 1999 and 2000 that reduced the herd by nearly 10.0 percent in 2000 alone.

Table 3.3 Livestock lost due to major dzuds, 1977-2002

Losses of adult animals (thous. heads)	
1977	2,036.4
1983-1984	3,042.0
1993	1,641.8
2000-2002	11,167.7

Source: NSO, Livestock Census 1955-1991 and Statistical Yearbook, 2002.



Some 11.2 mln. livestock died between 2000 and 2002 and more than 15,000 herders lost all of their animals. This event accelerated the migration of rural residents to soum and aimag centres, and to cities. Other herders who were left without

Box 3.2

Case study: Dzud

Among rural residents who herd their livestock under the very severe weather conditions referred to as dzud there are also human casualties. In the decade from 1991 to 2001, nearly 300 persons lost their lives during natural disasters.

A survey conducted for the Mongolia HDR 2003 revealed that over 40 households in Yesonzuil soum and

83 households in Burd soum of Ovorkhangai aimag, 120 households in Erdenesant soum and 76 in Lun soum of Tov aimag, were left without any livestock. These households moved to the soum centre, their members are unemployed, and their life is hard.

Source: Ministry of Environment, Report on Environmental Issues, 2002.

livestock turned to tending others' animals to make a living. Between 2001 and 2002 the number of herders declined by 4.2 percent while the number of households depending on herding decreased by 5.2 percent. At the same time, the capital city population expanded by 4.2 percent. This event clearly shows the vulnerability of herding.

Box 3.3

Case study: A "Myangat" herder (an owner of more than thousand of livestock) speaks

I worked as a driver for 32 years in Bayannuur soum of Uvs aimag since 1961. But when I retired in 1993, I became a herder. Now I have over 900 sheep and goats and over 100 large cattle. I intend to reduce the number of my holding to 300-400 as livestock requires a great deal of hard labour - and the natural and climatic conditions are punishing. I think this lower number of livestock is enough to earn a good-living.

It is wrong to say that it is absolutely impossible to live the way we do. Everything is comes down to the amount you as a person put into live. Certainly, the area was underdeveloped, but herders too lack possibilities to realize the fruits of their labour. The absence of a decent market causes many to move to the edges of the cities.

When I started herding the natural and climatic conditions were not so bad. In the last 4-5 years, our land was highly affected by drought. Added to these problems has to be the threat of livestock theft.

Although the state and government organizations took counter measures against livestock rustling, halting opportunities for illegal smuggling of livestock by improving frontier protection, the phenomenon of illegal smuggling has not really stopped. I personally do not rule out that this might be connected with activities of border troops and others. It seems to me that the State does not pay much attention to the hardships and labours of herders. It does little except the selection of the year's best herder at the end of the year.

Plus restocking seems to have halted and the establishment of cooperatives is poorly developed. Herders

themselves do not have much time for cooperating and sharing their labour. Prices for livestock and raw materials have been falling year to year. For instance, the price of cashmere has continued to fall. The herders always lack cash and they do not get any marginal state allowances. I have my own views on intensive animal husbandry; herders will have many livestock to be fed manually in one place, this presents problems. A key question is the activities of the bagh governor - he must perform very well. So herders should elect a proper person who is able to protect the interests of all.

Privatisation was carried out ineffectively in local areas. For me, I received the truck, which I was driving at the time. The State should pay attention to the development of banking and financial activities in local areas. Herders hesitate because they doubt the reliability of the banks. But I saved and have put money aside in the local bank.

Well, finally, I would like to say that if anybody works well with their livestock, competing with the sun and time, and keeps in mind that achievement comes after hard labour then it is possible to live anywhere.

Mr.Z.D, aged 65, former driver, and now a herder with thousand livestock, who lives with his wife and three children

Informal sector

The informal sector is believed to account for a large percentage of employment in the capital, and is cited as a potential source of economic dynamism and entrepreneurship. No reliable estimates of the informal sector exist. Ulaanbaatar alone has absorbed thousands of workers shed from government and industry, as well as migrants from the countryside. This dual economy hosts a gamut of services from beggars, prostitutes and petty urban traders to keepers of small shops in kiosks, taxi drivers, small manufacturing enterprises, informal currency dealers, operators of pawnshops, and pavement-based mobile phone services. Positive externalities include the availability of a variety of affordable goods and services and a reduction in the urban cost of living. At its periphery the informal sector includes manufacturing and service enterprises that blend with the formal sector, making it hard to distinguish between the two.

Table 3.4 Informal sector labour as a percentage and total of employment and output, urban vs. rural, 1999

	Output (as of 1999)		Employees (as of 1999)	
	Number	As % of total output	Number	As % of total employees
Total	469,209	100.0	244,482	100.0
Formal sector	351,954	75.0	184,200	75.3
Informal sector	117,255	25.0	60,282	24.7
Ulaanbaatar	94,049	80.7	47,037	78.0
Aimags	23,206	19.8	13,245	22.0

Source: Keith Griffin, Poverty Reduction in Mongolia, 2003.

The informal sector in Mongolia and other former Soviet bloc nations are distinguished from those of other developing countries by the fact that they contain large numbers of people who are well educated and highly skilled. Those who enter the informal sector in Mongolia do so as a survival strategy, in reaction to falling incomes and a decline in the ability of the state to provide economic security. The World Bank (WB) report of 1997 on the informal economy in Ulaanbaatar estimated that informal activity lifted 15.0 percent of the capital's households above the official poverty line. The USAID 1999 survey looked at the informal sector in Ulaanbaatar, Orkhon, Uvs, Zavkhan, Arkhangai, Khentii, and Dornogovi aimags and concluded that the total value of urban informal sector activities surveyed was 117.3 bln. togrogs, or US\$ 114.7 million, which in 1999 was 13.0 percent of the official figure for GDP.

Mongolia's informal sector workers are often well educated and are predominantly women.



The informal sector is often given little recognition. It should, however, be seen as a business incubator, a place where new entrepreneurs can learn to operate in the urban market and develop their micro-enterprises through trial and error. In this way, thousands of micro-level responses to unemployment could have the potential to become a stimulus for economic growth. Supportive government policies and access to finance capital would facilitate this development strategy. In this way the poor can become actively involved in the development process. Such pro-poor government policies could have a significant impact considering one-third of population is poor - and that many of the poor who work in the informal sector are inventive, resourceful, and talented.

Typically, the term informal sector refers to small scale, labour intensive, self-employed businesses that are hidden from official statistics, because they are not registered, and not subject to regulations and taxes. Barriers to entry into the sector are low since these enterprises do not



need large amounts of start-up capital and because they duck high corporate taxes. Mongolia is seeking to license informal businesses. They are required to register with local authorities and to pay a flat tax in lieu of a calculated income tax. This monthly tax is considerably lower than the one in the formal sector. Most informal enterprises are thought to comply with this requirement. However, it is also believed that an increasing tax burden in the formal sector in recent years accelerated the growth of the informal sector. For instance, the tax burden accounted for 20.0 percent of GDP in 1999, 26.0 percent in 2000, and 29.0 percent in 2001.

Those who work in this sector tend to be between 20 to 40 years old. The second largest group is between 40 and 60 years of age. Women have carved a niche for themselves in the informal sector. They make up 54.0 percent of the workforce and are prevalent in the unorganised markets of wholesale and retail trade, personal services, catering, tourism, and food services. Though they are believed to dominate the sector, their participation is hard to measure, because women in Mongolia often identify themselves as housekeepers or as unemployed when, in fact, they are involved in a secondary business. Men dominate transportation operations - which require start-up capital. The age span of those working in the sector is wide and an entrepreneur can start a small business without needing additional labour.

According to the ILO/UNDP Informal Sector Study of 2001, child labour in the informal sector has been growing. They perform different types of work - selling food and newspapers in markets and streets; collecting and selling wood, coal, paper, bottles and cans; shining shoes; and washing cars - all without social protections and for low pay.

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Box 3.4

Case study: The informal sector

My husband graduated from the Vocational Technical School, and I from the College of Food and Light Industry. We have been married for over ten years now. Neither of us has permanent jobs. My husband works on the land in the summer making hay and works in mining during the winter. He goes mining at 8 or 9 o'clock in the morning and comes back home after 10 o'clock at night. The coal price is high and he earns 7.0-8.0 thousand togrogs daily. I do sewing at home and sell the products at the weekends.

As I am in my 30s it is difficult to find work in the factories. I dream of starting my own private business. My idea is to plant vegetables in a private plot of land or to trade with other businesses in some way.

Mrs. S. a female, has a vocational educational background, and lives with her husband and three children in Nalaikh district of Ulaanbaatar.

The migration and urbanization

In the socialist era, the government strived to equalize opportunities in rural and urban areas by investing in the countryside, and maintaining strict control over migration. With Mongolia's economy undergoing rapid and deep structural change, poverty on the rise, and no adequate social safety net, its people began to move in search of better opportunities and means to survive. Mongolia's new constitution allows people to move freely. Mongolians migrated from cities to the countryside, and, especially later in the decade, from rural areas to cities. By 2000, some 21.0 percent of the populace had moved. The opposing trends peaked at different times during the decade of adjustment, and reflected changing stimuli. A backdrop to these patterns of migration was a process of underdevelopment that ensued through the transition. For instance, the relative importance of the agricultural sector increased while industry's contribution to GDP dropped. The share of labour in agriculture increased, but the per capita productivity of the sector declined. The country's population shifted for a time from predominantly urban to being rural in character.

Mongolians migrated from cities to the countryside, and, especially later in the decade, from rural areas to cities. By 2000, some 21.0 percent of the populace had moved.

After the introduction of the "shock therapy" approach to the transition, thousands of urban dwellers lost their jobs in industry, construction and public administration. Many fled cities to make a li-

ving from the newly privatised herds. Between 1990 and 1993 the number of herders increased by 136.0 percent. Although animal husbandry dominated the rural economy and was able to absorb the new labour, productivity in herding dropped to a subsistence level. Urban-to-rural migration was also an indication that many urban dwellers still had a connection to their rural origins. Urban to rural migration occurred within aimags as well, as manufacturing in soum and aimag centres shut down. In eight aimag centres the population declined absolutely during the transition ranging from a reduction of as little as 3.6 percent in Altai to 35.5 percent in Mandalgovi. In the remaining aimags, population increased. In 1999 and 2000, Mongolia was hit by dzuds, which killed millions of live-stock. The dominant urban-to-rural migration trend reversed abruptly. In 1998-1999, the rural population fell from 50.0 percent of the total to 41.0 percent.

Box 3.5

Case study: Migration

I moved to Ulaanbaatar from Shivee-Ovoo three years ago, as there was no work to be found. When we lived in the countryside we had no dwelling and no food to eat - and on occasions to we went to bed hungry. When we moved to Ulaanbaatar our livelihood improved - we now have somewhere to live and food and clothes. But on the downside, in my line of work, which is construction, I have not been able to find a permanent job. I earn 30-40 thousand togrog per month through doing temporary jobs. Legally, I am still on the books of Tov province and have no city registration - and so my family aren't able to connect to the electric and so we use candles at night. This is very inconvenient, but what hurts most is that I could not get my newborn a medical check.

We do not subscribe newspapers and have no TV; we get our news and information by visiting neighbours to watch TV. Our water supply is poor as we use portable water. Now we intend to have our own land. We hope that our life will take a turn for the better in the future.

Mr. Z. T is a head of household, who lives with wife and two young children

At the same time that urban Mongolians were hoping to forge a living from herding, rural residents were migrating to cities, seeking jobs and the services and amenities concentrated there. They were also attracted by the rail and road links to other parts of the country. Behind them unemployment was increasing in rural communities devastated by the dissolution of state-owned farms, and institutions that had provided social services, and supported

herding and agricultural livelihoods. The scale of the rural-to-urban migration was such that today more than one-third of the capital's populace are migrants.

In 1999 alone the urban population grew by 5.0 percent. Rural residents' relocation into felt tents pitched on open lands on the outskirts of cities led almost spontaneously to dense urban slums, and an urban underclass. Rural-to-urban migration drained labour and talent from the countryside and aimag centres. As Mongolia becomes

The dominant trend proved to be rural-to-urban migration as people left the countryside looking for opportunities not only in major cities, but in soum and aimag centres as well.

more urbanized, demographics reinforce the concentration of amenities and services in the capital and the two leading cities. Through several waves of migration, Ulaanbaatar has never stopped growing.

Between 1990 and 2000, the population increased by more than 27.0 percent.

The rapid fluxes of migration underscore the relative mobility of the populace. Mongolia has traditionally been a land of nomadic people. In addition, half of the populace live in portable homes. And because aimag centres are so small, a move into or out of one of them does not necessarily constitute a significant change in lifestyle. Moves are not always permanent either. With better transportation and communication, migrations have become circular. The majority of migrants were found to be male. Remittances sent by family members who have left in search of work have helped bridge the income gap between urban and rural areas.

Besides migration between urban centres and the countryside, there were also movements from borders and remote areas to the centre, and from cities to foreign countries.

Mongolians who left the country altogether are a segment of the population that has not been well studied. Some migrated to repatriate with border populations, including Russians and Kazakhs. In 1989, 2.8 percent of the population consisted of foreign nationals. According to the 2000 Census, the percentage had dropped to 0.3. Most of those who left were citizens of the former Soviet Union.

Another response to the lack of income is emigration of Mongolian workers to South Korea, Kazakhstan, the Czech Republic and other countries. In addition, between 1989 and 2000, the number of ethnic Kazakhs decreased by 20,000. This is likely to be have been caused by a large number of emigrants to Kazakhstan. The majority of ethnic Kazakhs (78.4 percent) live in the Western region, especially in Bayan-Olgii aimag.

Migration is a natural phenomenon of economic development and a potential means of equalizing disparities between regions. However, if there are not employment and income generation opportunities in the destinations of migrants there will be little improvement in poverty either in rural or city areas. The challenge facing the country is to manage these flows and ensure that there are sufficient opportunities in urban and rural areas.

Environmental impacts

With the transition, citizens also looked to new ways of exploiting and harnessing the environment. Small-scale trading activities, like the collection of berries, nuts and firewood, and their sale, helped supplement incomes and provide healthy foodstuffs and fuel for urban and rural consumers alike. Indeed, the natural environment provides an untapped resource, which can be drawn upon in times of difficulty.

Yet three of the main environmental challenges faced, degradation of pastureland, air pollution and deforestation, can also be directly traced to these responses and coping strategies. The deregulation of agriculture and the collapse of the *negdels* have permitted overgrazing of the grasslands leading to desertification. Vast migration has led to pollution in urban areas from both the burning of fossil fuels in ger areas and the vast increase in the number of often second-hand and inefficient, motor vehicles. And poverty has led to the cutting down of forests on the periphery of major settlements.

Policy responses

The Government of Mongolia has initiated several policy measures to address growing regional inequality and poverty.

The State has played an active role in promoting the development of an effective judicial system, human rights, the rule of law, civil society, and good governance. The Constitution of Mongolia commits itself to local self-governance. It states: "The Mongolian national administration and local governments should develop on the basis of combined local self-governance and state management."

The government through its 'Good Governance for Human Security Programme' and 'The Action Programme of the Government of Mongolia 2000-2004' has committed itself to principles of good governance. In particular, the Action Programme calls for expanding the involvement of NGOs in the development and implementation of government policy; partnership between government, trade unions, and employers' associations; involving NGOs in executing some government functions and services on a contractual basis; strengthening the legal system,

especially by establishing a national human rights organization; improving the transparency of government institutions; and fighting corruption.

Box 3.6

'Good Governance for Human Security Programme' priorities

- To develop a democratic civil society with strong ethics that secures citizens' basic rights and fundamental democratic principles by facilitating independence of the judiciary and a free mass media
- To undertake comprehensive measures to improve [the] legal basis for authority and [the] structure of the judiciary, to deepen judicial reform to ensure independence of [the] judiciary and to improve its reputation
- To establish conditions for equal exercise of human rights that is a manifestation of both rights and responsibilities before the law
- To facilitate outreach of state policy to citizenry by improving legislation related to mass media freedom and underpinning its responsibility mechanisms
- To create an effective legal system based on the rule of law
- To improve citizens' legal education
- To improve responsibility mechanisms for public service and to decisively combat corruption, bribery, and crime
- To improve management of public relations, to ensure transparency of public organizations and to provide the utmost support to the establishment of good relations with NGOs within a partnership scheme.

Source: Government of Mongolia and UNDP. Good Governance for Human Security Programme, 2001.

Poverty reduction is at the core of the Government's development strategy. It is also the primary basis of cooperation with a number of external agencies, including the WB, IMF, ADB, the United Nations, and bilateral agencies from countries such as Germany, Japan, the Netherlands, Sweden and the UK. A full Poverty Reduction Strategy Paper (PRSP) entitled the Economic Growth Support and Poverty Reduction Strategy (EGSPRS) was adopted in Summer 2003 by Ikh Khural. It builds on the National Poverty Alleviation Programme

(NPAP) implemented for a six-year period from 1994, and envisions the lowering of the poverty rates by 25.0 per cent for the "extreme poor" by 2005, and by 50.0 per cent by 2015 - in line with the Millennium Development Goals (MDGs). To achieve the MDGs and these targets, the EGSPRS argues for and outlines a strategy to achieve an annual growth rate of between 5.5 - 6.0 per cent of GDP. The PRSP rests on three pillars: a) macro-economic stability, b) private sector-led growth, including the promotion of export-oriented industries, and c) a more equitable distribution of benefits through improved services especially to the poor and maintenance of a social safety net that ensures the protection of the vulnerable. The PRSP approach is a growth with redistribution strategy, which relies on the Government's strong commitment to privatisation and private sector development.



Implementation of programmes referred to as the White Revolution and Green Revolution by the Government is intended to increase food production, improve food supply and increase the income of rural herders and farmers. Substantial measures were taken to improve dairy products processing. As a result of the Green Revolution Programme, crop cultivation has grown, which halted the decline of agriculture. A trend to relative stabilization has emerged. As per the Government Action Plan Implementation Report of 2003, in total, 198,400 households in 21 aimags and over 300 soums participated in the White Revolution Programme while the Green Revolution Programme covered 2,400 businesses and 121,000 households. These figures allow us to

conclude that these programmes had a positive impact on rural poverty alleviation and increased employment.

Mongolia's government responded to the economic and political shifts with programmes to alleviate poverty, boost food production, reform public education, decentralize government, and improve social services.

Eighteen programmes in the health care sector, of which five are to commence in 2003, are being implemented as part of a comprehensive state public health policy. As a result of these pro-

grammes and projects, under-five child mortality and maternal mortality in rural areas has decreased, as has the occurrence of contagious disease. Also, the provision of medicine and equipment for basic medical care has improved. The Programme on Development of Soum Health Clinics is a primary means to improve rural medical services.

The Mongolian government has approved a state policy on education aimed at delivering real opportunities for choice in education, providing the population with modern education, and strengthening human resource capacity by improving the environment and conditions for education. It has also started implementation of the Educational Sector Development Programme. With enactment and implementation of a series of laws as the Education Law, Tertiary Education Law, and Primary and Secondary Education Law, changes have been made in the education system in order to reform it in accordance with market demands, and to reform the curriculum and technology. Some state universities, institutes and colleges underwent structural reform. Preparation for work on a management contracts for these institutions has started.

The Government has undertaken actions to strengthen decentralisation and local governance and has made changes in its administration systems. The Government also developed and implemented the Administration Development Programme between 1992 and 1996, within this, there was a component aimed at strengthening decentralisation and local self-governance. It is the intention to further develop and implement the decentralisation policy, generate a supportive legal environment for local self-government and to broaden the fiscal rights of local government organizations.

The Ikh Khural ratified the main concepts of the government's regional development policy in June 2001¹⁵. The purpose of these policies is to reduce the over-concentration of population by rational utilization of the natural, agricultural, land and human resources, acceleration of economic growth and social development, and setting up favourable conditions to minimize differences in development between cities and rural areas. According to these regional development policies, all citizens of a par-

¹⁵ Government of Mongolia. Economic Growth Support and Poverty Reduction Strategy, 2003.

ticular region will be given equal opportunities to study, live, access information and take an active part in community life. They also would be able to enjoy education, health, cultural, information and social services on the equal basis.

In 2001, Ikh Khural adopted the "Millennium Road" project to build a horizontal road from the west of the country to the east and 5 north-south roads. The development of these roads will expand not only regional, but also Mongolia's participation in world trade and enable it to link to the unified network of Euro-Asia infrastructures, thereby gaining access to the sea as well as to the trans-Asia highway. Within this, asphaltting of Ulaanbaatar-Baganuur road is underway; the 400 km Ulaanbaatar-Sukhbaatar-Altanbulag road is being improved; plus the 200 km Nalaikh-Choir asphalted road, and the 184 km Darkhan-Erdenet road are being built. Western direction roads are being improved and the 420 km Ulaanbaatar-Arvaikheer road renovated. Thus, road construction work has significantly being expanded in 2000-2002 with funding increased from donors at the same times¹⁶.

There are numerous other measures, which are being taken and implemented by the Government and its agencies designed to strengthen human capacity, which is an essential component of development.

In addition, the Government has recognised the severe environmental difficulties faced by the country. And has through the National Council on Sustainable Development developed environmental policy goals and the means to deliver them. Ikh Khural has passed more than 20 laws on conservation and environmental sustainability. And the nation has ratified a large number of international environmental treaties. However, it needs to be recognised that the authorities face major challenges in achieving these objectives given the country's vast area and sparse population.

Summing up

By the end of a decade of transition, Mongolia's population had changed in many ways, distinct socio-economic groups had emerged, and citizens began live under and adapt to a different economic and political system. People had known poverty and unemployment for the first time, but they did not respond passively to these phenomenon. In the early 1990s urban Mongolians moved to rural areas to take up herding activities following livestock privatisation. People also created a dynamic dual economy (informal sector) as a survival strategy in an increasingly urbanised nation. Tens of thousands had moved to find new opportunities, while the herding economy, that so many hoped would provide refuge, failed to provide sustainable livelihoods as first productivity collapsed and second, dzud killed millions of animals. Part of the response was also demographic, namely a rapid decline in the birth rate.

The Government launched poverty reduction programmes and policies to address the onset of deprivations and disparities. The State also pursued reforms to decentralize administration, build a civil society and bolster the rule of law, all of which were intended to accelerate human development. These initiatives set the stage for development strategies that would promote greater equity and help vulnerable groups become more productive and self-reliant. From the above we can conclude that the people's responses preceded those of the Government. Therefore, there is a need for better-targeted and more effective strategies and policies to hasten human development.

¹⁶ Government of Mongolia. Economic Growth Support and Poverty Reduction Strategy, 2003.



CHAPTER 4

THE WAY FORWARD



The way forward

The striking level of spatial inequality has contributed to a growing sense of insecurity. Addressing these unintended consequences of the transition needs to become a central concern of the State. This issue assumes particular urgency given the backdrop of rapid globalisation and integration of the country within world markets. As Mongolia begins to capitalize on the opportunities opened up through the membership of the World Trade Organization (WTO), it will become critical for the State to ensure that this reduces, and not accentuates spatial inequalities. In other words, the Government needs to have in place policies that ensure that the benefits of trade are uniformly distributed across the different segments of the population and spread throughout the country.

Several considerations underscore the importance of addressing the growing inequalities. From the point of view of equity, persistence of wide disparities between urban and rural regions and residents reflects social injustice. It must become the State's priority to ensure a decent standard of living for all citizens without discrimination. From the viewpoint of economic efficiency, it is essential to develop infrastructure, transport and communications in rural areas in order to link the economically more backward areas to emerging markets. Such a move is likely to reduce the cost of goods and services and increase the competitiveness of export products.

Addressing the rural-urban divide is also critical from the sustainability point of view. Ensuring balanced regional development is necessary for alleviating pressures on the environment and for ensuring that future generations, whether they live in the cities or countryside, enjoy equal opportunities. Without spatial equality, the prospects for better national economic performance and poverty reduction will remain weak. Finally, from a human security point of view, large and growing disparities between rural and urban areas pose a threat to the stability of the nation. Perpetuation of poverty, hunger, disease, crime and repression, and personal crises can lead to violence, conflict and instability. This can potentially destabilize economic progress and human development.

Four priorities

The Government in partnership with international agencies and civil society must intensify efforts to bridge the widening gaps between rural and urban residents. The following four priorities have been identified to address these deficiencies in human development.

Pro-poor growth

The nation's recent growth history has been far from pro-poor. Some of this is policy induced, still more of it

is the outcome of policy inaction on many fronts, particularly in boosting employment and addressing growing income inequalities.

Despite the recent economic revival and expansion, the foundations of the economy remain weak. Mongolia needs to address structural and institutional dimensions closely linked to macroeconomic management. Rapid privatisation and liberalization decimated industrial capacity in the early 1990s. And there is a danger of this happening once again, if the interests of the poor are not safeguarded during the forthcoming round of further asset sales and the land reforms. The agricultural, particularly the livestock sector continues to operate at a subsistence level and has potentially regressed in terms of efficiency and productivity. What is required is the provision of better infrastructure in rural areas, including enabling the supply of production-supporting services (wells, veterinary provision and so forth) and expanding the availability of credit to herders.

There is growing evidence that the Government's approach to securing macroeconomic balance is too strict and is potentially prolonging poverty and inequality. The pressure on the authorities to rigidly contain the fiscal deficit and pursue a tight monetary policy are stifling growth and employment. As a result of large aid flows, the Mongolian currency, the togrog, remains overvalued. Preventing depreciation in the value of the togrog is restraining opportunities for export growth. The competitiveness of national businesses is being compromised by a combination of high interest rates and an over-valued exchange rate. At the same time, interpreting the budget deficit as evidence of fiscal mismanagement is forcing the State to further reduce 'core' public expenditures, without taking note of the fact that a large portion of the deficit is grant funded through donor aid. Besides, the cuts in social sector expenditures have also runs the risk of further impoverishing people.

Economic reforms need to pay special attention to expanding the opportunities for the private sector. Healthy growth of small and medium enterprises must be encouraged to promote employment and generate incomes for people. Foreign Direct Investment (FDI) in Mongolia has been mostly been in mining and light industry. China leads the countries that have invested in Mongolia. In the 1990s, China accounted for almost 29.0 percent of all FDI. Appropriate policies and incentives are needed to attract further FDI from a wider group of countries and so boost industrial performance.

To attract FDI, the Government should pay attention to improving the investment climate. Among the key areas for action are improvements in the availability of skilled labour, provision of adequate physical, social and economic infrastructure, a supportive regulatory framework and pursuit of stable economic and fiscal policies. But the

Table 4.1 The Level of investment, 1995-2000 (percentage of GDP)

Form of Investment	1995	1996	1997	1998	1999	2000
Foreign Direct Investment	0.8	1.7	2.0	2.1	3.5	4.2
Domestic Investment	15.7	20.3	20.7	23.7	25.6	24.7

Source: Keith Griffin, *Poverty Reduction in Mongolia, 2003*.

danger with FDI lies in its inherent urban bias. As in other countries FDI in Mongolia has led predominantly to the growth of middle class incomes and has had little impact on the plight of the poor. Although, availability of goods and services in urban areas has improved, this has contributed to the widening of disparities and increased migration from rural to urban centres.

Pro-poor economic policies also warrant a re-examination of the patterns of social sector expenditures in the country. The table below shows allocations of Government expenditures allocated to the social sector. Total social sector spending as a proportion of budget expenditures has been fluctuating. Social sector expenditure, rose from 56.0 percent of overall budgeted expenditures in 1999 to 67.0 percent in 2001 and fell to 51.0 percent in 2002. A high proportion of these allocations are going towards the increased consumption of expenses like utility bills and maintenance costs rather than investment in physical and human capital. Proposals to privatise and contract-out social services can potentially reduce public sector expenditures. But this should not be at the expense of denying ordinary people access to quality services.

Ultimately, the primary focus of economic reforms has to be on generating adequate employment opportunities for the poor. At the same time, conditions need to be created for an expansion of private sector activities. This will call for judicious investments by the State in a range of public services, especially in physical infrastructure development.

Balanced development

Mongolia should put in place plans for balanced, regional development that will ensure all citizens have equal opportunities to study, access information, and to use health, cultural and social services. Such policies will help to minimize the disparities in development between cities and rural areas, and within urban centres. They will also support human development, which in turn will enhance economic development, and promote stability and equity. In 2001, Ikh Khural ratified the main concepts of these plans, which aim to provide a strategy for the development of all regions.

The Government can play a primary role in balancing development through more equitable government spending and investment. In the countryside, for instance, improvements in agricultural marketing, agro-business and manufacturing could increase incomes in rural areas and fund further investment.

Future land reforms should be targeted on preventing the degradation of overused pastures. Investments in wells, and institutions that provide services to herders offer the means to boost the productivity of animal husbandry. Achieving progress in the livestock sector is vital, as it remains the nation's single largest economic activity, and a way of life that so many urban residents fled to during the initial transition.

Mechanisms to promote small businesses, access to credit, and other elements that would rekindle and diversify local markets should be fostered and strengthened.

Table 4.2 Fiscal expenditure on the social sector (in mln. togrogs and percentages)

Indicators	2000	2001	2002
Total budget expenditure (mln. togrog)	429,653.1	489,730.5	536,549.3
Total expenditures on the social sector (%)	52.3	55.3	52.0
Education services (%)	19.1	20.2	19.2
Health services (%)	10.7	10.8	10.7
Social insurance and social assistance (%)	17.2	17.6	17.9
Housing and public services (%)	1.6	1.4	1.0
Recreation, sports, culture and arts (%)	3.3	3.1	3.2

Source: NSO, *Statistical Yearbook, 2002*; Government of Mongolia, *Economic Growth Support and Poverty Reduction Strategy, 2003*.

Investments in transportation would better link the countryside with urban centres and foreign markets, whilst spending on education, technology and increasing access to information would help rural people become more productive and competitive. Public investment could be fuelled in part by institutional and taxation reforms. For example, the introduction of land leasing fees to finance more investment could help the livestock sector.

Similarly, investments in urban housing and infrastructure could alleviate the overcrowding and poor conditions in many urban ger districts. Balanced government spending should also support the dynamic informal sector, which has grown in response to changes in the national economy. The main obstacles faced by informal sector entrepreneurs and workers are the unavailability of loans on appropriate terms, and a lack of new technologies, raw materials and equipment.

Mongolia needs to fine-tune both its industrial and agricultural policies in a way that ensures maximum opportunities for people to find employment. This has to be done whilst striking a balance between industrial expansion and preservation of the nation's pristine environment.

Ensuring balanced regional development is the most effective means of managing migration that Mongolia can pursue. Movements of people looking for more opportunities tend to equalize disparities between regions. The "push" factors for migration include lack of jobs, poor access to markets and poor quality of health and education services and environmental degradation.

Establishing and developing cooperatives is important for herders to engage in more profitable cost-efficient businesses, find joint solutions for the problems encountered by soum and bagh communities, to create community spirit in their soums and baghs, and to promote social participation and the development of a vigorous local civil society. Herders realize the importance of cooperatives and have responded enthusiastically when they are established. Accordingly, the Government declared 2003 as the Year of Cooperatives. In addition, the rural economy needs creative, highly professional human resources.

Strengthening decentralisation

The Constitution of Mongolia has provided a governance system based on democratic values and human rights. The Law on Territorial and Administrative Units and their Governance, passed by Ikh Khural in 1992 defined the structure and functions of local authorities established to manage their territorial areas, and their governing bodies. A national commitment to decentralisation was made in 1996 providing a strong platform for strengthening the existing local government institutions. The post 2000 Government has maintained this commit-

ment, but has sought an alternative means to achieve decentralisation via the 'regional development concept' that involves the creation of new larger sub-national institutions.

Decentralisation policies, if they are to be successful, need ultimately to ensure local governments have the ability to finance their activities from local sources. This is a distant goal at this time, given that most aimags are heavily dependent on transfers and subsidies from the central government. Similarly, most of the highly skilled public administrators work in the central government; they have better access to information, training and other capacity building activities. Hence, the capacity of aimag and local government staffs needs to be enhanced. The ability of local governments to provide education, health care and other social service functions also needs to be strengthened. Furthermore, local governments need to be developed to take on more governance responsibilities, including local budgeting, self-regulation, local planning and policy development.

In all of these realms there must be meaningful public participation. Barriers to full decentralisation include a lack of understanding and/or belief in democracy, a tendency left from the socialist era to look to higher tiers government for guidance, and a history of people at the grassroots not taking responsibility for steering their own local development.

Efforts at decentralisation must firmly incorporate the concept of regional development. Under decentralisation, governance and development functions need to be devolved to the lowest tier of government possible. Under this scenario, functions such as defence, social security and justice are provided by the national government whereas local government is assigned the responsibility of service delivery for health and kindergarten, primary and secondary education.

Moreover, policies that do not achieve true devolution, which includes the transfer of power as well as responsibility and the elimination of duplication, need to be reformulated. As yet local government has the authority to spend available resources from central government transfers and local tax revenue, but it cannot decide on the level of these taxes and has no power to raise taxes. Equally, local authorities have fiscal responsibility for education and health, but no decision-making power to control the level of resources, which are transferred to them. They do however have discretion to use these resources across expenditure categories, once allocations are received.

Overall, decision-making and control over revenue and expenditure at aimag level are circumscribed by rules determined by central government. Local governments should have the responsibility for identifying local requirements and the needs of the poor, and providing

them and the general population, with services and benefits.

Decentralisation must not become merely a top-down bureaucratic and administrative exercise. In tandem with efforts at devolution of administrative and financial powers, people's participation must also be encouraged at all levels. More forums need to be created where citizens can express their views and articulate their priorities. The NGO movement and local civil society needs to be strengthened. Success of decentralisation will depend, to a large extent, on innovative public-private partnerships.

Financing development

At the heart of efforts to accelerate human development and close the spatial inequities in Mongolia is the issue of finance. Correcting rural-urban imbalances necessarily implies a shift in the patterns of public spending. At the same time, however, the costs of public provisioning of infrastructure and basic social services are likely to be much higher in rural areas than in the urban centres. Clearly, the State has to mobilize and allocate a larger proportion of funds for such investments. But this is not easy; given the high levels of the fiscal deficit and the less than encouraging prospects for mobilizing tax revenues. The State also needs to look beyond the aimag level and focus on evolving a pattern of public spending that promotes rapid regional and equitable development.

The activities of Citizens Representatives Khurals, executive and judiciary institutions tend to be costly mainly on account of the higher expenses resulting from the remoteness from urban areas. Social services provided to rural population in remote areas tend to be of low quality. There is a big gap between what is needed to improve local social services - and financing possibilities for making appropriate allocations. Although there is a need to increase finances allocated to social services in remote aimags, in reality this does not seem to happen. Calculations show that in 8 aimags located at distances of up to 400 km, the amount of budget allocated per person was 15.0 percent higher than the average for the country; in 8 aimags located at a distance of 400-900 km, it was 3.4 percent lower; and in 5 aimags between 900-1,600 km, it was 0.6 percent lower than the average.¹ In 8 aimags with the lowest population density the amount of budget per capita was higher than the national average by 11.5 percent.

Data for local budgets shows that urban areas are closer to being able to self finance their activities, while aimag budgets are in deficit and continue to require subsidies from the centre. According to the central and local government property law, some state owned entities have been transferred to local governments. This is seen as a first step towards independent budget formulation by

local governments.

Over the years, Mongolia has become extremely dependent on foreign aid to finance development. External assistance began in 1990 when all assistance from the former Soviet Union ceased abruptly. Aid served an extremely important role in mitigating human suffering during the initial years of transition.

Over the years, Mongolia has become extremely dependent on foreign aid to finance development. External assistance began in 1990 when all assistance from the former Soviet Union ceased abruptly. Aid served an extremely important role in mitigating human suffering during the initial years of transition.

Table 4.3 Official development assistance (ODA), 1991-2001

Year	ODA (as a percent of GDP)	ODA per person (US\$)
1991	20	45
1992	33	68
1993	36	93
1994	25	77
1995	18	99
1996	18	90
1997	25	113
1998	21	84
1999	24	81
2000	17	67
2001*	20	84

Source: Keith Griffin, *Poverty Reduction in Mongolia 2001*.
¹ UNDP, *Global Human Development Report, 2003*.

The nature of external support to Mongolia has changed. In the initial years, external assistance was intended to soften the difficulties of transition. Over the years, it has become more project-based. During the 1990s, ODA averaged 24.0 percent of GDP, and represented US\$1.9 billion during 1991-2000. During the socialist period, for example taking the 1989 value, approximately a third of GDP was accounted for by assistance from the Soviet Union and other CMEA members. Thus, ODA has replaced support from the CMEA and the Soviet Union, and in effect, saved the country during its initial crisis. However, as of today, external indebtedness is rising. External debt as a ratio to GDP was close to 89.9 percent in 2001, up from 60.7 percent in 1997. Based on the latest figures available (2001), Mongolia is the ninth most aid-dependent country in the world with a similar level of aid dependency to the Palestinian Territories, Malawi, and the Solomon Islands.

Table 4.4 Major ODA donors (by the total amount disbursed for the period of 1991-2002 in mln. US\$)

Grants		Loans			
		Bilateral			Multilateral
Japan	602.79		236.85	ADB	376.25
USA	137.27	Japan	101.15	WB	181.56
Germany	114.82	Russia	57.81	IMF	90.28
EU	42.70	Germany	26.33	Nordic Fund	12.83
ADB	42.03	Korea	15.54	IFAD	2.83
UNDP (6 th)	37.70	China			

Source: Ministry of Finance and Economy, Economic Cooperation Policy and Coordination Department, 2002.

Over the 1990s, ODA averaged around 24.0 percent of GDP, or ten times the average for low-income countries. The fact that the very high levels of foreign aid have not translated into appreciably higher rates of economic growth or poverty reduction raises questions about aid effectiveness. This calls for more concerted efforts to gauge the impact of development assistance, and to strengthen mechanisms of aid coordination and management.

A related phenomenon has been the growing burden of external debt. Between 1991 and 2000 Mongolia has received in total US\$ 1,897.1 mln. in assistance, with - US\$ 903.1 mln. (48.0 percent) as loans, and the remainder as grant-in-aid.

presented for growth, debt financing and the settlement terms for the convertible rouble debt. Estimates for the year 2010, applying common international standards such as the ratio of external debt and debt service to GDP and other indicators, show that Mongolia could become a HIPC category country as soon as 2009.

There are many difficulties and obstacles confronting our country as it aims to accelerate human development and reduce poverty. There is no doubt that we will achieve some of the MDGs by 2015. The real concern however, is to ensure that benefits accrue fairly to all citizens, and not just to the privileged groups living in urban areas. Tackling the challenge of spatial inequality is fundamental to realizing human development in Mongolia.

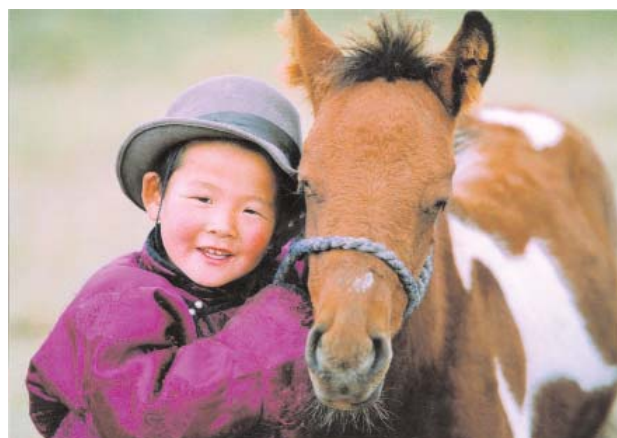
Table 4.5. Total ODA disbursed to Mongolia, 1991-2000 (in mln. US\$)

Year	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	Total
Loans	60.9	82.4	85.6	62.7	90.6	96.0	142.0	94.4	109.7	78.6	903.7
Aid	34.8	65.6	121.0	110.3	135.4	114.2	125.2	107.3	98.5	81.7	994.0
Total assistance	95.7	148.0	206.6	173.0	226.0	210.2	267.2	201.7	208.2	160.3	1897.1

Source: Economic Cooperation Policy and Coordination Department, MoFE, 2001.

Between 1991 and 2001, external debt denominated in convertible currency jumped from 6.0 percent to nearly 85.0 percent of GDP. In 2001, annual debt service amounted to around 4.0 percent of GDP - or approximately 15.0 percent of central government revenue (excluding grants). Multilateral and bilateral official creditors of which the ADB, WB and Japan account for the major shares hold virtually all of this debt. In addition to the convertible debt, a huge sum has been claimed by the Russian Federation pertaining to transactions with the former Soviet Union.

There are unresolved questions about the sustainability of this debt. World Bank and IMF simulations suggest that under certain scenarios, Mongolia's debt is sustainable and does not require restructuring. This conclusion begins to change, however, if less optimistic scenarios are



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Table A1 Human Development Index, by aimag and city, 2002

Aimag and city	GDP per capita (PPP US\$)	Life expectancy, years	Combined primary, secondary & tertiary enrolment ratio (%)	HDI	HDI rank
Ulaanbaatar	3,678.41	64.95	87.20	0.735	1
Orkhon	2,651.82	63.63	79.60	0.705	2
Darkhan-Uul	1,671.36	61.53	87.60	0.677	3
Govisumber	1,901.77	66.36	52.80	0.670	4
Selenge	1,600.98	61.59	69.70	0.670	5
Omnogovi	1,667.14	65.36	60.50	0.663	6
Tov	1,719.77	65.47	57.40	0.662	7
Bulgan	1,434.46	66.10	60.60	0.660	8
Dundgovi	1,424.74	66.92	52.50	0.653	9
Khovd	1,178.12	61.16	72.00	0.652	10
Bayan-Olgii	992.85	66.61	61.60	0.615	11
Arkhangai	1,737.17	63.36	58.40	0.638	12
Khentii	1,789.61	63.77	60.50	0.638	13
Sukhbaatar	1,272.80	64.62	58.50	0.637	14
Zavkhan	1,225.91	62.09	66.40	0.634	15
Dornogovi	1,193.62	63.01	59.30	0.631	16
Govi-Altai	1,345.54	61.87	59.60	0.631	17
Bayankhongor	1,392.36	60.21	60.20	0.624	18
Uvs	1,098.30	61.25	64.90	0.621	19
Ovorkhangai	792.77	63.57	57.20	0.607	20
Dornod	956.32	58.33	61.20	0.596	21
Khovsgol	976.44	59.47	56.60	0.596	22

Source: NSO, Calculation for Mongolia HDI: 2003

Sketch map A1 Human Development Index, by aimag and city, 2002



Table A2 Human Development Index, by aimag and city, 1999-2002

Aimag and city	GDP per capita (PPP US\$)	Life expectancy, years	Combined primary, secondary & tertiary enrolment ratio (%)	HDI	HDI rank
Arkhangai					
1999	1,359.58	63.03	60.3	0.637	11
2000	1,362.76	63.03	64.0	0.641	14
2001	1,257.08	63.21	61.0	0.638	12
2002	1,232.12	63.36	58.4	0.638	12
Bayan-Olgii					
1999	836.10	66.31	56.1	0.627	16
2000	910.04	66.31	62.3	0.639	15
2001	1,006.61	66.49	62.3	0.645	12
2002	992.85	66.64	61.6	0.645	11
Bayankhongor					
1999	1,251.06	58.88	58.1	0.614	19
2000	1,212.24	59.88	61.9	0.616	18
2001	1,425.88	60.06	61.9	0.626	18
2002	1,392.36	60.21	60.2	0.624	18
Bulgan					
1999	1,663.15	65.77	65.1	0.671	4
2000	1,559.51	65.77	73.6	0.677	1
2001	1,499.18	65.95	73.6	0.676	4
2002	1,434.46	66.10	60.6	0.660	8
Govi-Altai					
1999	1,167.82	61.54	59.0	0.620	18
2000	1,210.09	61.54	69.8	0.631	16
2001	1,368.65	61.72	69.8	0.642	14
2002	1,342.54	61.87	59.6	0.631	17
Dornogovi					
1999	1,287.98	62.68	62.6	0.637	12
2000	1,382.32	62.68	64.5	0.643	12
2001	1,176.06	62.86	64.2	0.632	16
2002	1,193.62	63.01	59.3	0.631	16
Dornod					
1999	844.65	58.00	64.0	0.587	22
2000	756.81	58.00	66.7	0.584	22
2001	933.61	58.18	66.7	0.597	22
2002	956.32	58.33	61.2	0.596	21
Dundgovi					
1999	1,677.38	66.59	57.2	0.666	5
2000	1,037.27	66.59	63.4	0.646	11
2001	1,378.50	66.77	63.1	0.663	9
2002	1,424.74	66.92	52.5	0.653	9
Zavkhan					
1999	1,240.44	61.76	56.6	0.622	17
2000	1,146.00	61.76	62.4	0.627	17
2001	1,189.44	61.94	65.4	0.630	17
2002	1,225.91	62.09	66.4	0.634	15
Ovorkhangai					
1999	1,340.49	63.24	52.9	0.630	12
2000	957.11	63.21	56.7	0.615	19
2001	813.02	63.42	56.7	0.607	20
2002	792.77	63.57	57.2	0.607	20
Omnogovi					
1999	1,428.28	62.03	63.3	0.626	6
2000	1,411.56	62.03	66.4	0.629	5
2001	1,637.93	62.21	66.4	0.668	8
2002	1,667.14	62.36	60.5	0.663	6

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Sukhbaatar						
1999	1,487.28	64.29	57.9	0.643	10	
2000	1,514.97	64.29	61.5	0.648	10	
2001	1,341.52	64.47	61.5	0.643	13	
2002	1,272.80	64.62	58.5	0.637	14	
Selenge						
1999	1,182.55	64.26	69.1	0.650	8	
2000	961.39	64.26	72.1	0.642	13	
2001	1,541.24	64.44	72.1	0.669	7	
2002	1,600.98	64.59	69.7	0.670	5	
Tov						
1999	1,377.19	65.14	60.8	0.657	7	
2000	1,130.96	65.11	67.8	0.649	9	
2001	1,703.87	65.37	67.8	0.673	6	
2002	1,719.77	65.47	57.4	0.662	7	
Uvs						
1999	1,017.30	60.97	59.4	0.608	20	
2000	932.75	60.92	65.9	0.611	21	
2001	1,074.41	61.10	65.9	0.670	19	
2002	1,098.30	61.28	64.9	0.621	19	
Khovd						
1999	1,057.42	64.13	61.5	0.633	14	
2000	1,256.01	64.13	67.4	0.649	8	
2001	1,371.79	64.31	67.4	0.649	11	
2002	1,178.42	64.46	72.0	0.652	10	
Khovsgol						
1999	1,700.30	59.09	57.4	0.607	21	
2000	1,228.93	59.09	61.4	0.612	20	
2001	1,022.40	59.27	61.4	0.603	21	
2002	976.44	59.42	56.6	0.596	22	
Khentii						
1999	1,409.41	63.39	65.5	0.646	9	
2000	1,402.58	63.39	71.6	0.653	7	
2001	1,335.97	63.57	71.6	0.651	10	
2002	1,289.61	63.72	60.5	0.638	13	
Darkhan-Uul						
1999	1,235.96	61.20	66.3	0.634	13	
2000	1,114.16	61.20	89.2	0.654	6	
2001	1,552.07	61.38	89.2	0.671	5	
2002	1,671.36	61.53	87.6	0.677	3	
Ulaanbaatar						
1999	2,540.12	64.62	75.7	0.703	2	
2000	2,830.95	64.67	73.8	0.709	2	
2001	3,277.91	64.80	73.8	0.718	1	
2002	3,678.41	64.95	87.7	0.735	1	
Orkhon						
1999	3,159.70	63.30	96.8	0.732	1	
2000	5,601.65	63.30	86.5	0.753	1	
2001	2,431.89	63.48	86.5	0.707	2	
2002	2,651.82	63.63	79.6	0.705	2	
Govisumber						
1999	1,335.78	66.03	75.0	0.673	3	
2000	1,355.52	66.03	82.0	0.681	3	
2001	1,770.96	66.21	82.0	0.697	3	
2002	1,904.77	66.36	52.8	0.670	4	

Source: NSO, Calculation for Mongolia HDR 2003

Table A3 Human Development Indexes of transition countries, 2003

Country	Life expectancy at birth (years)	Adult literacy rate (% of age 15 and above)	Combined primary, secondary & tertiary gross enrolment ratio (%)	GDP per capita (PPP US\$)	Life expectancy index	Education index	GDP index	HDI	HDI rank
Albania	73.4	85.3	69	3,680	0.81	0.80	0.60	0.735	95
Armenia	72.1	98.5	60	2,650	0.78	0.86	0.55	0.729	100
Azerbaijan	71.8	97.0	69	3,090	0.78	0.88	0.57	0.744	89
Belarus	69.6	99.7	86	7,670	0.74	0.95	0.77	0.804	53
Bosnia and Herzegovina	72.8	95.0	61	3,970	0.81	0.83	0.68	0.777	66
Bulgaria	70.9	98.5	77	6,890	0.76	0.91	0.71	0.795	57
Czech Republic	75.1	...	76	14,720	0.85	0.91	0.83	0.861	32
China	70.6	85.8	61	3,020	0.76	0.79	0.62	0.721	101
Estonia	71.2	99.8	89	10,170	0.77	0.96	0.77	0.833	41
Georgia	73.4	100.0	69	2,560	0.81	0.89	0.54	0.746	88
Croatia	74.0	98.4	68	9,170	0.82	0.88	0.75	0.818	47
Hungary	71.5	99.3	82	12,340	0.77	0.93	0.80	0.837	38
Kazakhstan	65.8	99.4	78	6,500	0.68	0.92	0.70	0.765	76
Kyrgyzstan	68.1	97.8	79	2,750	0.72	0.91	0.55	0.727	102
Lao PDR	53.9	65.6	57	1,670	0.48	0.64	0.46	0.575	135
Latvia	70.5	99.8	86	7,730	0.76	0.95	0.73	0.811	50
Lithuania	72.3	99.6	85	8,470	0.79	0.94	0.74	0.874	45
Macedonia, FYR	73.3	94.0	70	6,110	0.81	0.86	0.69	0.781	60
Moldova Republic	68.5	99.0	61	2,150	0.77	0.86	0.51	0.700	108
Mongolia	63.3	98.5	61	1,740	0.64	0.87	0.48	0.661	117
Poland	73.6	99.7	88	9,450	0.81	0.95	0.76	0.841	35
Romania	70.5	98.2	68	5,830	0.76	0.88	0.68	0.773	77
Russian Federation	66.6	96.6	82	7,100	0.69	0.93	0.71	0.779	63
Slovakia	73.3	100.0	73	11,960	0.80	0.90	0.80	0.836	39
Slovenia	75.9	99.6	83	17,130	0.85	0.94	0.86	0.881	29
Tajikistan	68.3	99.3	71	1,170	0.72	0.90	0.41	0.677	113
Turkmenistan	66.6	98.0	81	4,370	0.69	0.93	0.63	0.748	87
Ukraine	69.2	99.6	81	4,350	0.74	0.93	0.65	0.766	75
Uzbekistan	69.3	99.2	76	2,460	0.74	0.91	0.53	0.739	101
Viet Nam	68.6	97.7	64	7,070	0.73	0.83	0.51	0.688	109

Source: UNDP, Global Human Development Report, 2003.

Table A4 Gender-Related Development Index and its indicators, by aimag and city, 2002

Aimags and city	Life expectancy at birth (years)										Adult literacy rate (15 years and over) (%)				GDP per capita (PPP, US\$)				Equally distributed life expectancy index			Equally distributed educational attainment index			Equally distributed income index			GDI rank	
	Male		Female		Male		Female		Male		Female		Male		Female		Male		Female		Male		Female		Male		Female		
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male		Female
Orkhon	65.2	71.5	99.2	98.8	80.3	78.9	3117.3	2201.8	0.724	0.925	0.543	1																	
Ulaanbaatar	60.50	67.80	99.40	99.20	77.50	86.60	4018.0	3357.10	0.552	0.936	0.501	2																	
Darkhan-Uul	58.30	65.20	99.10	98.80	82.90	92.30	1780.30	1565.30	0.510	0.952	0.469	3																	
Govi-Altai	65.50	69.90	97.80	97.60	51.70	53.90	1984.40	1811.30	0.712	0.827	0.492	3																	
Selenge	61.10	68.70	98.20	98.10	69.00	70.40	1674.00	1527.00	0.964	0.887	0.463	4																	
Tov	63.20	68.00	97.20	96.80	55.50	59.30	1870.90	1563.60	0.577	0.838	0.474	5																	
Omngovii	62.30	68.20	97.00	96.50	57.80	63.20	1637.40	1697.20	0.571	0.847	0.470	6																	
Bulgan	63.90	68.70	97.20	97.00	59.90	61.20	1691.70	1177.30	0.585	0.849	0.440	7																	
Dundgovi	64.90	69.40	96.60	96.40	49.50	55.60	1556.0	1291.20	0.700	0.818	0.442	8																	
Khovd	61.70	67.20	97.60	96.80	69.10	74.80	1163.70	1192.60	0.558	0.888	0.412	8																	
Bayan-Olgii	64.90	68.60	98.20	97.10	58.30	65.00	1150.0	830.10	0.956	0.856	0.379	9																	
Khentii	61.70	66.20	96.10	95.80	59.20	61.70	1373.50	1205.70	0.949	0.841	0.426	10																	
Sukhbaatar	60.50	68.90	95.40	93.90	54.80	62.20	1254.00	1292.50	0.560	0.826	0.425	11																	
Zavkhan	60.30	63.80	97.00	96.00	64.10	68.70	1251.20	1201.10	0.917	0.855	0.418	12																	
Arkhangai	61.50	65.40	96.60	95.90	54.60	62.10	1331.80	1130.20	0.940	0.856	0.418	13																	
Dornogovi	59.10	67.00	97.30	97.30	56.50	61.90	1220.40	1166.70	0.534	0.846	0.414	13																	
Govi-Altai	59.10	64.30	97.50	96.00	57.40	61.80	1509.0	1186.00	0.912	0.844	0.432	14																	
Bayankhongor	57.80	62.60	97.00	96.30	58.60	61.70	1373.0	1411.80	0.586	0.845	0.440	15																	
Uvs	58.40	64.00	97.00	95.60	62.20	67.60	1207.20	987.60	0.904	0.858	0.358	15																	
Ovorkhangai	61.50	65.40	96.80	96.00	53.00	61.40	834.90	751.00	0.942	0.833	0.348	17																	
Dornod	55.30	62.00	96.30	96.20	60.70	67.80	1027.30	886.00	0.558	0.856	0.376	18																	
Khovsgol	57.40	61.40	97.30	96.40	53.00	60.20	1039.20	914.60	0.572	0.834	0.380	19																	
TOTAL	60.80	66.47	98.00	97.50	66.30	73.00	2303.20	1950.70	0.643	0.884	0.509	-																	

Source: NSO, Calculation for Mongolia HDR 2003.

Table A5 Gender-Related Development Index, by aimag and city, 2000-2002

Aimag and city	Gender Related Development Index		
	2000	2001	2002
Arkhangai	0.642	0.638	0.631
Bayan-Olgii	0.638	0.645	0.644
Bayankhongor	0.615	0.675	0.674
Bulgan	0.677	0.676	0.658
Govi-Altai	0.633	0.640	0.629
Dornogovi	0.614	0.636	0.631
Dornod	0.585	0.598	0.597
Dundgovi	0.646	0.663	0.653
Zavkhan	0.626	0.629	0.633
Ovorkhangai	0.613	0.607	0.607
Omnogovi	0.657	0.667	0.662
Sukhbaatar	0.648	0.643	0.637
Selenge	0.643	0.671	0.671
Tov	0.648	0.672	0.663
Uvs	0.609	0.619	0.620
Khovd	0.619	0.618	0.653
Khovsgol	0.611	0.603	0.596
Khentii	0.654	0.652	0.639
Darkhan-Uul	0.653	0.670	0.677
Ulaanbaatar	0.704	0.713	0.730
Orkhon	0.779	0.732	0.731
Govisumber	0.688	0.701	0.677
TOTAL	0.669	0.673	0.679

Source: NSO, Calculation for Mongolia HDR 2004.

Table A6 Gender Empowerment Measure, by aimag and city, 2002

Aimag and city	Indexed EDEP for parliamentary representation	Indexed EDEP for economic participation	Indexed EDEP for income	GEM
Arkhangai	0.000	0.910	0.028	0.313
Bayan-Olgii	0.000	0.812	0.022	0.278
Bayankhongor	0.000	0.884	0.032	0.305
Bulgan	0.000	0.849	0.032	0.294
Govi-Altai	0.000	0.785	0.031	0.272
Dornogovi	0.000	0.949	0.027	0.325
Dornod	0.887	0.926	0.021	0.612
Dundgovi	0.000	0.898	0.033	0.310
Zavkhan	0.892	0.913	0.028	0.611
Ovorkhangai	0.000	0.972	0.017	0.330
Omnogovi	1.000	0.903	0.039	0.647
Sukhbaatar	0.000	0.851	0.029	0.293
Selenge	0.000	0.893	0.038	0.310
Tov	0.000	0.963	0.040	0.335
Uvs	0.000	0.863	0.025	0.296
Khovd	0.000	0.902	0.027	0.310
Khovsgol	0.000	0.867	0.022	0.296
Khentii	0.889	0.916	0.030	0.612
Darkhan-Uul	0.000	0.884	0.039	0.308
Ulaanbaatar	0.500	0.984	0.089	0.524
Orkhon	0.000	0.955	0.062	0.339
Govisumber	0.000	0.961	0.045	0.336
TOTAL	0.374	0.949	0.050	0.458

Source: NSO, Calculation for Mongolia HDR 2003.

Table A7 Gender Empowerment Measure, by aimag and city, 2000-2002

Aimag and city	Gender Empowerment Measure		
	2000	2001	2002
Arkhangai	0.319	0.301	0.313
Bayan-Olgii	0.267	0.301	0.278
Bayankhongor	0.310	0.316	0.305
Bulgan	0.280	0.298	0.294
Govi-Altai	0.300	0.325	0.272
Dornogovi	0.317	0.325	0.325
Dornod	0.625	0.593	0.612
Dundgovi	0.305	0.301	0.310
Zavkhan	0.596	0.608	0.611
Ovorkhangai	0.293	0.318	0.330
Omnogovi	0.639	0.643	0.647
Sukhbaatar	0.301	0.298	0.293
Selenge	0.300	0.319	0.310
Tov	0.302	0.339	0.335
Uvs	0.303	0.297	0.296
Khovd	0.297	0.377	0.310
Khovsgol	0.316	0.298	0.296
Khentii	0.624	0.622	0.612
Darkhan Uul	0.291	0.310	0.308
Ulaanbaatar	0.513	0.518	0.524
Orkhon	0.345	0.323	0.339
Govisumber	0.321	0.326	0.336
TOTAL	0.435	0.442	0.458

Source: NSO, Calculation for Mongolia HDR 2003.

Table A8 Population profile, 1989-2002

Indicators	1989	1990	1995	2000	2001	2002
Resident population as of the end of year, thous.persons	2,099.1	2,153.5	2,243.0	2,407.5	2,447.5	2,475.4
Male population, %	49.9	49.9	49.9	49.9	49.9	49.6
Female population, %	50.1	50.1	50.1	50.1	50.1	50.4
Annual population growth rate, %	2.7	2.6	1.6	1.1	1.5	1.3
Urban population, %	57.1	53.4	50.6	54.0	56.5	53.4
Urban population annual growth, %	3.1	3.1	3.0	3.5	2.9	3.8
Population 65 years age and older, %	4.13	4.11	3.79	3.52	3.54	3.51
Dependency rate, %	90.9	90.1	77.8	64.6	61.9	61.6
Infant mortality rate (per 1000 live births)	64.1	64.4	44.4	32.8	29.5	29.6
Economically active population, thous.persons			839.8	817.6	872.6	901.7
Employed population, thous.persons	-	-	794.7	809.0	832.3	870.8
Number of registered unemployed, thous.persons	-	-	45.1	38.6	40.3	30.9
Men	-	-	20.9	17.9	18.1	14.1
Women	-	-	24.2	20.7	21.9	16.8
Unemployment rate, %			5.1	4.6	4.6	3.1

Source: NSO, Mongolian Statistical Yearbook, 1989-2002.

Table A9 Population and density, percentage of the urban and rural population, 1918-2002

Year	Population ('000)	Percentage		Persons per sq.km.
		Urban	Rural	
1918	647.5			0.4
1935	738.7			0.5
1944	759.1			0.5
1956	845.5	21.6	78.4	0.5
1963	1,017.1	40.2	59.8	0.7
1969	1,197.6	44.0	56.0	0.8
1979	1,595.0	51.7	48.8	1.0
1989	2,044.0	57.0	43.0	1.3
1990	2,095.6	57.0	43.0	1.3
1995	2,251.3	51.9	48.1	1.4
1999	2,373.5	58.6	41.4	1.5
2000	2,407.5	57.2	42.8	1.5
2001	2,442.5	57.2	42.8	1.6
2002	2,475.4	57.4	42.6	1.6

Source: NSO, "Population of Mongolia", 1994.
Mongolian Statistical Yearbook, 2001, 2002.

Figure A1 Population growth rates, 1989-2002



Source: NSO, Mongolian Statistical Yearbook, 1989-2002.

**Table A10 Urban and rural population,
by aimag and city, 2002**

Residence	Resident population ('000s)		
	Urban	Rural	Total
Urban	987.5	24.2	1,011.7
Ulaanbaatar	846.5		846.5
Durkhan-Uul	70.3	17.5	87.8
Orkhon	70.7	6.7	77.4
Rural	433.5	1,030.2	1,463.7
Arkhangai	18.1	79.4	97.5
Bayan-Olgii	79.9	69.0	98.9
Bayankhongor	23.0	61.4	84.4
Bulgan	16.7	46.8	63.5
Govi-Altai	18.5	44.2	62.7
Dornogovi	27.2	24.8	52.0
Dornod	37.7	36.9	74.6
Dundgovi	10.7	41.0	51.7
Zavkhan	16.8	67.7	84.5
Ovorkhangai	20.8	93.1	113.9
Omngogovi	13.4	33.8	47.2
Sukhbaatar	11.6	44.5	56.1
Selenge	50.4	51.8	102.2
Tov	14.6	81.9	96.5
Uvs	23.1	60.5	83.6
Khovd	28.9	59.6	88.5
Khovsog	35.0	86.9	121.9
Khentii	30.5	41.5	72.0
Govisumber	7.3	5.2	12.5
Total	1,421.0	1,054.4	2,475.4

Source: NSO, Mongolian Statistical Yearbook, 2002.

Table A11 Main economic indicators, 1989-2002

Indicators	1989	1990	1995	2000	2001	2002
GDP growth rate, %	4.2	-2.5	6.3	1.1	1.0	4.0
GDP, by sector, %						
Agriculture	15.5	15.2	38.0	29.1	24.9	20.7
Industry	38.8	40.6	27.5	21.9	22.0	23.5
Services	45.7	44.2	34.5	49.0	53.1	55.8
Composition of GDP, by expenditure approach, %						
Final consumption,			71.5	82.1	84.3	88.2
Household	-	-	59.2	65.7	66.9	71.2
Government and NPISHs	-	-	12.3	16.5	17.4	16.9
Cross fixed capital formation			29.6	33.2	24.8	23.7
of which: Gross investments	-	-	15.5	25.6	24.8	23.7
Net export			-1.1	-15.3	-16.4	-14.9
Overall budget deficit, as % of GDP		11.0	1.6	7.7	4.5	5.7
Tax revenue, as % of GDP	-	44.6	19.2	25.6	29.4	29.0
Direct taxes, as % of total taxes	-	-	61.6	40.2	37.0	36.7
Central government expenditure as % of GNI	-	-	32.2	36.2	36.2	34.2
Trade balance, million USD \$		-44.0	58.0	-148.4	-116.2	-166.8
Broad money (M2), million tug., end of the year	5,082.9	5,633.2	102,044.6	258,842.6	33,1064.3	470,125.6
Consumer price index, %	-	-	53.1	8.1	8.0	1.6
Banking Interest rate, %	-	-	-	34.7	41.4	33.4
Nominal exchange rate of USD (average)	-	5.5	448.4	1,077.7	1,097.6	1,110.4

Source: NSO, Mongolian Statistical Yearbook, 1989-2002

Table A12 Number of employed population aged 15 and above, by sex and residence, 2000

(As of 2000)	Total			Urban			Rural		
	Total	Male	Female	Total	Male	Female	Total	Male	Female
Population of working age	1,524,372	749,890	774,482	898,676	433,496	465,180	625,696	316,394	309,302
Labour force	944,083	514,196	429,887	483,859	260,897	222,962	460,224	253,299	206,925
Employed population	779,151	420,426	358,725	366,014	193,000	173,014	413,107	227,426	185,681
Unemployed population	164,932	93,770	71,162	117,845	67,897	49,948	47,117	25,873	21,244
Employed population (as % of population of working age)	51.1	56.1	46.3	40.7	44.5	37.2	66.0	71.9	60.0
Employed population (as % of labour force)	82.5	81.8	83.4	75.7	74.0	77.6	89.8	89.8	89.7

Source: NSO, Mongolian Statistical Yearbook, 2000; Population and Housing Census 2000.

Table A13 Employees, by sector, at the end of the year (thous.persons)

Divisions	1995	1998	1999	2000	2001	2002
Total	767.6	792.6	813.6	809.0	832.3	870.8
Agriculture, hunting and forestry	354.2	394.2	402.6	393.5	402.4	391.4
Mining & quarrying	18.2	18.6	19.0	18.6	19.9	23.8
Manufacturing	67.3	57.1	58.5	54.6	55.6	55.6
Electricity, gas and water supply	22.6	22.2	21.3	17.8	17.8	19.8
Construction	29.5	27.3	27.6	23.1	20.1	25.5
Wholesale & retail trade, repair of motor veh., motorcycle, & personal & household goods	61.8	71.5	83.1	83.9	90.3	101.5
Hotels & restaurants	13.7	15.3	16.1	13.3	16.5	20.9
Transport, storage & communication	31.6	33.4	34.9	34.1	35.1	38.8
Financial intermediation	8.3	7.4	7.7	6.8	7.3	9.4
Real estate, renting & business activities	6.7	5.1	5.0	7.2	6.8	10.9
Public administration and defence	31.1	30.9	31.5	31.7	41.0	43.9
Education	48.5	42.5	43.2	54.4	55.2	59.3
Health & social security	38.1	35.6	34.8	33.5	33.0	34.5
Community, social & personal services	26.6	25.1	25.2	29.0	26.9	27.5
Others	6.4	3.2	3.1	4.2	4.1	5.0

Source: NSO, Mongolian Statistical Yearbook, 2000, 2002

Table A14 Employees, by aimag and city, at the end of the year (thous.persons)

Aimag and city	1992	1995	1999	2000	2001	2002
Total	806.0	767.6	813.6	809.0	832.3	870.8
Ackhangai	36.1	38.9	38.1	38.6	39.2	39.6
Bayan-Olgii	26.7	23.4	30.9	29.1	30.8	32.4
Bayankhongor	28.4	35.1	34.2	34.6	35.6	31.6
Bulgan	22.5	24.3	22.7	22.7	22.4	23.4
Govs-Altai	26.9	26.9	30.0	28.5	28.7	28.8
Darkhovi	19.2	16.8	17.2	17.4	18.8	19.6
Dornod	30.8	22.5	17.0	16.7	17.1	18.1
Dundgovi	21.6	22.1	22.1	21.8	22.5	22.7
Zavkhan	38.8	42.8	41.7	37.4	36.6	36.7
Ovorkhangai	40.1	43.1	49.5	49.7	47.2	45.5
Omnogovi	17.9	16.4	20.0	20.1	21.8	20.6
Sukhbaatar	18.4	20.6	21.7	22.4	23.1	23.7
Selenge	34.2	26.1	31.8	30.7	32.6	35.0
Tov	38.4	34.4	35.9	37.6	40.4	41.8
Uvs	35.1	35.1	31.3	32.7	33.2	32.7
Khovd	32.6	32.7	32.8	32.4	32.5	34.0
Khovsgol	40.9	42.1	46.6	46.3	47.6	49.4
Khentii	29.0	25.9	22.9	23.6	24.8	25.1
Darkhan-Uul	28.4	29.1	27.2	20.6	23.8	23.1
Ulaanbaatar	206.3	186.7	209.8	215.5	221.9	231.2
Orkhon	28.6	19.3	26.7	27.0	28.1	28.8
Govisumber	4.8	3.0	3.5	3.6	3.6	4.0

Source: NSO, Mongolian Statistical Yearbook, 2000, 2001.

Table A15 Average wages and salaries, by divisions, by fourth quarter of each year (thous.tog)

Divisions	2000	2001	2002
	Total	62.3	67.4
Agriculture, hunting and forestry	48.4	-	50.3
Mining & quarrying	59.3	58.5	81.4
Manufacturing	66.0	73.6	73.3
Electricity, gas and water supply	72.8	76.5	80.6
Construction	70.7	76.7	103.0
Wholesale & retail trade, repair of motor veh., motorcycle & personal & household goods	51.1	50.8	59.2
Hotels & restaurants	62.9	86.6	89.0
Transport, storage & communication	78.4	96.7	95.1
Financial intermediation	47.3	70.6	98.6
Real estate, renting & business activities	50.5	67.0	55.2
Public administration and defence	56.7	59.7	71.5
Education	59.7	58.5	69.3
Health & social security	43.7	47.9	53.9
Community, social & personal services	38.7	46.6	55.6

Source: NSO, Mongolian Statistical Yearbook, 2002.

Table A16 Distribution of enterprises, by type and residence*, 1998-2002 (as percentages)

Type	1998		1999		2000		2001		2002	
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
Proprietorship	10.4	20.1	8.9	17.7	5.3	16.1	2.9	13.5	2.5	10.2
Partnership	6.1	5.4	7.4	6.3	6.6	6.8	5.8	7.0	5.3	6.4
Cooperative	3.6	7.7	3.6	7.5	2.5	7.3	1.8	8.0	1.8	8.9
Unlimited liability company	1.1	1.9	1.6	1.9	1.2	1.5	0.5	1.3	0.5	1.2
Limited liability company	23.0	13.2	21.3	15.6	26.1	16.5	29.8	18.1	29.1	18.8
State	24.1	15.1	25.9	17.5	27.3	18.1	30.3	19.8	29.9	20.0
Budget organization	7.0	27.7	6.2	25.3	4.8	24.1	3.7	22.4	3.6	22.5
Non profit organization	24.8	8.9	22.1	8.2	26.1	9.6	25.1	9.6	27.1	12.1
%	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total	13,863	10,316	15,544	11,288	20,833	12,121	28,411	13,897	30,279	14,059

Source: NSO, Department of Business Registration, 2003.

*Note: Urban: Ulaanbaatar, Darkhan Uul and Orkhon, Rural: Other aimags

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Table A17 Distribution of enterprises, by type of activity and residence^a, 1998-2002 (as percentages)

Activities	1998		1999		2000		2001		2002	
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
Agriculture, hunting and forestry	3.2	14.6	3.4	14.8	2.8	13.9	1.9	13.6	1.8	13.7
Fishing	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.1	0.0	0.0
Mining and quarrying	1.3	0.8	1.2	0.8	1.1	0.7	0.9	0.8	0.8	0.7
Manufacturing	14.0	10.1	13.5	10.0	13.4	10.1	11.0	9.8	9.1	8.2
Electricity, gas and water supply	0.4	1.7	0.5	1.7	0.5	1.7	0.4	1.5	0.4	1.4
Construction	4.3	1.8	3.9	1.9	3.0	2.0	2.5	1.6	3.3	1.8
Wholesale and retail trade	32.1	20.7	37.4	21.4	40.3	22.6	45.4	23.7	44.2	23.1
Hotels and restaurants	5.6	2.2	5.5	2.2	4.8	2.2	3.7	2.2	4.1	2.4
Transport & communication	2.7	4.2	2.6	4.0	2.3	3.7	2.2	3.7	2.3	2.8
Financial intermediation	1.5	1.7	1.4	1.6	1.1	1.4	1.6	1.2	2.0	2.1
Real estate, renting and bus. act	7.6	10.1	6.2	10.0	5.7	9.8	6.5	9.8	6.4	9.9
Public administration, defence	2.6	3.7	2.3	3.4	1.9	3.4	1.6	3.5	1.6	3.7
Education	6.7	10.8	6.1	10.4	5.2	10.2	4.5	9.7	4.5	10.7
Health and social work	3.7	9.1	3.6	10.2	3.3	10.3	3.1	10.8	3.2	11.1
Social and personal service	14.0	8.0	12.3	7.6	14.5	7.8	14.2	8.0	15.9	8.9
%	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total	8,174	8,575	9,144	8,932	11,316	9,342	14,676	10,379	15,291	10,144

Source: NSO, Department of Business Registration, 2003.

^aNote: Urban: Ulaanbaatar, Darkhan-Uul and Orkhon; Rural: Other aimags

Table A18 Distribution of enterprises, by number of employees and residence^a, 1998-2002 (as percentages)

Number of Employees	1998		1999		2000		2001		2002	
	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban	Rural
0-9	72.8	68.3	75.5	68.8	79.3	71.7	84.1	74.2	84.2	74.3
10-19	10.3	13.1	9.3	13.0	7.6	12.1	5.8	11.2	6.1	11.1
20-49	9.2	13.0	8.2	12.6	7.4	11.6	5.7	10.5	5.4	10.4
50+	7.8	5.7	7.0	5.6	5.7	4.6	4.4	4.1	4.2	4.2
%	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Total	8,242	8,597	9,224	8,956	11,316	9,342	14,677	10,380	15,291	10,144

Source: NSO, Department of Business Registration, 2003.

^aNote: Urban: Ulaanbaatar, Darkhan-Uul and Orkhon; Rural: Other aimags

Table A19 The average spend by population on SNA and other activities per working day, by sex and residence, 2000 (in minutes)

Activities	Urban		Rural		National average	
	Men	Women	Men	Women	Men	Women
SNA activities	286	234	474	306	375	268
Employment for establishment	217	186	44	61	134	128
Primary production activities	10	8	417	241	704	116
Of which: animal husbandry	7	7	401	236	195	113
Services for income and other production of goods	59	40	13	4	37	24
Extended SNA activities	128	229	123	333	126	277
Household maintenance, management and shopping	104	180	106	286	105	219
Care for children, the sick, elderly and disabled for own household	19	47	12	43	16	45
Community services and help to other households	5	2	5	4	5	3
Non SNA activities	1,026	977	843	801	939	895
Education	116	134	41	43	80	92
Social and cultural activities	108	69	95	75	102	72
Mass media use	155	136	76	63	117	102
Personal care and self maintenance	647	638	631	620	640	629
Total	1,440	1,440	1,440	1,440	1,440	1,440

Source: NSO, A Pilot Time Use Survey 2000 (Diary).

Sketch map A2 Number of primary and secondary schools, by location, 2002-2003 academic year



Source: Ministry of Education, Culture and Science, "Statistics", 2002

ANNEXES

Table A20 School attainment of 7-29 year olds, by age group, sex and residence, 2000 (as percentages)

Age	Urban			Rural			Total		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
7-29	53.6	59.5	56.6	32.8	39.3	35.9	44.5	51.1	47.8
7	38.1	43.9	41.0	15.2	17.9	16.6	27.2	31.7	29.4
8	90.6	92.8	91.7	74.3	78.4	76.4	83.7	86.3	84.8
9	96.4	97.7	96.8	87.5	90.2	88.8	92.5	94.7	93.3
10-14	94.0	96.7	95.4	72.9	83.4	78.1	84.8	91.0	87.9
15-19	56.9	69.8	63.5	19.2	30.2	24.4	40.4	54.3	47.3
20-24	20.9	30.8	26.0	1.5	1.9	1.7	12.3	19.0	15.6
25-29	6.6	10.0	8.3	0.7	0.7	0.7	4.0	6.2	5.1

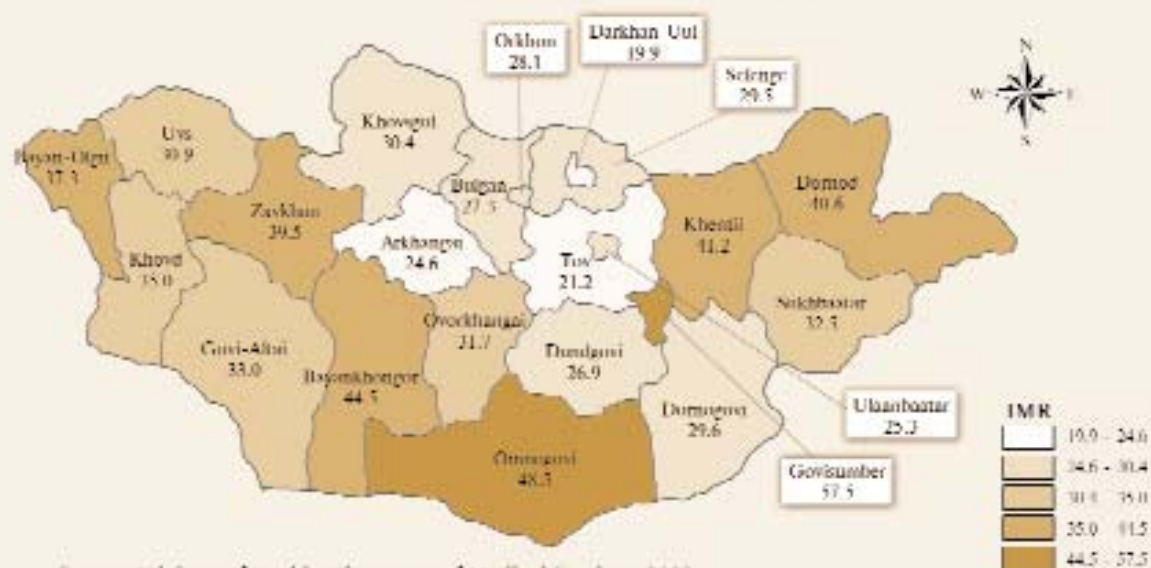
Source: NSO, Population and Housing Census 2000.

Table A21 Educational level of population aged 7 and above, by aimag and city, 2000 (as percentages)

Aimag and city	Population aged 7 and above	Not educated	Primary	Grade 4-8	Grade 9-10	Technical vocational	Diploma	High
Total	100.0	19.7	21.3	22.9	19.1	3.3	6.9	6.9
Arkhangai	100.0	23.8	27.6	27.2	11.8	2.4	4.8	2.4
Bayan Oljun	100.0	23.4	30.9	21.9	10.8	4.4	5.3	3.1
Bayankhongor	100.0	25.6	25.7	28.3	11.7	7.4	4.6	2.1
Bulgan	100.0	21.2	24.7	27.2	14.2	3.6	5.9	3.1
Gobi-Altai	100.0	23.0	27.0	25.6	17.7	3.9	5.8	7.5
Dornogobi	100.0	20.6	22.8	27.3	15.0	2.9	6.9	4.5
Dornod	100.0	32.0	21.0	16.8	16.8	3.9	5.9	3.7
Dundgobi	100.0	25.2	29.1	25.4	9.8	2.4	5.3	2.8
Zavkhan	100.0	22.3	26.3	26.8	13.2	3.3	5.3	2.8
Ovorkhangai	100.0	25.8	29.7	24.1	11.7	7.7	4.6	7.4
Omnogovi	100.0	23.7	27.6	26.3	10.7	2.9	5.3	3.4
Sukhbaatar	100.0	26.4	25.4	25.1	12.0	3.5	5.2	2.4
Selenge	100.0	19.8	19.9	26.7	17.4	4.8	7.1	4.3
Tov	100.0	21.4	23.8	27.1	13.6	1.8	5.8	3.6
Uvs	100.0	25.7	26.6	23.8	11.1	4.7	5.6	7.6
Khovd	100.0	24.3	24.9	24.1	13.7	4.1	5.7	3.1
Khovsgol	100.0	22.4	29.2	24.6	13.8	2.8	1.9	2.3
Khentii	100.0	23.3	24.6	27.1	13.0	3.2	5.7	3.1
Darkhan-Uul	100.0	17.3	16.6	21.1	23.1	5.1	9.4	7.3
Ulaanbaatar	100.0	13.6	13.8	18.0	29.2	7.8	8.8	13.8
Orkhon	100.0	17.1	18.0	20.9	22.6	3.1	9.6	8.8
Goviumber	100.0	20.2	21.2	25.9	16.0	3.7	8.0	4.9
Urban	100.0	14.2	14.4	18.5	28.2	3.0	8.9	12.8
Rural	100.0	23.3	25.9	25.7	13.0	3.5	5.5	3.0

Source: NSO, Population and Housing Census 2000.

Sketch map A3 Infant Mortality Rate (per 1,000 live births), by aimag and city, 2002



Source: Ministry of Health, Directorate of Medical Services, 2003

Table A22 Infant Mortality Rate per 1,000 live births, by aimag and city, 1990, 1995, 2000 and 2002

Aimag and city	1990	1995	2000	2002
Arkhangai	71.3	47.6	25.3	21.3
Buyan-Olgii	50.6	38.2	20.3	34.4
Bayankhongor	90.5	58.8	38.5	40.1
Bulgan	51.9	22.8	18.1	21.6
Govi-Altai	53.5	52.6	37.6	30.7
Dornogovi	48.2	49.9	28.7	27.4
Dornod	89.9	67.5	43.2	39
Dundgovi	57.6	37.4	23.9	24.7
Zavkhan	67.5	44.6	29.9	36.7
Ovorkhangai	55.1	35.1	28.7	26.5
Ormnogovi	60.4	47.6	45.8	47.1
Sukhbaatar	56.5	51.9	14.6	30.0
Selenge	56.3	37.2	18.2	22.1
Tov	44.7	18.1	14.2	11.1
Uvs	57.9	48.9	28.2	28.3
Khovd	64.7	42.9	35.7	32.7
Khovsgol	74.2	57.7	38.2	29.4
Khentii	64.6	35.7	45.5	36.2
Govisumber	-	45.5	49.6	55.1
Darkhan Uul	69.8	43.2	31	20.0
Ulaanbaatar	75.6	46.6	39.9	30.4
Orkhon	38.2	37.5	41.8	29.6
Average	64.4	44.4	32.8	29.6

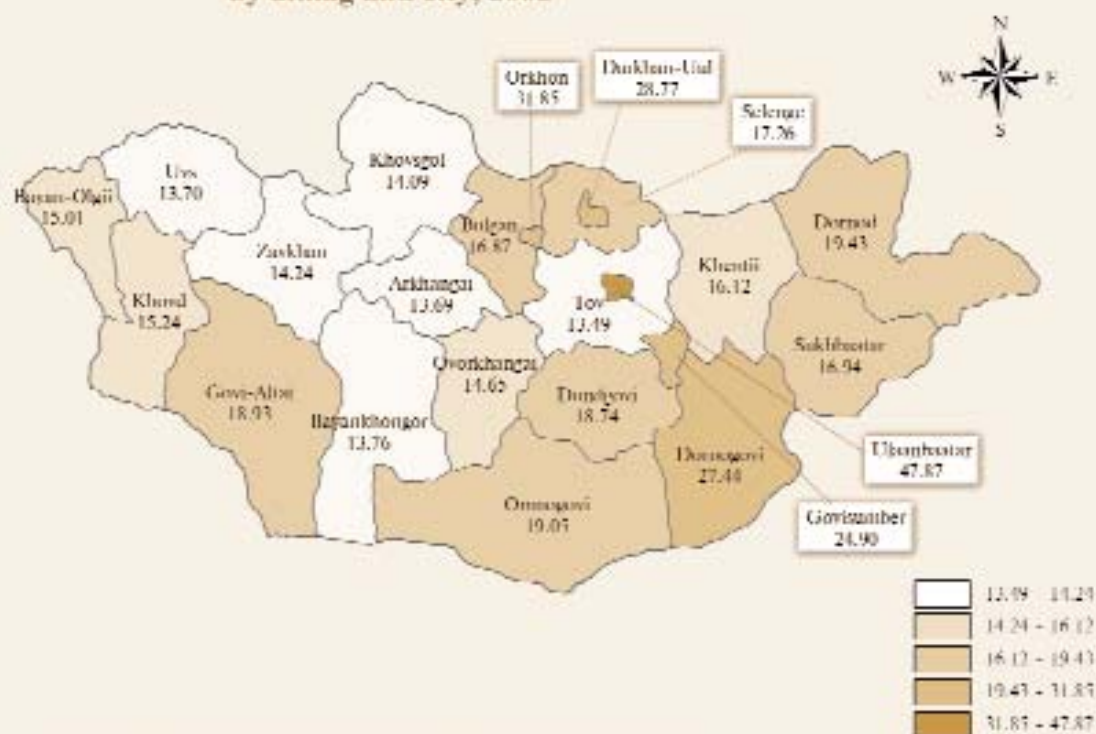
Source: NSO, Mongolian Statistical Yearbook, 1997, 2000, and 2002.

Sketch map A4 Maternal Mortality Rate (per 1,000 live births), by aimag and city, 2002



Source: Ministry of Health, Directorate of Medical Services, 2003

Sketch map A5 Number of Physicians (per 10,000 population), by aimag and city, 2002



Source: Ministry of Health, Directorate of Medical Services, 2003

(prepared by NSO)

The human development index (HDI)

The HDI is a summary measure of human development. It measures the average achievements in a country in three basic dimensions of human development:

- A long and healthy life, as measured by life expectancy at birth.
- Knowledge, as measured by the adult literacy rate (with two-thirds weight) and the combined primary, secondary and tertiary gross enrolment ratio (with one-third weight).
- A decent standard of living, as measured by GDP per capita (PPP US\$).

Before the HDI itself is calculated an index needs to be created for each these dimensions. To calculate these dimension indices - the life expectancy, education and GDP indices - minimum and maximum values are chosen for each underlying indicators:

- Life expectancy at birth: 25 years and 85 years.
- Adult literacy rate (age 15 and above): 0% and 100%.
- Combined gross enrolment ratio: 0% and 100%.
- GDP per capita (PPP US\$): \$100 and \$40,000 (PPP US\$).

For any component of the HDI individual indices can be computed according to the general formula:

$$\text{Index} = \frac{\text{Actual value} - \text{Minimum value}}{\text{Maximum value} - \text{Minimum value}}$$

The HDI is then calculated as a simple average of the dimension indices.

Calculating the HDI

This illustration of the calculation of the HDI used 2002 data for Mongolia.

1. Calculating the life expectancy index

The life expectancy index measures the relative achievement of a country in life expectancy at birth. The life expectancy for Mongolia is 63.51 years and the life expectancy index is 0.642.

$$\text{Life expectancy index} = \frac{63.51 - 25}{85 - 25} = \frac{38.51}{60} = 0.642$$

2. Calculating the education index

The education index measures a country's relative achievement in both adult literacy and combined primary, secondary and tertiary gross enrolment. First, an index for adult literacy and one for combined gross enrolment are calculated. Then these two indices are combined to create the education index, with two-thirds weight to combined gross enrolment. For Mongolia, adult literacy rate is 97.8 and combined gross enrolment rate is 82.2. Thus adult literacy index is 0.978 and combined gross enrolment index is 0.822. The education index, which is a combination of these two, has the value 0.884.

$$\text{Adult literacy index} = \frac{97.8 - 0}{100 - 0} = \frac{97.8}{100} = 0.978$$

$$\text{Gross enrolment index} = \frac{82.2 - 0}{100 - 0} = \frac{82.2}{100} = 0.822$$

$$\text{Education index} = 2/3(\text{adult literacy index}) + 1/3(\text{gross enrolment index}) = 2/3(0.978) + 1/3(0.822) = \mathbf{0.884}$$

3. Calculating the GDP index

The GDP index is calculated using adjusted GDP per capita (PPP US\$). In the HDI income serves as a surrogate for all the dimensions of human development not reflected in along and healthy life and in knowledge. Income is adjusted because achieving a respectable level of human development does not require unlimited income. Accordingly, the logarithm of income is used. For Mongolia, with a GDP per capita of \$2,125.35 (PPP US\$), the GDP index 0.510.

$$\text{GDP index} = \frac{\text{Log}(2,125.35) - \text{Log}(100)}{\text{Log}(40,000) - \text{Log}(100)} = 0.510$$

4. Calculating the HDI

Once the dimension indices have been calculated, determining the HDI is straightforward. It is a simple average of the three dimension indices. Mongolia HDI is 0.679.

$$\begin{aligned} \text{HDI} &= 1/3(\text{life expectancy index}) + 1/3(\text{education index}) + 1/3(\text{GDP index}) \\ &= 1/3(0.642) + 1/3(0.884) + 1/3(0.510) = \mathbf{0.679} \end{aligned}$$

The gender-related development index (GDI)

While the HDI measures average achievement, the GDI adjusts the average achievement to reflect the inequalities between men and women in the following dimensions:

- A long and healthy life, as measured by life expectancy at birth.
- Knowledge, as measured by the adult literacy rate and the combined primary, secondary and tertiary gross enrolment ratio.
- A decent standard of living, as measured earned income (PPP US\$).

The calculation of the GDI involves three steps. First, female and male indices in each dimension are calculated according to this general formula:

$$\text{Index} = \frac{\text{Actual value} - \text{Minimum value}}{\text{Maximum value} - \text{Minimum value}}$$

Second, the equally distributed indices are calculated according to the following formula:

$$\text{Equally distributed index} = \left\{ \left[\text{female population share} (\text{female index}^{-\epsilon}) \right] + \left[\text{male population share} (\text{male index}^{-\epsilon}) \right] \right\}^{1/\epsilon}$$

ϵ measures the aversion of inequality. In general, higher the value it takes the more is aversion of inequality. In GDI calculation $\epsilon=2$. Thus equally distributed index for GDI is a harmonic mean of the female and male indices.

Fixed minimum and maximum values for GDI calculation:

- Female life expectancy at birth: 27.5 years and 87.5 years.
- Male life expectancy at birth 22.5 years and 82.5 years.
- Adult literacy rate (age 15 and above): 0% and 100%.
- Combined gross enrolment ratio: 0% and 100%.
- GDP per capita (PPP US\$): \$100 and \$40,000 (PPP US\$).

Third, the GDI is a simple average of three equally distributed indices.

Calculating the GDI

The example is based on the 2002 data of Mongolia.

1. Life expectancy index

	Female	Male
Life expectancy:	66.5	60.8
Population share:	0.504	0.496

$$\text{Female life expectancy index} = \frac{66.5 - 27.5}{87.5 - 27.5} = 0.642$$

$$\text{Male life expectancy index} = \frac{60.8 - 22.5}{82.5 - 22.5} = 0.638$$

Calculation of equally distributed life expectancy index is based on these two indices.

$$\text{Equally distributed life expectancy index} = \left\{ [0.496(0.638)^{-1}] + [0.504(0.650)^{-1}] \right\}^{-1} = 0.643$$

2. Calculating the equally distributed education index

	Female	Male
Population share:	0.504	0.496
Adult literacy rate:	97.5	98.0
Adult literacy index:	0.975	0.980
Gross enrolment ratio (%):	73.0	66.3
Gross enrolment index:	0.730	0.663

Female and male education indices are calculated according to the formula in HDI calculation.

$$\text{Female education index} = 2/3(0.975) + 1/3(0.730) = 0.893$$

$$\text{Male education index} = 2/3(0.980) + 1/3(0.663) = 0.874$$

$$\text{Equally distributed education index} = \left\{ [0.504(0.893)^{-1}] + [0.496(0.874)^{-1}] \right\}^{-1} = 0.884$$

3. Calculating the equally distributed income index

	Female	Male
Population share:	0.504	0.496
GDP per capita (PPP US\$):	1950.7	2303.2

$$\text{Female income index} = \frac{\text{Log}(1950.7) - \text{Log}(100)}{\text{Log}(40000) - \text{Log}(100)} = 0.495$$

$$\text{Male income index} = \frac{\text{Log}(2303.2) - \text{Log}(100)}{\text{Log}(40000) - \text{Log}(100)} = 0.524$$

$$\text{Equally distributed income index} = \left\{ [0.504(0.495)^{-1}] + [0.496(0.524)^{-1}] \right\}^{-1} = 0.509$$

4. Calculating the GDI

The GDI is a simple average of three equally distributed indices of life expectancy, education and earned income.

$$\text{GDI} = 1/3(\text{Equally distributed life expectancy index}) + 1/3(\text{Equally distributed education index}) + 1/3(\text{Equally distributed income index}) = 1/3(0.643) + 1/3(0.884) + 1/3(0.509) = 0.679$$

The gender empowerment measure (GEM)

Focusing on women's opportunities rather than their capacities, the GEM captures gender inequality in three key areas:

- Political participation and decision-making power, as measured by women's and men's percentage shared of parliamentary seats.
- Economic participation and decision-making power, as measured by two indicators - women's and men's percentage shares of positions as legislators, senior officials and managers and women's and men's percentage shares of professional and technical positions.
- Power over economic resources, as measured by women's and men's estimated earned income (PPP US\$).

For each of these three dimensions, an equally distributed equivalent percentage (EDEP) is calculated, as a population - weighted average, according to the following general formula:

$$\text{EDEP} = \{[\text{female population share (female index}^{\epsilon})] + [\text{male population share (male index}^{\epsilon})]\}^{1/(1-\epsilon)}$$

ϵ measures the aversion to inequality. In the GEM (as the GDI) $\epsilon=2$, which places a moderate penalty on inequality. The formula is thus:

$$\text{EDEP} = \{[\text{female population share (female index}^2)] + [\text{male population share (male index}^2)]\}^{-1}$$

For political and economic participation and decision-making, EDEP is then indexed by dividing it by 50. The rationale for this indexation: in an ideal society, with equal empowerment of the sexes, the GEM variables would equal 50%- that is women's share would equal men's share for each variable.

Finally, the GEM is calculated as a simple average of the three EDEPs.

Calculating the GEM

The calculation is based on the 2002 data for Mongolia as whole.

1. Calculating the EDEP for parliamentary representation

The EDEP for parliamentary representation measures the relative empowerment of women in terms of their political participation.

	Female	Male
Population share:	0.504	0.496
Parliamentary share (%):	10.53	89.47

$$\text{EDEP for parliamentary representation} = \{[0.506(10.53)^{-1}] + [0.494(89.47)^{-1}]\}^{-1} = 18.67$$

Indexed EDEP for parliamentary

$$\text{representation} = \frac{18.67}{50} = \mathbf{0.373}$$

2. Calculating the EDEP for economic participation

The EDEP for economic participation is calculated using the percentage share of administrative and managerial positions and the percentage share of professional and technical positions.

	Female	Male
Population share:	0.504	0.496
Percentage share of administrative and managerial positions:	36.4	63.6
Percentage share of professional and technical positions:	58.1	41.9

$$\text{EDEP for administrative and managerial positions} = \{[0.504(36.4)^{-1}] + [0.496(63.6)^{-1}]\}^{-1} = \mathbf{46.2}$$

Indexed EDEP for administrative and managerial

$$\text{positions} = \frac{46.2}{50} = \mathbf{0.923}$$

$$\text{EDEP for professional and technical positions} = \{[0.504(58.1)^{-1}] + [0.496(41.9)^{-1}]\}^{-1} = \mathbf{48.8}$$

Indexed EDEP for professional and technical

$$\text{positions} = \frac{48.8}{50} = 0.975$$

EDEP for economic participation is an average of two indexed EDEPs.

$$\text{EDEP for economic participation} = \frac{0.923 + 0.975}{2} = 0.949$$

3. Calculating the EDEP for income

Women's and men's earned income (PPP US\$) is estimated

	Female	Male
Population share:	0.504	0.496
Estimated earned income (PPP US\$):	1950.7	2303.2

$$\text{Female income index} = \frac{1950.7 - 100}{40000 - 100} = 0.046$$

$$\text{Male income index} = \frac{2303.2 - 100}{40000 - 100} = 0.055$$

The female and male indices are then combined to create the equally distributed index:

$$\text{EDEP for income} = \{[0.496(0.055)^{-1}] + [0.504(0.046)^{-1}]\}^{-1} = \mathbf{0.050}$$

4. Calculating the GEM

Once the EDEP has been calculated for the three dimensions of the GEM, determining the GEM is straightforward. It is a simple average of three EDEP indices.

$$\text{GEM} = \frac{0.373 + 0.949 + 0.050}{3} = 0.458$$

Employment, by sector. Employment in industry, agriculture or services as defined according to the International Standard Industrial Classification (ISIC) system (revisions 2 and 3). Industry refers to mining and quarrying, manufacturing, construction and public utilities (water and electricity). Agriculture refers to agriculture, hunting, forestry and fishing. Services refer to wholesale and retail trade; restaurants and hotels; transport, storage and communications; finance, insurance, real estate and business services; and community, social and personal services.

Unemployment rate. The proportion of the number unemployed persons, registered at Employment Offices to the economically active population.

Labour force. The number of all employed and unemployed persons registered at Employment Offices.

Labour force participation rate. The proportion of the labour force over the population of working age.

Primary education. Education at the first level (according to the International Standard Classification of Education -level 1), the main function of which is to provide primary or basic education. Under Mongolia's unified system schooling system, those who have graduates from the 4th grade of school are considered as persons with primary education.

Education expenditures. Expenditures on the provision, management, inspection and subsidiary services of pre-school, primary, secondary, all levels of specialized educational institutions.

Education index. One of the three indices on which the Human Development Index is built. As a component of the HDI, the education index is taken to describe the level of knowledge in a society. For details on how the index is calculated, see technical note.

Percentage of the number of students at all educational levels to the population at a specific age. This is calculated as the proportion of students at the primary, secondary, tertiary education (net number) to the number of population of the relevant age range. In the case of Mongolia according to the Educational law, the particular age depends on the age of entry to school and further educational levels. This indicator is estimated as a ratio of students of specific education to the population of a relevant age range.

GDP. The sum of the value added produced by all domestic and foreign enterprises, and citizens located in the country, or the sum of the value of final products during a one-year period.

GDP, by expenditure approach. A method for calculating the total value of output which describes where and how net total incomes generated in a particular year.

GDP index. One of the three indices on which the human development index is built. It is based on a log transformation of GDP per capita (PPP US\$). This index is taken to represent the standard of living. For details on how the index is calculated, see technical note.

Gross domestic investment. Calculated as a sum of additions to the fixed asset base of the economy and net changes in level of inventories and works in progress.

Internal migration. Migration of people within the state borders of a particular nation.

Secondary education. Education at the second level (according to the International Standard Classification of Education-level 2), the main objective is to provide specialized or secondary education (it might be both) for at least 4 years of schooling. It consists of 2 parts:

- 1st level: Incomplete secondary education. In the case of Mongolia it comprises the students from the 5th to 8th grades of school. The successful graduates from the 8th grade are considered as persons with incomplete secondary education.
- 2nd level: Complete specialized or secondary (or both) education. In the case of Mongolia it comprises the students from the 9th grade to 10th grade of schools (including vocational institutions). The successful graduates from these institutions considered as persons with complete secondary education or primary vocational education.

Gender. The term gender refers to the social, economic, political and cultural attributes and opportunities associated with being male and female. In most societies, men and women differ in the activities they undertake, in access and control of resources, and in participation in decision-making.

Gender empowerment measure (GEM). A composite index measuring gender inequality in three basic dimensions of empowerment - economic participation and decision-making, political participation and decision-making and power over economic resources. For details on how this index is calculated, see technical note.

Gender relations. Gender relations seek to shift attention away from looking at women and men as isolated categories to looking at the social relationships through which they are mutually constituted as unequal social categories.

Gender-related development index (GDI). A composite index measuring average achievement in the three basic dimensions captured in the human development index; a long and healthy life, knowledge and a decent standard of living-adjusted; taking account of inequalities between men and women. For details on how this index is calculated, see technical note.

Mid-year population. Sum of the resident population at the beginning of the year and at the end of the year divided by two.

Gini-Coefficient. This is a measure of income inequality. It shows the extent to which the distribution of income (or consumption) among individuals or households within a country deviates from a perfectly equal distribution. A value of 0 represents perfect equality, a value of 1 perfect inequality.

Governance. The exercise of political, economic and administrative authority in the management of a country's affairs at all levels. Governance is a neutral concept comprising the complex mechanisms, processes, relationships and institutions through which citizens and groups articulate their interests, exercise their rights and obligations and mediate their differences.

Government consumption. This includes all current expenditure for purchases of goods and services by all levels of government. Capital expenditure on national defence and security are regarded as consumption expenditure.

Inflation rate. Growth rate of the consumer price index (CPI). CPI measures an increase of purchasing cost of the fixed basket of goods and services.

Transparency. Sharing information and acting in an open manner. Transparency allows stakeholders to gather information that may be critical to uncovering abuses and defending their interests. A transparent system is characterised by a clear procedures for public decision-making, open channels of communication between stakeholders and officials, and where a wide range of information is accessible to interested parties

Tertiary education. Institutions such as universities, higher institutes, and colleges (according to the International Standard Classification of Education - level 3), which admit persons who successfully completed the

secondary schools or primary vocational schools. Tertiary education consists of the following 3 levels:

- 1st level: 10th grade of school. Graduates considered as persons with vocational education. In the case of Mongolia it includes primary college education and vocational education.
- 2nd level: Secondary vocational educational institutions or 1st level of tertiary educational institutions. Graduates are considered as persons with a higher education (Bachelor Degree).
- 3rd level: Institutions that admit persons with Bachelor Degree, i.e. graduates with a Masters Degree or Doctorate.

Literacy rate, adult. The percentage of people aged 15 and above who can read and write a short, simple statement.

Illiteracy rate, adult. The percentage of people aged 15 and above who cannot read and write a short, simple statement.

GDP, per capita. The amount of GDP produced in the particular year divided by the average population in the same year.

Infant mortality rate. The annual number of deaths of infants under one year of age per 1000 live births.

Local budget. A part of Mongolian national budget planned for expenditure by the Aimag, the Capital city, Soum and district Governor.

Participation. Effective participation occurs when group members have an adequate and equal opportunity to place questions on the agenda and to express their preferences about the final outcome during a given decision-making process. It can occur directly or through legislative representatives.

Good governance. Addresses the allocation and management of resources to respond to collective problems; it is characterized by participation, transparency, accountability, the rule of law, effectiveness and equity.

Under-five mortality rate. The probability of dying between birth and exactly five years of age expressed per 1,000 live births.

Decentralisation. The general term for the transfer of authority and/or responsibility for performing a function, from the corporate management of an organization or the central government, to a subsidiary institution or local government.

Centralized budget. A part of Mongolian national budget planned for expenditure by the central Government.

Total fertility rate. The average number of children would be born alive by the particular woman during her reproductive period (15-49 years).

Equity. Impartial or just treatment, requiring that similar cases be treated in similar ways.

Urban area. The Law on "Legal status of the cities and villages in Mongolia" defines a town as a settlement "with no less than 15 thousand residents, the majority of which works in industrial and service sector, with developed infrastructure and local governance". The same law states that " a town with more than 50 000 residents (or up to 50 000 in some cases) can be given a national status (degree or grade) with regard to the role the given town plays in economic and social development of the country, its urbanisation and level of infrastructure development." According to this definition there are 3 towns in Mongolia that have national status. At the international level, economists determine a city as a settlement characterized by high population density, and sustainable regular activities such as industry and trade, by which their economic features are defined and which are based on highly developed infrastructure. Sociologists define a region as an urban area if it is characterised by isolated social relationships and lifestyles, and by the non-transparency and interests of an individual.

Urbanization. A process whereby the share of urban residents in total population is growing.

Official development assistance (ODA). Grants or concessional loans aimed at promotion of economic development and welfare as the main objectives. The composition of ODA includes capital, technical and humanitarian assistance.

Rural area. Areas and regions which are not included in the concept of "urban" are considered rural.

Investment. Savings of enterprises and individuals, capital investment for expansion and improvement of technical equipment of enterprises, prospecting expenditures, government stock securities for a term of over 1 year, capital for purchase of shares of enterprises and long-term debt to be collected are all included in investment. It can be classified by source such as; national and local budgets, bank loans, foreign direct investment, foreign loans and aid.

Rule of law. Equal protection (of human as well as property and other economic rights) and punishment

under the law. The rule of law reigns over government, protecting citizens against arbitrary state action, and over society generally, governing relations among private interests. It ensures that all citizens are treated equally and are subject to the law rather than to the whims of the powerful. The rule of law is an essential precondition for accountability and predictability in both the public and private sectors.

Purchasing power parity (PPP). An adjustment performed to reflect international variations in the price of goods and services. The purchasing power of a country's currency: the number of units of that currency required to purchase the same representative basket of goods and services that a US dollar would buy in the United State.

Population density. The number of people per a unit of area.

Human development index. A composite index measuring average achievement in three basic dimensions of human development; a long and healthy life, knowledge and decent standard of living.

Life expectancy at birth. The number of years a newborn infant would live if prevailing patterns of age-specific mortality rates at the time of birth were to stay the same throughout the child's life.

Population growth rate, annual. Refers to the average annual growth or exponential rate, for the period indicated.

Health expenditures. Current and capital spending from Government (central and local) budgets and external borrowings and grants and social health insurance funds. Together with private health outlays, these are taken to measure total health expenditures.

Health services' access. Percentage of population that has an access to local medical services. This definition slightly differs to that used in Global Human Development Reports. Because Mongolia has a vast territory, less population and low population density the access to health services is not appropriate measure in terms of standard hours (for instance, in the international practice one hour used as standard time for reaching appropriate local health services on foot or by local means of transport).

Maternal mortality rate. The annual number of death of women from pregnancy-related causes per 100,000 or 10,000 live births.