Promoting employment opportunities in rural Mongolia

Elizabeth Morris and Ole Bruun

International Labour Office
Subregional Office for East Asia
Bangkok
Promoting employment opportunities in rural Mongolia: Past experience and ILO approaches

Elizabeth Morris and Ole Bruun

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Subregional Office for East Asia
Bangkok
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Preface

The first decade of the transition from a command economy to a market system witnessed tremendous changes in the rural sector of Mongolia with the dismantling of agricultural collectives and state farms together with cutbacks in public expenditures to support and maintain administration, schools, clinics and infrastructure. Privatization of livestock at first provided new opportunities for workers to obtain employment and livelihoods in rural areas. Others found jobs in provincial capitals and soum centres. However, increases in the numbers of herders and livestock came to an abrupt end with a series of harsh winters and summer droughts that resulted in many families losing their animals. The unemployment and poverty that followed have contributed to a growing stream of migration from rural areas to urban centres.

These events have prompted a reassessment of traditional herding as a sustainable livelihood and the development objectives for the rural sector. In response to a request for policy advice, the International Labour Office fielded a mission in May 2002 to consider employment strategies for poverty reduction in rural areas. At that time it became clear that a great deal of information and experience is available in project documents, seminar papers and donor assessments. This report, written by Elizabeth Morris and Ole Bruun, follows up on a suggestion to use these materials as a basis for preparing an employment strategy for rural Mongolia.

Elizabeth Morris serves as Senior Labour Market and Human Resources Policies Specialist in the ILO Subregional Office for East Asia in Bangkok. She is the author of an earlier ILO report on The informal sector in Mongolia: Profiles, needs and strategies first published in 2001. Ole Bruun is on the faculty of the Graduate School of International Development Studies of Roskilde University in Denmark. He has visited Mongolia many times since 1990 on research trips. In 1999 he received a grant from the Danish State Council for Development Research to study a contemporary community of nomadic livestock herders in Khotont township in south-eastern Arkhangai aimag in central Mongolia. He worked for the ILO to prepare portions of this study in Bangkok during November and December 2002.

The hope is that the report will prove useful to the Ministry of Social Welfare and Labour, the Mongolian Employers’ Federation, the Confederation of Mongolian Trade Unions and others in developing policies, programmes and projects to improve the quality and quantity of jobs for women and men in rural Mongolia.

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Promoting employment opportunities in rural Mongolia
Acknowledgements

This report reflects a study that grew out of the National Employment Conference in October 2001 at which participants called for greater attention to employment promotion for nomadic herders and settled populations outside of urban areas in Mongolia. To follow up on a request for technical assistance and policy advice from Mongolia, the ILO East Asia Multidisciplinary Advisory Team in Bangkok organized a mission with Max Iacono, Elizabeth Morris and Sanchir Tugschimeg travelling to Ulaanbaatar in May 2002. During that mission it became apparent to the team that large amounts of useful information and experience existed in the form of government publications with statistics and analysis; reports from meetings, seminars and conferences; proposals and appraisals from policies and programmes; laws and legislation; and other sources. The advisory team recommended contracting a consultant to pull some of the material together and then provide an ILO perspective with approaches and tools. Ole Bruun, the consultant, helped to prepare a report based on the documents that had been assembled and his own experience with herders in Mongolia. His report *Mongolia: A new vision for rural development* was completed during December 2002. In the meantime, Elizabeth Morris conducted an independent review of the materials that had been collected. A March 2004 Consultative Workshop on the Rural Sector organized in Ulaanbaatar provided an opportunity to begin drafting the final report.

Compiling the information for this study would not have been possible without the support of many officials within the Ministry of Social Welfare and Labour in Mongolia. Among others who provided documents and arranged interviews were Sodnom Chinzorig, Dagdan Jantsan, Nyam Ayush, Choijiljav Erdinechimeg, Nyamaa Tumenbayar and Burged Tserendagvyn Gerelgua. Officials from other government agencies also contributed inputs. In addition, members of international organizations in Ulaanbaatar were generous with their time in sharing knowledge and expertise.

Ian Chambers, the Director of the ILO Bangkok Area Office and East Asia Multidisciplinary Advisory Team, and Djonkou Ndjankou, Director of the ILO Office in Beijing, supported the project from its beginning. Christine Evans-Klock, Director of the ILO Subregional Office for East Asia, later provided support to complete, translate and publish the policy framework. Sanchir Tugschimeg and Batdelger Luuzan translated several documents. Chang-Hee Lee provided the cover photo. Thanks go to Linda Deelen, Sabrina de Gobbi, Ginette Forgues, Malin Hansson, Jean-Claude Hennicot, Max Iacono, Tsuyoshi Kawakami, Sara Spânt, Zokhiolt Shurenchimeg and Hiroshi Yamabana for their careful reading and useful suggestions. Teerasak Sirirarotanotai provided assistance with graphics and formatting. Special thanks go to Zokhiolt Shurenchimeg for sending documents from Ulaanbaatar to Bangkok for updating the report and to Ginette Forgues and Max Iacono for their support as colleagues working on local development. Finally, Karen Emmons provided editorial assistance.

The opinions expressed in this report do not necessarily represent the views of the International Labour Office. Of course, the final responsibility for the content rests with the authors.
Promoting employment opportunities in rural Mongolia
Executive summary

The document review presented in this report proposes that employment strategies for rural Mongolia be based on local development at the soum level to address the problems of both livestock herders and settled communities. The report includes an historic context for current issues and points to integrated approaches identified by soum governments, together with community stakeholders, for local development and employment generation.

Over the past century Mongolia has passed from Chinese domination to the control of nationalist revolutionary groups following a Soviet model of economic development. The administration organized campaigns to ensure production levels and efficient management of herding and farming. Restructuring and privatization of the Mongolian economy resulted in the collapse of livestock collectives and state farms. Market reforms including privatization of ownership, deregulation of prices and liberalization of trade did not increase productivity and profitability in agriculture or open new opportunities for off-farm employment. Productive inputs, agricultural processing, support functions, financial services and marketing channels previously had been under state control. After the collapse of livestock collectives and state farms, the private sector did not step in to fill the gap. Changes in international trade affected large state-owned enterprises that had engaged in agricultural processing for export markets. Factories for spinning, knitting, leather and shoes were closed. As a result, most of the wool, hides and skins and about half of the cashmere were exported without processing. Despite barriers confronting the development of enterprises, a number of businesses have been successful in processing agricultural products.

Without alternative employment opportunities, a considerable number of redundant workers, civil servants and school leavers became nomadic herders. Some lacked experience and failed to follow traditional practices of seasonal pastures. The breakdown of monetary transactions and transport infrastructure pushed many herders toward urban centres. Disrepair of wells contributed to overgrazing of pastures with access to water. Livestock and thus herder vulnerability increased because of the inadequate access to forage during the summer. Private herders did not have emergency stocks of hay and fodder, which previously had been organized by the herding collectives and state farms. All these factors added to the disastrous impact of summer droughts followed by harsh winters called dzuds that resulted in the loss of millions of animals. Most of the inexperienced herders with few animals lost their entire herds over several consecutive years beginning in the winter of 1999.

Despite these recent difficulties, extensive herding still has a comparative advantage in terms of natural feed and low costs. While pastoral livestock production will continue to generate employment and income as well as contribute to food security and serve as a safety net, there are calls for a reduction in the number of herding households and an increase in intensive production, including proposals for “exit strategies” that combine economic diversification and sustainable livelihoods for herding families.
Promoting employment opportunities in rural Mongolia

Mongolia struggles to maintain a balance between people and nature that requires a system to govern the pastoral patterns of livestock herding. For centuries, herders roamed the grasslands of Mongolia following community practices that ensured environmental sustainability of common pastures. Human activity – animal husbandry, crop production and mining activities – together with global climate change and recent natural disasters have adversely affected the rural environment. The ecosystems of Mongolia face variable conditions with extreme climate, short summers, thin topsoil and low precipitation. Since the impact of various factors on vegetation conditions is not straightforward in complex ecosystems, there are different definitions of land degradation. According to some estimates, there has been a decline in quality that threatens the capacity to sustain current uses.

Less than half of the population of Mongolia now lives in rural areas. A gradual movement of people from the countryside to cities took place during the twentieth century, although the trend was reversed briefly during the early years of the economic transition. Both herding households and livestock numbers increased after privatization of the collectives. During the 1990s, the contribution of agriculture to output and employment rose as unemployment and poverty pushed more workers into the sector. The composition of herds also changed with a sharp rise in the number of goats produced for cashmere. Fewer animals were raised intensively due to the high costs of feed and shelter. At the same time, there was a significant decline in the linkages between agriculture and industry. The proportion of industrial output based on agricultural production fell both absolutely and relatively over the decade. The winter disasters of recent years resulted in labour migration to urban centres. This situation is likely to continue. A new challenge is the tremendous growth of peri-urban areas around principal cities, especially Ulaanbaatar, where there is an urgent need for urban planning and migration policy to confront the tent cities that have sprung up without essential infrastructure. Basic improvements in heat, water and sanitation together with public services for education, health and employment in these urban areas are attracting growing numbers of rural people from herding communities and soum centres.

In rural areas, animal husbandry and crop production remain the main occupations. Herders and farmers also engage in subsistence activities and commercial production to supplement their income. Part of the rural population lives and works in aimag (provincial), soum (district) and bagh (community) centres. Many are engaged in petty trade and informal activities. Some are government employees working as officials, professionals, clerks and teachers in offices, clinics and schools. Others combine herding and non-herding activities.

More boys and young men are in the labour force than girls and young women. Boys are more likely to drop out of school to help with family herding or seek other employment. In rural areas school attendance for boys drops sharply in primary school and remains lower than for girls at all levels. Among herding households there are indications that wealthier herders with more animals rely on additional labour from poorer families. Some hire adolescent boys who work for food and lodging. This informal labour market for boys and men has placed additional burdens for unpaid work on girls and women.
The link between education and poverty in rural areas is a serious concern. Although there are no tuition fees, poor households, already short of cash, must bear the burden of other expenditures that come with sending their children to school. Poor families find it difficult to meet standards for dress, hygiene and supplies for school. Many rural children travel long distances to school on horseback and are thus vulnerable to weather conditions. Parents in more remote districts who send their children to school in soum centres need accommodation for them, either with relatives or in dormitories.

There are considerable differences among herding households. In very broad terms, one-half of the rural population scrambles for a simple existence. The differences between small-scale and middle-income herding units relate not only to herd size but may arise from different labour resources, work ethics and lifestyle priorities. Families with few animals have less need of frequent moves for new pasture, allowing a more settled lifestyle in a given locality, for instance near the soum centre. In terms of formulating strategies for rural development it may be useful to distinguish between subsistence herding households and nomadic livestock producers, even though they form a natural continuum.

Wealthier households generally have transportation that enables them to move livestock to pastures and reach markets to purchase supplies and sell products. They tend to have good knowledge of local conditions and market prices and can organize family members and hired labour. Rich herders are more likely than poor herders to focus on the quality of livestock and prices of products, such as cashmere. Middle-income herders are able to divide tasks within the camp. Some receive cash from pensions and allowances. In contrast, poor herding households do not commonly have the transport and labour to graze their herds over long distances. Some provide services to other herders or in soum centres. Very poor herders are often older women living with other women – daughters or granddaughters – who cannot benefit from the traditional division of labour between men's jobs and women's work. In some cases, the children of poorer households work for richer households to cut wood, slaughter animals, repair shelters, move camp and take on odd jobs in exchange for food, shelter and clothing.

Most households, however, have been struggling with a compromise between herd size and economic necessity. Large numbers are in constant danger of encroaching upon their key assets by having to sell and slaughter more animals on a yearly basis than are being reproduced. Many have no access to modern equipment or transport vehicles and depend on rudimentary carts for their seasonal moves. They are forced to rely on traders who offer a poor rate of exchange between livestock and purchases for production and consumption. Veterinary services are in short supply. Without basic infrastructure and public support, it is difficult to maintain enough animals for family subsistence. Household security becomes a difficult task. Obviously, small herds have little capacity for recovery after heavy losses due to natural, economic or political catastrophes.
Rural poverty is not limited to livestock herding. Town centres have grown since the establishment of herding collectives, especially following their “industrialization” in the 1970s and 1980s. Some herders who lost all their animals in recent dzuds have settled in soum centres. The distinction between the herders and inhabitants of soum centres is not a clear one because people who are living and working in the centres may possess a limited number of animals. Today an estimated 30 per cent of the rural population resides in the soum centres, some in permanent housing from the negdel (herding collectives) period, but the majority in gers (tent houses) within small fenced-in private plots. Regular employment in the soum centres mostly derives from state jobs in government administration, schools and clinics, although the private sector and informal economy provide some income opportunities. Even before the recent dzuds, a significant proportion of the very poor in rural areas were found in the soum centres. Most are people without animals and employment. Some possess a few animals for milk and meat. The desperately poor gain their livelihood from a wide range of informal economic activities in the soum centre or rely on gifts, charity, begging or stealing.

Informal mining is absorbing a growing number of Mongolian workers. The first informal miners were predominantly unemployed workers from the mining sector – geologists, engineers, cooks, drivers and their families – who lost their jobs with the collapse of state-owned mining enterprises. As formal sector mining picked up in the mid 1990s, some of these workers found employment in mineral exploration companies. Those who continued to seek an income through informal mining were largely farm workers, urban poor and livestock herders.

A number of policy frameworks and national programmes have been introduced for rural development in Mongolia. Focusing on rural employment promotion needs to be at the heart of national employment policies. The rural population is more vulnerable to income insecurity due to fewer economic opportunities and a high dependency on natural conditions, including climatic changes. Alternative income options, along with restocking of lost herds, need to be considered. Skills development, both business and vocational, is an important priority, as most herders do not have any skills beyond livestock production. A draft Rural Development Strategy for Mongolia sets out strategic proposals and logical frameworks to deal with key considerations for rural development – encouraging local initiatives, improving risk management, supporting group development, creating an enabling environment, promoting agricultural development and achieving food security.

Development goals should ensure income growth and quality services to rural people but at the same time promote sustainable use of natural resources. This requires new strategies and integrated approaches. There is now a need in Mongolia to examine existing practices and new structures of cooperation for livestock production including producer partnerships, labour contracts and employment relations. The issue of rural employment promotion needs to be placed within the context of regional development. A risk management system, pasture management schemes and relevant legal frameworks must be included in a rural employment strategy. Development of non-banking financial institutions is essential for providing start-up capital.
In its Concept of Regional Development, adopted by the highest body of legislative power, the Ikh Khural, the government introduced the idea of regional development zones. The objective is to reduce disparity between urban centres and rural areas as well as across provinces based on economic resources and comparative advantage in different regions. Regional development is to have components addressing government, economy, society, culture, environment and settlements. It also should fit within the global economy. Whatever the outcome, the priorities identified for the development of regions can be used as guides for policies at all levels, including for soums and baghs engaged in a participatory process of local development.

Mongolia has opted for a rural strategy that is based on community participation at the grassroots level. One approach to consider is local economic development at the soum level with employment offices in aimag centres to facilitate the delivery of information, training and finance and organize the monitoring and evaluation of activities. Local economic development is a participatory strategy for creating decent jobs using local resources to solve local problems. It does this by bringing together stakeholders to discuss and pinpoint their strengths, weaknesses, opportunities and threats in order to develop a collective strategy for local development. It is through their joint efforts – dialogue, planning and implementation – that a sustainable development process is initiated and perpetuated. A multidisciplinary approach may involve socio-economic analysis, small enterprise development, community-based training, employment-intensive investment, financial services, cooperative development and association building among other components.

The key features of the local economic development approach appear to be consistent with Mongolia’s national policies, regional development and rural strategies. It initiates a local bottom-up development process that is appropriate to the specific social, economic, environmental and cultural context of a given area; promotes social dialogue, public-private partnerships and local initiatives for development; and focuses particularly on the development of micro, small and medium enterprises and cooperatives. Institutions and stakeholders at the local level include both government and representatives of the social partners and civil society. Potential stakeholders at the soum level are elected councils, government institutions, community organizations, herders’ groups, employers’ organizations, trade unions, social organizations, non-government organizations, international organizations and religious institutions.

As this report explains in its later chapters, participation by local people can be increased by identifying policy priorities and action plans for labour and employment; integrating employment promotion into local development; linking local employment programmes to regional development and national priorities; encouraging associative mechanisms through which the voices of nomadic herders, businesspersons and rural workers can be heard in debates on development and employment; and extending outreach and mobilizing networks for nomadic herders and other workers in rural areas.

Cooperatives empower people by enabling even the poorest segments of the population to participate in economic progress. They create job opportunities for
those who have skills but little or no capital and provide protection by organizing mutual help. By creating a platform for local development initiatives, they bring together a range of community institutions to foster opportunities for decent work and social inclusion. Cooperative members learn from each other, innovate together and restore the dignity that the experience of poverty destroys by helping people to increase control over their livelihoods. This report suggests several ways to support joint action in Mongolia: explore new mechanisms for cooperation; link cooperative plans to local economic development; promote informal networks as well as formal structures; strengthen model cooperatives; and link agricultural cooperatives to job creation, business development and social services.

Building local capacity for planning, implementation and monitoring is critical if decentralization is to enable a more rational allocation of scarce resources according to real priorities. Given the immense territories and sparse populations of rural soums, local governments face enormous difficulties in reaching out to constituent populations. Yearly collections of statistical material, livestock counts for taxation purposes, common registration of births, deaths, marriages and migration and reporting to higher level government offices are heavy enough burdens for a relatively small staff with limited access to computers. Again as this report advocates, there are many ways to strengthen the capacity of local governments: incorporate capacity building into all policies, programmes and projects; organize training of trainers for technical work related to rural employment; provide opportunities for sharing experience and knowledge through visits of groups to other baghs, soums and aimags; and support capacity building for government officials, employers’ associations, workers’ organizations, community leaders, herders’ organizations, cooperative organizations and NGOs at the national, aimag, soum and bagh levels.

Employment services can use both traditional approaches and new ways to help rural people find more and better jobs. Some suggested methods for improving employment services, as explained in this report are to: facilitate local development for employment promotion at the soum level; expand and improve the range of labour market services in aimags and soums including guidance and counselling, placement and training; organize and coordinate direct job creation through public works and community services under the Employment Promotion Fund with projects undertaken through the Local Development Fund and the Local Initiatives Fund; supply relevant information about employment policies, labour markets, business opportunities and training programmes; facilitate community-based training for local economic development; and disseminate all kinds of information necessary for wage employment and self-employment in livestock herding, crop production and business development.

Employment offices can serve as a “one-stop-shop” for providing a range of information to soum officials, bagh leaders and the general public for improving employment opportunities. Useful information at the local level, as outlined in this report, includes government policies, programmes and projects for poverty alleviation and employment promotion; a local development “tool kit,” key legislation relating to labour markets and employment promotion; programmes and projects to promote entrepreneurship and support business; information about financial services that are
already available; opportunities for training and retraining; changes in household registration; and price information for production inputs, consumer goods and agricultural products.

An employment strategy for the rural sector could make use of the Employment Promotion Fund through aimag offices for employment promotion at local levels. The fund is intended to provide a range of services that move people from unemployment and underemployment into productive work. An employment strategy could identify policies and suggest reform for the employment components of the national development plans, poverty reduction strategy, rural development strategy, employment promotion programme, informal economy policy, regional development plans, herders’ livelihood support and other national policies and initiatives related to employment issues.

Over a decade of transition Mongolia moved toward a market economy and implemented policies for sustainable growth and poverty reduction. Now the government aims to accelerate private sector-led growth as a medium-term strategy. A further goal of its Economic Growth and Poverty Reduction Strategy is to distribute the benefits of growth more equally with a pro-poor focus. The growth strategy looks to provide macroeconomic stability, improve the business climate and enhance human capital. This report presents some of the many options to support business and entrepreneurship in rural areas: promote innovation and entrepreneurship for job creation through enterprise development; identify feasible business ideas through local economic development; provide information about training for business start-ups and enterprise expansion; encourage the provision of financial services at the soum level; provide information about business development services; promote inter-firm networks and self-help associations; and facilitate the exchange of experience among aimags and soums.

After the socialist period, financial support to herding collectives and state farms came to a stop. Since then cash flows to rural areas have consisted mainly of government salaries, pensions and allowances. However, much of this money then flows back to Ulaanbaatar to purchase consumer goods, agricultural inputs and trade goods to be sold in the soum centres. Microfinance for employment creation and enterprise development can provide benefits through job creation, poverty reduction and community empowerment. Microfinance institutions can overcome the handicap of individually insignificant transactions and bring people together in mutually supportive ways. As money is involved, there has to be a measure of trust for such groups to work. The building of trust is vital to the struggle of the working poor for political rights and economic opportunities. There is a need to extend financial services to rural areas; expand the types of services available at the soum level; and establish information networks for microfinance provision among agencies working in rural areas.

Most herders learn the skills they need for livestock production from their families and relatives. The review of existing documents that formed the basis of this report identified several recommended actions for improving the employability of
people in rural areas: adapt national strategies for education and training to local communities; use community-based training to make certain that training needs at the local level support local economic development; ensure that girls and boys are able to obtain a quality basic education that lays the foundation for employability and fosters attitudes and values needed to succeed in life; improve the accessibility, relevance and effectiveness of secondary and higher education as well as technical and vocational education for employment opportunities in rural areas; link education and training to national growth sectors and regional development plans as well as local economic development; coordinate training activities of employment offices with agricultural extension and other activities; link employment programmes to the Rural Development Strategy, the Sustainable Livelihoods Project and agricultural extension services; and enhance capacity of agricultural extension services.

Government can generate employment opportunities through public works and community services for bagh and soum centres in many ways. It can invest in infrastructure improvements to develop feeder roads, bridge repair, public buildings, water supply, sanitation services, community forestry, fuel collection, electricity supply and services for transport and storage. Among employment-generating activities that respond to needs of herding households are otor reserves, winter shelters, irrigation systems, veterinary services, pest control and rehabilitation of wells and reservoirs, as well as kindergarten services and teacher training for helping in schools. Employment opportunities also can be created for construction and repair of buildings, electricity and heating in schools and dormitories and special instruction for young drop-outs in bagh centres. In the health sector there is work in soum hospitals, maternity homes and hospital transportation. Other employment opportunities at the local level that could be developed for rural people in need of work involve making special equipment for persons with disabilities and providing other support services. More generally, employment opportunities through public works and community services can be created by linking job creation schemes to local economic development; coordinating programmes under the Employment Promotion Fund with the Local Initiatives Fund and Local Development Fund and developing an appropriate mix of direct employment, subcontracting arrangements and private enterprises for the provision of community services, including special courses for young school drop-outs.

After the break up of the herding collectives, state farms and soum administration of the socialist era, the systems that had been providing information to rural populations fell apart. Services of telephones, radios, newspapers and reports that connected herders and farmers with important information about production, weather, policies and politics broke down. Participatory group discussions reveal that rural people would like better information about policies and laws as well as about prices, education, training and credit. Some solutions to address these needs presented in this report are: disseminate information related to local development and employment opportunities; share best practices for employment promotion; link information from employment services and agricultural extension; extend market information through print media and radio programmes; establish communications centres as meeting places in soum centres; and provide business development services by radio.
Improved information is also necessary for monitoring and evaluating policies and programmes for rural employment including labour market information, management information systems and participatory assessment techniques. Methods to strengthen monitoring and evaluation include: linking targets and indicators for the Millennium Development Goals to employment and labour; compiling and analysing labour statistics to formulate, implement, monitor and evaluate policies for labour and employment; identifying a set of key indicators of the labour market; conducting the labour force survey on a regular basis; preparing a set of performance indicators for employment offices; and using participatory assessment techniques to monitor and evaluate government programmes for employment promotion.

Because herding populations face income insecurity due to weather, pests and disease, employment promotion in rural areas needs to offer protection against risk. Herd size, pasture management, macroeconomic policies, infrastructure development and unforeseen events all affect the work and earnings of herders. While herding households rely on traditional methods of risk reduction, informal arrangements are generally not as effective as formal institutions. But the coverage and benefits offered under social insurance no longer provide the protection enjoyed during the socialist period. Community-based risk-pooling schemes can be an effective response to urgent needs for social protection not already met by government programmes. Recommended actions for improving social protection outlined in this report include extending the coverage of existing statutory social security schemes to the rural population; establishing new contributory schemes tailored to the needs and capacity of the rural population; introducing tax-financed universal benefit schemes; ensuring that improvements in health care provision accompany reforms in health care financing to address inequalities between rural and urban, poor and non-poor and migrant and sedentary populations; exploring new methods to improve social protection for livestock herders and the informal economy through research and pilots; reviewing restocking and insurance for livestock to address the income insecurity associated with animal losses; and encouraging associations of herders, farmers and others to participate in discussions about ways to extend social protection to rural areas.

All countries encounter challenges for improving the safety and health of women and men in the workplace. Mongolia is no exception. Primary among the occupational safety and health (OSH) issues in rural areas are problems related to informal mining, livestock herding, agricultural processing, construction sites and alcohol abuse. Preventative measures such as for reducing the risks of HIV/AIDS can be tied to government programmes for employment promotion. Suggested actions for improving safety and health at work include building capacity at the aimag and soum level for addressing issues related to OSH; introducing participatory methods to identify and correct problems of safety and health in the workplace; raising awareness about the dangers of informal mining and construction work; and including information about prevention and treatment of alcohol abuse and HIV/AIDS into business training, occupational safety and health programmes and community dialogue.
International labour standards relate to almost every aspect of employment promotion in the rural sector. The International Labour Organization (ILO) Conventions and Recommendations are useful in identifying practical measures as well as protecting human rights. They can serve as a reference for developing various components of an employment strategy for rural areas. The ILO Fundamental Principles and Rights at Work apply to the countryside as well as cities, to livestock herding and informal employment as well as formal sector employment in private business, civil service and public enterprises. These include freedom to defend and further work-related interests such as the right to organize, bargain collectively and strike; freedom from coercion at work or the right to be protected against forced labour; freedom from child labour; and freedom from discrimination on the basis of race, colour, sex, religion, social origin, national extraction and political opinion. Some suggested ways to promote rights at work in rural Mongolia discussed in this report include: raise awareness in rural communities about fundamental rights at work; promote organizations of herders, farmers and others in rural communities and soum centres; ensure fair representation of rural communities in planning for local development and employment promotion; encourage associations of informal economy workers to undertake self-help initiatives to improve business opportunities and working conditions; support compliance with the ILO code of practice on HIV/AIDS and the world of work through information and counselling about the risks; support implementation of the United Nations Convention on Elimination of All Forms of Discrimination Against Women (CEDAW); and work toward eliminating the worst forms of child labour.

Close attention needs to be paid to gender equality in all aspects of the employment strategy for the rural sector in Mongolia in order to use and develop the human resources of women and men and open opportunities for both girls and boys to obtain education, skills and employment. A gendered division of labour remains strong in rural areas and particularly within herding families with general implications for work, authority and leadership in local communities. As described in this report, some ways of ensuring equality at work are to encourage the participation of women and men, including those with disabilities, in local economic development and employment promotion strategies; ensure that girls and women as well as boys and men are included in training for employment; enlist the participation and support of women’s NGOs in programmes for job creation through public works and community services; ensure that women and men have equal opportunities to start and improve businesses; mainstream gender in all strategies for growth and development; and work actively against gender stereotyping.
1 Introduction

Mongolia has made substantial progress in its journey from a command economy to a market system. Indicators point to achievement in terms of economic growth and structural change in gaining greater access to the world economy. The country now faces a number of decisions about future development in terms of tradition and change. This is largely due to a series of natural disasters in recent years that have prompted policy makers to reassess “old thinking” and formulate new strategies for rural Mongolia. “Nature has forced us to reconsider our way of living,” notes a senior government official.

Despite rapid advances in moving toward a modern economy enhanced by communications technologies that link rural communities with international events and global markets, national identity still is tied to the cultural heritage of nomadic herders. Even with diversity in terms of lifestyles, the nomadic culture forms a common ancestry for Mongolian people. Issues of economic development are thus intertwined with questions about historical roots in ancient traditions, despite the imposition of economic structures during Manchu domination and the socialist era as well as introduction of market forces during the transition period.

As Mongolia searches to develop and implement a new vision for rural development, it will consider whether it is necessary to combine nomadic practices with sedentary production. There is also a question about the balance between market forces and regional planning for economic development outside the capital city. There are issues about private land use and communal herding practices and questions about whether herders should follow traditional patterns of otor movements for seasonal pastures or adopt new systems for pasture management and livestock production.

Mongolia is dealing with tough budget decisions that affect infrastructure development and public services in remote areas. Policy makers will consider subsistence production together with commercial enterprise and will look to balance customary self-reliance with greater cooperation. In implementing development plans there is a need to include both poverty reduction among target groups and business development of viable enterprises. Rural strategies are assessing bottom-up approaches and top-down initiatives.

Whatever the direction of policy the government decides to take, herding will remain a source of employment and income in Mongolia for years to come. Livestock are a form of capital and a source of food. Manufacturing and trade of animal products will contribute to employment and income. Livestock exports will remain a source of foreign exchange. The traditions of herders will serve as a link between the Mongol empire of the past and the global economy of the future.
Promoting employment opportunities in rural Mongolia
2 Economic context

2.1 Historical background

Over the past century, Mongolia passed from Chinese domination to the control of nationalist revolutionary groups that later evolved into the pro-socialist leadership following a Soviet model of economic development. During the socialist era, the administration of Mongolia organized campaigns to create herding collectives. But the resulting popular revolts led to an armed reaction that eventually crushed the power of monasteries and lamas. The government succeeded in establishing its plan for a system of collectives, or negdels, across the country. Until the privatization process that began in 1991, these herding collectives received enormous resources and were highly organized to ensure production levels and efficient management. When the negdels were dismantled, the services provided to livestock production were not replaced. This resulted in a move away from modern agro-business toward subsistence household production.

Mongol empire

After ascending to the throne of a unified Mongol state in 1206, Chinggis Khan issued a code of laws called the *Ikh Zasag* and established a system of 95 *myangats* as administrative units to organize both military campaigns and civil affairs. The *Ikh Zasag* codified matters relating to foreign affairs, military forces, general assemblies, civil law and family law. During the thirteenth and fourteenth centuries, the Mongol empire with a population of only half a million conquered more than 40 states of the world with a total population exceeding one hundred million. By the second half of the fifteenth century, the Mongol state was first divided into east and west and then subdivided into six principalities. Efforts were later made to unify the country under the Dayan Khaan. During his reign some tribes became more settled, with specific grazing areas. Following the death of the Dayan Khaan, Mongolia was divided into several independent states. The core of Mongolia called Kalkh broke into several *khaganates*. Despite fierce resistance under the last Mongol Khaan during the seventeenth century, Mongolia fell under Manchu domination for 275 years.¹

Manchu domination

Apart from specialized scholarly, medical and astrological vocations of the Buddhist lamas, a number of arts and crafts were practised at the monasteries pertaining to construction, woodwork, metalwork, painting, decoration, bookbinding and more. An estimated one or two in ten of the male population were lamas, but only a minority lived permanently in the monasteries; their activities most often bridged religious pursuits and civil work. A large number of lamas lived common lives as livestock herders. Although anyone from the three population segments of lamas, nobles and

commoners could accumulate wealth, many leading lamas were wealthy and most common herders were poor.

Chinese merchants were notorious under Manchu domination for luring herders into debt. In some cases entire khoshuu, or “banners,” acquired debt beyond the value of their livestock. These merchants plied their trade at the monastery, adding to its key position. They moved along major tracks connecting local areas with Chinese or Russian trading companies in Ikh Khuree, later to become Ulaanbaatar, or directly with China by means of long pack trains of camels or carts.

National liberation

The Manchu empire collapsed in 1911 and a theocratic monarchy was established with the Bogdo Gegen enthroned as head of state. Mongolia became a protectorate of China in 1915 and then fell under the rule of a Chinese military government in 1919. The division of Mongolia into aimags, (provinces) khoshuu (banners) and soums (districts) was still in place, having roots in ancient Mongolian militaristic organization. Each khoshuu was under the rule of a noble, with temples and monasteries often at the heart of local communities. These Buddhist institutions formed the only permanent structures that otherwise were surrounded by the gers, which are the traditional felt tent homes of the Mongolians. They remained the focus for scholarly pursuits and career opportunities outside of herding.

The first nationalist revolutionary groups were formed in the Mongolian capital. The Mongolian People’s Party was founded in 1920, becoming the Mongolian People’s Revolutionary Party in 1921. Lamaist Buddhism provided the overall framework of power and the most significant emblem of Mongolian identity. The new revolutionary party aimed to restore Mongolian independence and protect the Buddhist faith. In 1924 the Mongolia People’s Republic was formed with supreme power vested in the Ikh Khural, the highest legislative power.

Livestock collectives

The Constitution of 1924 changed the territorial division of Mongolia. The administrative structure that came into place in 1931 divided the country into 13 aimags. The khoshuu were eliminated and replaced by soums. A majority of the new aimag and soum centres were long-established religious community centres.

Special campaigns were introduced to establish livestock collectives. Animals were taken forcefully from monasteries and lamas. Others were sold or eaten to avoid confiscation resulting in a dramatic decline in livestock numbers all over Mongolia. While aimed at “bad class elements,” the collectivization campaigns of 1929–1932 alienated many Mongolian citizens. The revolts that swept over Mongolia could only be crushed by deploying the revolutionary army using tanks, artillery and airplanes.

2 The pre-revolutionary Mongolians revered the Bogdo Gegen as both their sovereign ruler and a living Buddha.
The bloody uprising brought the first collectivization programme to a halt. A pragmatic New Turn Policy was introduced in parallel with the New Economic Policy in the Soviet Union. Private ownership was again sanctioned, herds grew steadily, trade flourished and even the monasteries slowly recovered as lamas returned. It would take over 20 years before the government would venture another programme of collective livestock ownership.

The fact that the monasteries and lamas retained their influence in local society was a major challenge to the party leadership. Under pressure from the Soviet Union, a new campaign was launched in the mid 1930s to remove Lamaism from Mongolia. By 1940 nearly all temples and monasteries were smashed. In the following decades, groups of monks actively tried to rebuild temples but their efforts were crushed.

By the mid 1950s, ideology was once again put forward at the expense of pragmatism – though this time with greater caution and more preparation. Associations of producers had been in existence since the 1930s, but they were few in number and loosely structured, accounting for little more than 1 per cent of the total 23 million animals. To speed up the process, the Central Committee took over the entire management of the collectivization programme. The government argued that only under collective ownership could modernization reach the countryside. Other possible motives are the desire for continued alignment with rural policy in the Soviet Union and for tighter control of the herding population through wage employment. There is some evidence that inequality among herders had decreased between 1925 and 1940 with the proportion of poor herders, as defined by traditional animal units owned, dropping from 63 per cent to 40 per cent, while a “middle group” increased from 31 per cent to 55 per cent.\(^3\) The same evidence indicates that the proportion of rich herders dropped from 6 per cent to 5 per cent.

Beginning in 1957, herding collectives were set up across the country, first by means of incentives that increasingly favoured negdel members over private herders, and finishing in 1960, when membership in a collective became compulsory. The negdel divided the herders into permanent units called bags or “brigades” with cells for the party and youth in every unit. From a peak of more than 700 collectives, the number was gradually decreased until eventually the production unit of the negdel coincided in size and location with the administrative unit of the soum. Over the next 30 years the soums and negdels functioned as joint units.

During this time, massive amounts of capital equipment and trained personnel were necessary to ensure high outputs, efficient management and reliable controls. Taking heed of the revolt in 1932, the government allocated enormous amounts of resources to the countryside in a formidable modernization effort intended to remould the local society through education, science and socialism.

\(^3\) Charles R. Bawden: *The modern history of Mongolia*, London, Kegan Paul International, 1968, p. 396. The groups were counted in traditional animal units of bod, with poor herders owning fewer than 20, middle herders with between 20 and 100 and rich herders with 100 or more bod.
At the time that membership in the negdel became compulsory in 1960, stocks of large animals were too low to achieve high levels of collective productivity. It took almost a decade after that to build up herd sizes. Herders were permitted to keep, for their private use, 10 animals per person with a maximum of 50 animals per household in the Khangai region and 75 animals in the Gobi region. In addition, herders received wages from the production and marketing of the collective, although for years their earnings in cash remained low. By the early 1970s, however, incomes of herders rose considerably with increased specialization and improved management.

Throughout the early negdel period, animals were herded in much the way they had been by households. Herding was later specialized with livestock divided into groups by age and type – camels, cattle, goats, horses and sheep. Herders were organized into small production teams called suurs that consisted of one to five families and resembled traditional camps. Suurs were given responsibility for herding only one category of collective animal. Kinship ties were later abolished as a basis for membership in the camp. A suur typically herded 600–800 sheep or goats, 200–300 horses or 100–200 cattle. Strict accounts were kept of the animals in the care of a suur, with each family held responsible for any loss of animals.

Toward the end of the socialist era, many suurs possessed small Japanese power generators. Practically every family had a Russian transistor, while some owned refrigerators and televisions. A variety of reading materials was circulated among all herders. Each bagh had its own brigade leader, veterinary technician, health worker and propaganda officer. The bagh usually had a truck at its disposal. Buildings in the bagh centre were often equipped with meeting rooms, storage facilities and a telephone connection to the soum centre. Herding life was generally reported to be good in the suur with unprecedented security for people and animals. The later negdel period was a “golden era” of the livestock collectives with common support for the negdel leadership.

Construction also rose dramatically to modernize the countryside in the spirit of socialism. Apart from the regular administration of the soum, the government assumed responsibility for health, education, veterinary services and a marketing centre. Soums developed as the negdels grew. New schools were built in the 1950s; larger schools with boarding facilities were introduced in the 1970s. From the late 1960s and through the 1970s, marketing stations, veterinary centres, cultural palaces, Naadam5 stadiums, public libraries, heating systems, power stations, public baths and kindergartens were built. New services, such as hairdressing, were introduced. The negdels boasted similar building activities. Apart from their own administration buildings, they constructed through the 1970s and 1980s a number of processing, manufacturing, service, storage and trading facilities, including dairy plants, sausage factories, felt works and sewing shops. There were greenhouses, bakeries and shops as

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5 Naadam is a national holiday celebrated with sports events and other activities.
well as vehicle repair facilities, building block factories and underground storage rooms for vegetables and other foodstuffs. Many negdels also had farms for pigs and chickens at the centre. Throughout the socialist era, livestock production and crop farming remained separate activities. Traditional nomadic pastoralism was the foundation for collective livestock production.

Scientific pasture management was introduced with improvements dependent upon new inputs of capital and technology. Access to remote pastures was gained through construction of a nationwide system of approximately 6,000 wells, some bored as deep as 100 metres into the ground and most driven by electric motors or diesel engines. Pasture management became the exclusive responsibility of the negdel leadership, which allocated pastures for each suur and planned its pattern of seasonal movement.

In summary, modernization of the countryside led by the Mongolian People's Revolutionary Party provided a powerful model. Yet it stopped short of becoming a vision for the herders because the structures were imposed from the top. Essentially, it forced into the soum centre what was primarily a foreign model. Discipline was tough and the leadership authoritarian. While during the 1980s Mongolia became a positive example for integrating indigenous people through efficient production into the modern economy, both the negdel and the soum required substantial inputs from state coffers through agricultural subsidies and pricing policies. Thus the system was not sustainable. Economic incentives and private initiatives were limited. With property held in common, workers did not have a sense of ownership. Rural people relied on the helping hand of state authorities and Soviet brothers.6

State farms

By the 1930s, crop production was established in the central areas and northern parts of the country in the form of state farms. Despite low yields, extensive cropping was introduced in some areas, making use of Soviet tractors and heavy combines. Large areas of land were irrigated. At the height of state farms in the late 1980s, 1.37 million hectares were under the plough, of which 828,000 hectares were crop fields producing more than 700,000 tons of grain per year. State farms provided jobs for some 30,000 men and women.

Huge machine stations were frequently placed in soum centres, which also provided garage and maintenance facilities for negdel vehicles. Wherever crop farms were established, negdels also had grain mills and fodder factories. High-output dairy farms, each with approximately 500 imported milk cows, were established in favourable locations on the steppe. Built on Soviet models with huge oil-heated stables and modern milking and storage equipment, they supplied large quantities of milk to dairy processing plants.

Privatization process

Reform of the negdel organization for livestock production began in 1987 under a production system of mutual agreements between the negdel administration and employed herders with wages still being paid by the collective. This was replaced by a livestock lease system in 1989 in which herders were responsible for generating their own income. The negdels were dismantled in 1991 with the final privatization of collective assets. Simultaneously, the Ikh Khural eliminated restrictions on the number of animals that a family could own and the quotas for deliveries from private producers were first lowered and then removed. At the same time, the livestock collective was separated from the soum administration with elected soum governors installed in 1990.

The process of privatization threw more than 75,000 nomadic herding families into private ownership with only minimal starting capital. Approximately 100,000 workers and staff of the negdels living in the township centres lost their jobs. Almost all production activities requiring joint action were terminated. Small manufacturing and agro-processing units in soum centres were dismantled. Most trucks, tractors and harvesters were sold. Crop farming was generally abandoned. In the process a massive effort at industrializing the countryside was put to an end.

Along the way there was considerable disagreement about how to privatize. However, there appears to have been an effort to destroy the old and create the new as quickly as possible in order to shift productive assets to the private sector. The State Privatization Committee initially demanded that all negdels proceed as quickly as possible by means of a voucher system and public auctions of negdel assets. Agricultural cooperatives wanted to continue negdel operations on a cooperative basis. However, the State Privatization Committee remained firm.

The privatization law had no provisions for democratic representation, leadership change or public property. Without direct government control, it was frequently the old negdel leadership that guided the local privatization efforts. Measures for implementation often favoured leadership of the negdels. In some cases, non-livestock assets were divided into private companies supervised by the former negdel managers such as director, vice-director and chief accountant. More generally, there is evidence that ownership of enterprises following privatization was concentrated among “insiders.”

A study of livestock privatization carried out through structured interviews in three soums in Arkhangai, Tov and Zavkhan points to variation in the way negdels carried out the privatization process. There appears to have been two options. The first allocated vouchers to those working either directly or indirectly in the negdel.

The second was to distribute vouchers to a group more narrowly defined in terms of prior allocation of animals and assets. “Red vouchers” used during the initial phase for livestock and assets related to herds, such as wells and shelters, were followed by “blue vouchers” for larger assets.9

Box 1: The nuts and bolts of privatization

In one soum, a frantic privatization of everything of value took place in 1990 and 1991, after the negdel party cell was abolished. To fulfil its obligations to carry out public auctions, the leadership of that soum began assessing the value of all vehicles, machinery and buildings and posted long lists of items at calculated prices. Little was sold this way, however, and most people saw the auction as merely symbolic. An observer recalls, “They knew very well that nobody had this kind of money.” With the majority of negdel members thus unable to participate, the leaders started selling items to either companies or individuals at secretly negotiated prices. The most valuable pieces of machinery were sold by the negdel director in the aimag centre or in the national capital. Some money was distributed among the negdel workers after the director had extracted a “fee.” The whole leadership engaged actively in the sell out. Most of the harvest combines were sold to Selenge aimag, the brick factory, the sausage factory and the main bakery were purchased by companies in Ulaanbaatar; companies and individuals in a nearby market town bought many of the vehicles. The vice-director explained that, “The law did not provide us with the means to keep the factories and farms, so they were immediately sold after the contract period was over.” In reality, this happened long before the termination of the contract.


The negdel workers in some areas also participated in dismantling their units, taking possession of hand tools and smaller items. In one soum centre, several units without expensive equipment such as the sewing shop were privatized by their workers without interference from the leadership. “They were so thrilled with the idea of democracy that they just took what they wanted,” one herder explained. In the sewing shop the workers divided the rooms with two or three people sharing the contents, stripping them completely. In several cases, workers first took out equipment, furniture and woodwork, after which the buildings were dismantled down to the last brick. Herders on the steppe also took advantage of the new democracy. Fences around winter pastures were pulled down for private shelters or even firewood. Several buildings in bagh centres were taken apart. Equipment from wells that had not already been sold by the new companies disappeared.

In some places, these were indeed chaotic times with soum centres left with only the immovable concrete foundations of factories and workshops. A number of trucks and tractors were sold to their former drivers. Some took privatization to extremes, for instance by selling items later classified as public property such as telephone lines and well pumps. According to a study carried out in three aimags, the collapse of buildings was accompanied by the breakdown of organizations. Businesses ceased to exist and output of goods and services disappeared, resulting in unemployment and poverty.

Box 2: An heir to the negdel

Damdindorj was the vice-director of a negdel at the time of privatization. A veterinarian by training, today he runs a private veterinary service in the soum centre. As a manager of one of the companies that took over non-livestock assets from the negdel, he also manages a farming operation that produces wheat on 300 hectares of land within the soum territory. The grain is milled in another town centre and bags of flour are marketed locally. In addition, he has a transportation business and owns two small shops in the soum centre run by shop assistants. Damdindorj’s son, who moved for a while to the capital, recently opened the first bar of the soum centre in a former negdel garage owned by his father. Damdindorj employs three people on a regular basis and another ten to twelve seasonal workers in his farming operation.


After the companies had privatized all non-livestock assets, the animals were allocated to the herders. Many factors were taken into account in the division of the animals such as years of membership, honesty at work, the size of herds owned before joining the negdel and more. Thus, not all herders were given equal shares. Some of the livestock was not accounted for. For example, thousands of imported milk cows were allocated to herders but most of them perished in the dzud of 1992.

During the process of privatization, the interest of the herders focused on the animals. Nobody expected them to organize around other claims, such as negdel assets. Many lacked skills for business. Others felt they had been manipulated and tricked by the leadership of the negdels. Local Party members were under pressure to implement the new democratic processes without thought to the consequences. Livestock privatization was carried out too quickly without sufficient transparency. With hindsight, it seems clear that the components of the herding collectives and state

12 A dzud is a natural disaster caused by a harsh winter.
farms could probably have been re-organized under private ownership or cooperative organizations to employ the workers who had once run them.

Today, cooperatives are not only associated with the *negdel* but also with the companies that were created in the process of privatization. Wealth distribution in rural areas is still greatly affected by the process, as non-livestock assets in *soum* centres tend to derive from the former *negdels* and often are controlled by local elites. A recent study concluded that the method or process of privatization affects the outcomes in terms of employment, wealth, poverty and inequality.

2.2 Agricultural production

Agriculture remains a key source of production and employment in Mongolia. The agriculture sector entails a livestock subsector and a crop subsector accounting for 90 per cent and 10 per cent, respectively, of agricultural production. The former consists mainly of extensive production based on seasonal migration of mixed herds of camels, cattle, goats, horses, sheep and yaks together with some intensive production consisting of dairy cows, pigs and poultry. Most crop production is wheat, grown on extensive farms in the north-central region around Ulaanbaatar. Horticulture production is primarily potatoes and vegetables produced on family plots, although there are some commercial greenhouses.

Agriculture, particularly nomadic livestock herding, has been a mainstay of the economy during the economic transition to a market economy. The restructuring and privatization of the Mongolian economy resulted in the collapse of the livestock collectives and state farms, leaving a vacuum in terms of support services, agricultural processing, information networks, transport infrastructure and marketing channels. Private enterprises have been slow to move into processing and trade due to a shortage of working capital and investment funds. The cooperative system now suffers from the past associations with agricultural collectives and a current lack of local capacity. The result has been low productivity and meagre incomes in rural areas. Recently, these problems were exacerbated by summer droughts and winter *dzuds* in which large numbers of herders lost animals.

During the 1990s, the contribution of agriculture to output and employment rose as unemployment and poverty pushed more workers into the sector. Within agriculture, the share of the livestock subsector increased while that of the crop subsector decreased. Both herding households and livestock numbers rose after privatization of the *negdels*. The composition of herds also changed with a sharp increase in the number of goats produced for cashmere. Fewer animals were raised intensively due to the high costs of feed and shelter. At the same time, there was a significant decline in the

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13 A detailed account of the privatization process in a rural *soum* is offered in Ole Bruun: *Precious steppe: Mongolian nomadic pastoralists in the age of the market* (forthcoming), Landam, Lexington Books, 2005.

promoting employment opportunities in rural Mongolia

As previously described, pastoral herding prior to 1990 was controlled by collectives, or negdels, that occupied the area of a district, or soum. Herders were employed by the negdels that provided inputs, services and marketing as well as social benefits such as clinics, schools and pensions. Veterinary services, technical advice and animal breeding were part of a package of inputs provided by the collective. Since privatization of the collectives, the number of herders increased from 148,000 in 1990 to 421,000 in 2000 and livestock increased from 25.9 million in 1990 to 30.2 million in 2000. However, the growth of herding households from 75,000 to 192,000 over the same period was more a sign of poverty than development. On average, animals per herder dropped from 175 to 72 over the decade. By 2002 there were 390,000 herders and 175,900 herding households with 23.9 million animals, or an average of 61 animals per herder and 136 per herding household. Redundant workers, civil servants and new entrants to the labour force without alternative employment opportunities became nomadic herders. Some lacked experience and failed to follow traditional practices of moving pastures seasonally. The breakdown of monetary transactions and transport infrastructure pushed many herders toward urban centres. Disrepair of wells contributed to selecting only pastures with access to water for grazing. This probably added to overgrazing of pastures and degradation of the soil. Inadequate access to forage during the summer increased the vulnerability of herds. Private herders did not have emergency stocks of hay and fodder, which previously had been organized by the negdels. All these factors added to the impact of the summer droughts and winter dzuds for several consecutive years beginning in 1999 that resulted in the loss of millions of animals. Most of the inexperienced herders with few animals lost their entire herds.15

Despite the recent difficulties, extensive herding still has a comparative advantage in terms of natural feed and low costs. While pastoral livestock production will continue to generate employment and income as well as contribute to food security and serve as a “safety net,” some Mongolians are calling for a reduction in the number of herding households and an increase in intensive production. There are proposals for “exit strategies” together with economic diversification and sustainable livelihoods for livestock herders.

During the socialist period, Mongolia was self-sufficient in wheat production. With state subsidies, 530,000 hectares were sown with wheat. By the end of the 1990s, this area had dropped by about one-half. Areas planted to other crops such as potatoes and fodder also decreased. Average yields fell significantly during the 1990s. Poor seeds, depleted soils, inadequate fertilizer, insufficient pesticides and failing machinery are among the factors leading to low productivity. Lack of financial resources

and scarcity of appropriate expertise have contributed to declining yields. During the
pre-transition period, crops were used to produce wheat flour, baked goods, animal
fodder and alcoholic beverages. Only alcohol production rose during the early years
of the transition period. Increasingly, wheat, flour, potatoes and vegetables were
imported from abroad.  

Market reforms including privatization of ownership, deregulation of prices
and liberalization of trade did not immediately increase productivity and profitability
in agriculture or open new opportunities for off-farm employment. Productive inputs,
aricultural processing, support functions, financial services and marketing channels
had all been under state control. The collapse of livestock collectives and state farms
created a vacuum that has not yet been filled by the private sector. Many of the new
owners of herds and farms lacked knowledge about management of assets. Despite
high levels of education and literacy, there was little understanding of entrepreneurship
and inadequate skills for business. Changes in international trade affected large state-
owned enterprises that had engaged in agricultural processing for export markets.
Factories for spinning, knitting, leather and shoes were shut down. As a result most of
the wool, hides and skins and much of the cashmere are now exported without
processing. However, despite barriers confronting the development of enterprises, a

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**Box 3: Fourth consecutive dzud threatens Mongolia’s herders**

For more than half a million Mongolian herders, the livestock they breed
represents food, transportation, heat and money. However, as another bitter
winter season envelopes the country’s spectacular grassy steppes, blizzards
and plummeting temperatures have wiped out fodder, threatening the
livelihoods of thousands of people.

Among the men and women who live the difficult life of nomads, a
particularly harsh winter is known as a dzud, a Mongolia-specific winter
disaster that succeeds widespread summer droughts and threatens livestock
survival. For the past three years, dzuds have wreaked havoc across the
country. More than 6 million animals, already weakened by scarce summer
feeding, starved to death when heavy snow blanketed the scarce pastures left.

The situation has been exacerbated by a fourth consecutive year of extreme
winter weather. An estimated 24,000 animals died from the harsh conditions
within just the first two weeks of the new year, and 2.4 million livestock
are expected to die in the coming months. More than 665,000 people have
been affected in 17 of Mongolia’s 21 provinces. The loss of livestock and
livelihoods has driven tens of thousands of people in search of work to
areas where there are few or no welfare support structures to help them.


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16 ADB: “Report and recommendation of the president to the board of directors on proposed loans
and technical assistance grant to Mongolia for the Agriculture Sector Development Programme,” (RRP:
number of businesses have been successful in processing agricultural products including cashmere and flour.

As the terms of trade worsened, herders were placed at a disadvantage and resorted to barter. In remote areas, livestock products receive the lowest return and consumer goods command the highest prices. Between 1995 and 2001, an index of consumer purchases increased more than an index of products sold by foreign traders who compete with domestic dealers in the raw materials market. The Mongolian processing industry – both large enterprises and small businesses – faces serious competition in purchasing inputs and marketing outputs. What large processing businesses do exist are few and operate as oligopolies. More than a decade after the beginning of transition, the market does not yet guide a smooth flow of agricultural products and consumer goods.\(^{17}\)

2.3 Land resources

With a land area of 156 million hectares and a population of about 2.5 million, Mongolia has one of the highest ratios of land per person in the world. Land used for grassland pastures and arid grazing makes up about 80 per cent of the area covering mountain steppe, mountain taiga, dry steppe grasslands and the Gobi steppe and desert. Forests account for another 11 per cent of the territory. An additional 5 per cent is in reserves. Only about 1 per cent of the land is arable.\(^{18}\)

Animal husbandry, crop production and mining activities are key sources of output and employment. However, human activity, climate change and recent disasters have affected the rural environment. The ecosystems of Mongolia endure variable conditions with extreme climate, short summers, thin topsoil and low precipitation. Because the impact of various factors on vegetation conditions is not straightforward in complex ecosystems, there are different definitions of land degradation. According to some estimates for 1998, 5–9 per cent of pasture land was severely degraded and 30 per cent was damaged, indicating a decline in quality that threatens the capacity to sustain current uses.\(^{19}\)

Mongolia struggles to maintain a balance between people and nature. Despite a nomadic tradition that favours freedom and independence, there is a need for a system to govern the pastoral patterns of livestock herding. For centuries, herders roamed the grasslands of Mongolia following community practices that ensured environmental sustainability of common pastures. They moved their animals with

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the seasons. The otor, or “nomadic” movements from pasture to pasture at different times of the year, is a method of avoiding the disasters of drought and dzud by fattening animals and letting them graze in the best pastures.

Box 4: Traditional seasonal pastures

The territory of the khoshuu generally contained a number of different areas of pasture used in winter, spring, summer and autumn. These seasonal pastures were divided between various soums and baghs, and within these areas the individual households had customary use rights to particular pastures. In effect, this meant that each family owned no land as such but had a recognized area of pasture that it used in the different seasons. Of these, the rights to the exclusive use of winter pasture (ovoljoo) tended to be the more strictly enforced.


Changes in the size, structure and management of nomadic herding have led to the loss of pasture capacity in Mongolia. With more herder households, the tendency was to increase herd sizes as a basis for economic security. The fact that more animals do not necessarily lead to greater wealth has been demonstrated by the catastrophic loss of Mongolian livestock during consecutive winters beginning in 1999. Inexperienced herders may not follow the seasonal patterns of traditional herding. Disrepair of roads and wells and lack of transport once provided by the negdels have led to overgrazing the pastures nearest to roads and water. Confusion and ambiguity about land-use regulations also contributes to sedentary patterns of animal husbandry. When herds are dense and stationary, there is greater risk of damage to grasslands. Severe degradation in windy regions can result in desertification.

Fodder for livestock consists of natural pastures (90 per cent) and forage crops (10 per cent). According to a household survey conducted by the Japan International Cooperation Agency (JICA) in five regions of Mongolia during 1996, the number and distance of moves to seasonal pastures is influenced by means of transport available to the herders. And whether one packs up and moves by truck, tractor or cart also depends on the types of roads available. The study concluded that, on average, herders moved 6.5 times per year over a distance of 90 kilometres (Table 1). While this information is now out of date, it shows how the moves per year ranged from 9.3 times over 211 kilometres in the Mongolian Altai region to 5.1 times over 35 kilometres in the Khangai-Khovsgol region, thus illustrating the impact of transport and infrastructure on livestock production.

Without proper forage in summer, animals will be too lean to survive severe weather in winter. But private herders have not had an economic incentive to produce

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Table 1: Seasonal moves

<table>
<thead>
<tr>
<th></th>
<th>Mongolian Altai</th>
<th>Khangai-Khovsgol</th>
<th>Central and Eastern Steppe</th>
<th>Gobi Desert</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average number of moves per year</td>
<td>9.3</td>
<td>5.1</td>
<td>5.6</td>
<td>5.9</td>
<td>6.5</td>
</tr>
<tr>
<td>Average distance per year in kilometres</td>
<td>211</td>
<td>35</td>
<td>54</td>
<td>63</td>
<td>90</td>
</tr>
<tr>
<td>Means of transport in percentages:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Vehicle</td>
<td>48</td>
<td>13</td>
<td>23</td>
<td>43</td>
<td>32</td>
</tr>
<tr>
<td>Tractor</td>
<td>2</td>
<td>3</td>
<td>2</td>
<td>7</td>
<td>3</td>
</tr>
<tr>
<td>Animal cart</td>
<td>50</td>
<td>84</td>
<td>75</td>
<td>50</td>
<td>65</td>
</tr>
<tr>
<td></td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>


adequate stockpiles of animal fodder. Institutions and mechanisms now are being established to secure tenure and provide water to herders. Mongolia’s Centre for Policy Research conducted a study on improving pasture management through local institutional strengthening in Tov, Ovorkhangai and Bayankhongor aimags, with support from the United Nations Development Programme (UNDP) and the Government of New Zealand. The research used participatory techniques to look at land use, pasture mapping, fodder funds, veterinary services and economic diversification. Some of the lessons relate to community strengthening, grassland management and supplementary fodder.\(^{21}\)

During the socialist period, the negdel arranged the pasture patterns for each camp, or suur. Under central planning, herders and farmers were protected against contingencies with regular salaries, livestock insurance, continuous training, agricultural extension, fodder supplies and communications networks. A system of support was in place in case of natural disaster. After privatization of the livestock collectives and state farms, risk was shifted to individual producers. The recent droughts and dzuds dramatically revealed the shortcomings of this system.\(^{22}\)

During the 1990s, alternative strategies were not introduced for mitigating risk. After the droughts and dzuds of recent years, the government resolved to provide

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\(^{21}\) ADB: “Report and recommendation of the president to the board of directors on proposed loans and technical assistance grant to Mongolia for the Agriculture Sector Development Programme,” (RRP: MON 31212), November 2000, p. 11–12.

\(^{22}\) ADB: “Report and recommendation of the president to the board of directors on proposed loans and technical assistance grant to Mongolia for the Agriculture Sector Development Programme,” (RRP: MON 31212), November 2000, p. 12.
### Box 5: UNDP project on pasture management

<table>
<thead>
<tr>
<th>Problem</th>
<th>Proposed solutions</th>
<th>Expected outputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Herders take advantage of free access to pasture by maximizing livestock numbers in violation of customary rules.</td>
<td>• Improve grassland tenure by introducing long-term possession contracts.</td>
<td>• Grazing rights formalized.</td>
</tr>
<tr>
<td>• To prevent trespass on pasturelands, herders stay near winter shelters in summer, leading to overgrazing of winter pastures and undergrazing of summer pastures.</td>
<td>• Carry out country pasture land use survey recording existing possession by households of pastoral resources in all four seasons, water points and salt areas.</td>
<td>• Protection of pasture is in self-interest of herding communities.</td>
</tr>
<tr>
<td>• To obtain access to markets, herders stay close to towns, adding to pasture degradation.</td>
<td>• Assess condition of grazing land possessed by local communities and estimate carrying capacity.</td>
<td>• Herders invest in improving resources.</td>
</tr>
<tr>
<td>• Because wells no longer function, good pasture is abandoned.</td>
<td>• Advise local government and herding communities on sustainable use of grazing land.</td>
<td>• Grazing rights of poor herders protected.</td>
</tr>
<tr>
<td>• Increased livestock numbers and uncontrolled movements lead to more grazing disputes.</td>
<td>• Strengthen existing informal arrangements for settling grazing land disputes.</td>
<td>• Enhanced capacity of herding communities and local government to resolve disputes.</td>
</tr>
<tr>
<td>• Degradation of grazing land reduces hay areas.</td>
<td>• Assist local government and herding communities to identify ways to expand production by increasing quality rather than quantity of animals.</td>
<td>• Key resources, such as reserves and salt areas, better allocated.</td>
</tr>
<tr>
<td>• Inadequate policy environment.</td>
<td>• Introduce long-term community possession and use contracts for wells and encourage communities to invest in well rehabilitation and maintenance.</td>
<td>• Grazing techniques rehabilitated.</td>
</tr>
</tbody>
</table>

greater protection and introduced restocking programmes. However, disincentives for risk management may necessitate new approaches to livestock insurance.\(^{23}\)

While state farms organized crop production during the socialist period using large amounts of land and machinery, household farming has not been a Mongolian tradition. Only 13 per cent of the population uses land for growing crops. This is partly due to risks of bad weather, soil quality and insufficient irrigation. Seasonal moves of nomadic herders are another reason for the limited amount of crop production. Nevertheless, vegetable growing has become an important source of food and income for some households struggling to make ends meet. This may explain why the poor (17 per cent) are more likely to be farmers than the non-poor (11 per cent) in Mongolia.\(^{24}\) These data may understate the amount of farming that takes place as a secondary activity to supplement the income earned through the primary job of the household head.

### 2.4 Economic activity

Until the recent introduction of a Labour Force Survey (2002–2003), the most comprehensive source of labour statistics following international standards was the 2000 Population and Housing Census. However, a number of factors affect the reporting, including those mentioned in Box 6. Two other sources of data are the labour statistics from administrative records at the bagh level compiled on an annual basis.

**Box 6: Some factors affecting the accuracy of labour statistics: 2000 Population and Housing Census**

- The reference period based on international standards is short – only a week preceding the census enumeration.
- Seasonal nature of economic activities – census fieldwork was carried out during the winter season in January 2000.
- Inaccurate recording of “work” that is based on notions of paid employment in the formal sector during the socialist period.
- A large number of discouraged workers not looking for jobs because they are not hopeful about finding employment are recorded as economically inactive.
- Some respondents report that they are not working to avoid taxation.


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\(^{23}\) World Bank: “Project appraisal document on a proposed credit in the amount of SDR 15.00 million (US$18.73 million equivalent) to Mongolia for a Sustainable Livelihoods Project in support of the first phase of the Sustainable Livelihoods Programme,” Rural Development and Natural Resources Sector Unit, East Asia and Pacific Region, 15 May 2002, p. 8.

basis and the Time Use Survey last conducted in April 2000. The Time Use Survey collected information for households and individuals about economic activity from household questionnaires and daily diaries.\textsuperscript{25}

According to census data, less than half (43 per cent) of Mongolia’s population lived in rural areas in 2000.\textsuperscript{26} This figure was about the same as it was at the beginning of the transition period. As previously mentioned, there was a substantial shift to rural areas following privatization of livestock production and lay offs in urban areas. However, this migration was reversed by economic conditions and severe weather at the end of the decade.

\textbf{Figure 1: Percentage of population in rural areas and percentage of GDP by sector, Mongolia, 1990–2000}

\begin{figure}[h]
\centering
\includegraphics[width=\textwidth]{figure1.png}
\caption{Percentage of population in rural areas and percentage of GDP by sector, Mongolia, 1990–2000}
\end{figure}


It is not surprising that the structure of production reflects the movement of population in Mongolia. Over the first decade of transition, the proportion of people living in rural areas increased from 43 per cent in 1990 to 48 per cent in 1995 before falling back to 43 per cent in 2000. Over the same period, agriculture as a percentage of GDP increased from 15 per cent in 1990 to 37 per cent in 1995 before falling to 29 per cent in 2000. The share of industrial production fell steadily from 41 per cent to 22 per cent, while the proportion of output attributable to services first fell and then rose to 49 per cent in 2000, as shown in Figure 1. By 2002 the share of agriculture in GDP had dropped to 21 per cent with 43 per cent of the population still residing in rural areas. Livestock production accounted for 79 per cent of agricultural output and 31 per cent of total employment. For that year there were 243,200 households that owned animals with 175,900 of them totally dependent on livestock production. Altogether, there were 390,000 herders according to official statistics at the end of 2002.27

Labour force participation rates

The Labour Force Survey, conducted on a quarterly basis between October 2002 and September 2003, collected information on economic activity for both current activity during the preceding seven days and usual activity over the previous 12 months. For the population aged 15 years and older, the survey found that there were 1,004,800 people in the labour force defined as those at work, available for work and seeking work over the past seven days. Of them 52 per cent were men and 48 per cent were women classified by current activity. The labour force participation rate for current activity was 65 per cent – 56 per cent in urban areas and 76 per cent in rural areas. It is not surprising that a larger proportion of the rural population is classified as economically active because people are counted as employed if they are working for at least one hour in the week prior to the survey; even during “slack” times, herders and farmers generally have tasks to be done.

Table 2 shows comparisons of the Labour Force Survey figures with different measures defined by activity – current versus usual – and by age groups of those 15 years and older and for those aged 16–59 years representing the working age population under Mongolian law. The table also includes comparative figures from the 2000 Population and Housing Census for the population aged 15 years and older.

According to employment statistics from administrative records, Mongolia’s labour force in 2003 totalled 1,112,500 people, of whom 926,500 were employed and 33,300 were unemployed. Additional information is available from the Living Standards Measurement Survey (LSMS), which was conducted as part of the Household Income and Expenditure Survey (HIES) during 2002–2003. These surveys use Mongolian definitions of the working age population: 16–59 years for men and 16–54 years for women. According to the LSMS figures (Table 3), the labour force

Table 2: Economically active population, Mongolia, 2002–2003 and 2000
(Thousands and percentages)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>15+ years</td>
<td>16–59 years</td>
</tr>
<tr>
<td></td>
<td>Current</td>
<td>Usual</td>
</tr>
<tr>
<td>Population</td>
<td>1,539.2</td>
<td>1,539.2</td>
</tr>
<tr>
<td>Economically active population</td>
<td>1,004.8</td>
<td>941.4</td>
</tr>
<tr>
<td>Employment</td>
<td>862.5</td>
<td>856.6</td>
</tr>
<tr>
<td>Unemployment</td>
<td>142.3</td>
<td>84.8</td>
</tr>
<tr>
<td>Economically inactive population</td>
<td>534.4</td>
<td>597.8</td>
</tr>
<tr>
<td>Labour force participation rate</td>
<td>65.3</td>
<td>61.2</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>14.2</td>
<td>9.0</td>
</tr>
</tbody>
</table>


participation rate was 65 per cent – 68 per cent for men and 63 per cent for women. Overall, people in rural areas (76 per cent) were more likely than in urban areas (57 per cent) to be in the labour force. However, if the LSMS data were used to calculate labour force participation rates using current status based on the week before the survey, the measures are lower, with 62 per cent in the labour force – 64 per cent for men and 59 per cent for women. The breakdown for different locations using the Mongolian age groups shows that people in the countryside were most likely to be economically active (86 per cent), followed by soum centres (61 per cent), aimag centres (59 per cent) and Ulaanbaatar (56 per cent). 28

According to the census data for 2000 presented in Table 4, the labour force participation rate in Mongolia was 62 per cent – 69 per cent for men and 56 per cent for women. The proportion of economically active persons – employed and unemployed – aged 15 years and older was higher in rural areas (74 per cent) than in urban areas (54 per cent). The labour force participation rate was higher for males than for females in both rural areas (80 per cent for men and 67 per cent for women) and urban areas (60 per cent for men and 48 per cent for women).

**Table 3: Labour force participation rates for men aged 16–59 and women aged 16–54, Mongolia, 2002–2003**

<table>
<thead>
<tr>
<th>Location</th>
<th>Total</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>Urban</td>
<td>57.1</td>
<td>58.2</td>
<td>56.1</td>
</tr>
<tr>
<td>Rural</td>
<td>76.0</td>
<td>79.5</td>
<td>72.5</td>
</tr>
<tr>
<td>Total</td>
<td>65.2</td>
<td>67.6</td>
<td>62.9</td>
</tr>
<tr>
<td><strong>Ulaanbaatar</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Aimag centres</strong></td>
<td>56.0</td>
<td>57.2</td>
<td>54.8</td>
</tr>
<tr>
<td><strong>Soum centres</strong></td>
<td>58.6</td>
<td>59.2</td>
<td>57.7</td>
</tr>
<tr>
<td><strong>Countryside</strong></td>
<td>60.5</td>
<td>62.3</td>
<td>58.8</td>
</tr>
<tr>
<td><strong>West</strong></td>
<td>85.7</td>
<td>89.6</td>
<td>81.5</td>
</tr>
<tr>
<td><strong>Highland</strong></td>
<td>72.7</td>
<td>77.5</td>
<td>68.0</td>
</tr>
<tr>
<td><strong>Central (excluding Ulaanbaatar)</strong></td>
<td>74.4</td>
<td>77.2</td>
<td>71.7</td>
</tr>
<tr>
<td><strong>East</strong></td>
<td>61.1</td>
<td>62.9</td>
<td>59.4</td>
</tr>
<tr>
<td></td>
<td>69.0</td>
<td>70.6</td>
<td>67.4</td>
</tr>
</tbody>
</table>


**Table 4: Age-specific labour force participation rates by sex, Mongolia, 2000**

<table>
<thead>
<tr>
<th>Age group</th>
<th>Total</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Male</td>
<td>Female</td>
</tr>
<tr>
<td>15–19</td>
<td>41.2</td>
<td>48.0</td>
<td>34.4</td>
</tr>
<tr>
<td>20–24</td>
<td>67.7</td>
<td>74.5</td>
<td>60.8</td>
</tr>
<tr>
<td>25–29</td>
<td>75.7</td>
<td>80.7</td>
<td>70.7</td>
</tr>
<tr>
<td>30–34</td>
<td>77.4</td>
<td>81.5</td>
<td>73.4</td>
</tr>
<tr>
<td>35–39</td>
<td>79.0</td>
<td>81.7</td>
<td>76.5</td>
</tr>
<tr>
<td>40–44</td>
<td>85.7</td>
<td>81.7</td>
<td>75.9</td>
</tr>
<tr>
<td>45–49</td>
<td>77.5</td>
<td>77.6</td>
<td>73.7</td>
</tr>
<tr>
<td>50–54</td>
<td>56.4</td>
<td>74.0</td>
<td>40.3</td>
</tr>
<tr>
<td>55–59</td>
<td>41.8</td>
<td>62.0</td>
<td>22.3</td>
</tr>
<tr>
<td>60–64</td>
<td>19.5</td>
<td>26.4</td>
<td>12.8</td>
</tr>
<tr>
<td>65+</td>
<td>8.6</td>
<td>12.3</td>
<td>5.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>61.9</td>
<td>68.6</td>
<td>55.5</td>
</tr>
</tbody>
</table>

Age-specific data from the 2000 census show a pattern of labour force participation for men in Mongolia rising from 48 per cent among those aged 15–19 to higher levels for those aged 30–49, with about four out of five men in the labour force. Participation rates decline gradually for men in their early fifties and then drop substantially for older ages. Measured participation rates for prime aged males, 25–55 years old, are lower than in many countries. The fact that the census was taken in January may explain why men not working for at least one hour during the week prior to the census were not counted as economically active.

Many Mongolians lost jobs during the transition period to a market economy. Some have dropped out of the labour force or turned to the livestock sector and the informal economy for employment. It has been especially difficult for older workers to find new work. For all ages, the male labour force participation rates were greater in rural areas than in urban areas. The large numbers of young men in the labour force, especially in rural areas, are a concern because boys are dropping out of school to help with the animals. Among boys aged 15–19 years in the 2000 census, seven out of ten were in the labour force, while nine out of ten in the 20–24 year age group were economically active. Boys in cities were more likely to remain in school.

Fewer girls than boys aged 15–19 were in the labour force in 2000. However, more than half of the teenaged girls in rural areas were economically active. Substantially more young women aged 20–24 years were in the labour force in rural areas (83 per cent) than in urban areas (45 per cent). Many were in school.

Women at home are more likely to be counted as economically active in rural areas because they contribute to work in herding and farming. Activity rates for women drop substantially after 45 years. Many women were made redundant in state-owned enterprises at the onset of privatization and never found another job in paid employment. Others were either offered or forced to retire early, if they had more than four children. Some working in the informal economy do not consider themselves to be in gainful employment and are thus recorded as economically inactive.

**Employed population**

According to international standards, a person is counted as employed if he or she works for at least one hour during the reference week. Statistics from the 2002–2003 Labour Force Survey (Table 5) show that 862,500 people aged 15 years and older were classified as employed in Mongolia according to current activity. Of them, 402,200, or 47 per cent, were employed in agriculture, hunting and forestry.
Promoting employment opportunities in rural Mongolia

Table 5: Employed population by industrial classification, Mongolia, 2000–2003

<table>
<thead>
<tr>
<th>Industrial classification</th>
<th>Labour Force Survey</th>
<th>Population and Housing Census</th>
<th>Annual Employment Data</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, hunting and forestry</td>
<td>402,200</td>
<td>396,400</td>
<td>367,700</td>
</tr>
<tr>
<td>Fishery</td>
<td>500</td>
<td>400</td>
<td></td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>23,300</td>
<td>21,200</td>
<td>18,800</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>46,200</td>
<td>47,400</td>
<td>56,600</td>
</tr>
<tr>
<td>Electricity, gas and water supply</td>
<td>15,800</td>
<td>16,200</td>
<td>13,700</td>
</tr>
<tr>
<td>Construction</td>
<td>17,500</td>
<td>18,600</td>
<td>15,900</td>
</tr>
<tr>
<td>Wholesale and retail trade</td>
<td>98,100</td>
<td>96,900</td>
<td>68,500</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>13,700</td>
<td>13,500</td>
<td>11,100</td>
</tr>
<tr>
<td>Transport, storage and communications</td>
<td>51,000</td>
<td>50,800</td>
<td>42,100</td>
</tr>
<tr>
<td>Financial intermediation</td>
<td>6,300</td>
<td>6,300</td>
<td>4,500</td>
</tr>
<tr>
<td>Real estate, renting and business activities</td>
<td>10,100</td>
<td>9,600</td>
<td>10,200</td>
</tr>
<tr>
<td>Education</td>
<td>52,100</td>
<td>53,700</td>
<td>59,600</td>
</tr>
<tr>
<td>Public administration</td>
<td>63,300</td>
<td>63,500</td>
<td>51,500</td>
</tr>
<tr>
<td>Health and social work</td>
<td>38,000</td>
<td>38,100</td>
<td>30,500</td>
</tr>
<tr>
<td>Other community services activities</td>
<td>22,300</td>
<td>22,000</td>
<td>17,900</td>
</tr>
<tr>
<td>Private households and employed persons</td>
<td>900</td>
<td>1,000</td>
<td>4,111</td>
</tr>
<tr>
<td>Extra-territorial organizations</td>
<td>1,200</td>
<td>1,000</td>
<td>10,400</td>
</tr>
</tbody>
</table>

Total                                    | 862,500             | 856,600                       | 779,000               | 870,781      | 925,539       |


Data from the 2000 census show about half (51 per cent) of the Mongolian population aged 15 years and older was employed. The percentage was higher in rural areas (66 per cent) than in urban areas (41 per cent) and for men (56 per cent) than for women (46 per cent). In rural Mongolia, 72 per cent of the men and 60 per cent of the women aged 15 and older were working.

It is not surprising that industrial classifications show a large proportion of the employed population in the agricultural sector – almost half (47 per cent) of all workers – with 82 per cent of the workers in rural areas and 8 per cent in urban areas engaged in agriculture, according to census data. In rural areas, the next most important sectors were public administration (4 per cent) and education services (4 per cent). Trade accounted for 2 per cent of employment. Larger proportions of women than men were in education (6 per cent), health services and social work (3 per cent) and trade (5 per cent). Animal products and food processing also provided jobs in the rural sector. Tourism and construction were important sources of income and employment.

29 The proportion of the employed population in the agricultural sector is 47.2 per cent according to the 2000 Population and Housing Census compared to 46.6 per cent using data from the 2002–2003 Labour Force Survey. See also NSO: *Mongolian Statistical Yearbook 2002*, Ulaanbaatar, 2003, p. 68.
The census data do not reflect the growing importance of mining activities in rural areas for both nomadic herders and those in aimag, soum and bagh centres.

Annual statistics from administrative records show that 45 per cent of the employed population in Mongolia were classified as herders in 2002. The proportion outside of the capital city was 62 per cent; the percentage outside of the urban aimags of Orkhon and Darkhan-Uul and the capital city of Ulaanbaatar was 67 per cent. It is not surprising that the proportion of herders among the employed population is closely linked to classification as rural of the total population (Table 6). The percentage working as herders was higher outside of the central region. More than four workers out of five in the aimags of Arkhangai and Ovorkhangai were classified as herders whose rural population is 81 per cent and 82 per cent, respectively.

Table 6: Administrative statistics for employed, herders and percentage rural for regions, aimags and Ulaanbaatar, 2002

<table>
<thead>
<tr>
<th></th>
<th>Employed (thousands)</th>
<th>Herders (thousands)</th>
<th>Percentage Rural (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(1)</td>
<td>(2)</td>
<td>(2)/(1)*100</td>
</tr>
<tr>
<td>Total</td>
<td>870.8</td>
<td>389.8</td>
<td>44.8</td>
</tr>
<tr>
<td>Western</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bayan-Olgii</td>
<td>32.4</td>
<td>24.2</td>
<td>74.7</td>
</tr>
<tr>
<td>Govi-Altai</td>
<td>28.8</td>
<td>19.4</td>
<td>67.3</td>
</tr>
<tr>
<td>Khovd</td>
<td>34.0</td>
<td>22.3</td>
<td>65.5</td>
</tr>
<tr>
<td>Uvs</td>
<td>32.7</td>
<td>22.8</td>
<td>69.7</td>
</tr>
<tr>
<td>Zavkhan</td>
<td>36.7</td>
<td>24.3</td>
<td>66.3</td>
</tr>
<tr>
<td></td>
<td>164.6</td>
<td>113.0</td>
<td></td>
</tr>
<tr>
<td>Steppe</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arkhangai</td>
<td>39.6</td>
<td>34.1</td>
<td>86.0</td>
</tr>
<tr>
<td>Bayankhongor</td>
<td>31.6</td>
<td>25.2</td>
<td>79.7</td>
</tr>
<tr>
<td>Bulgan</td>
<td>23.4</td>
<td>16.8</td>
<td>71.9</td>
</tr>
<tr>
<td>Khovsgol</td>
<td>49.4</td>
<td>39.0</td>
<td>78.9</td>
</tr>
<tr>
<td>Orkhon</td>
<td>28.8</td>
<td>2.6</td>
<td>9.0</td>
</tr>
<tr>
<td>Ovorkhangai</td>
<td>45.5</td>
<td>38.2</td>
<td>84.0</td>
</tr>
<tr>
<td></td>
<td>218.3</td>
<td>155.8</td>
<td></td>
</tr>
<tr>
<td>Central</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Darkhan-Uul</td>
<td>23.1</td>
<td>2.0</td>
<td>8.5</td>
</tr>
<tr>
<td>Dornogovi</td>
<td>19.6</td>
<td>9.1</td>
<td>46.3</td>
</tr>
<tr>
<td>Dundgovi</td>
<td>22.7</td>
<td>18.7</td>
<td>82.5</td>
</tr>
<tr>
<td>Govisumber</td>
<td>4.0</td>
<td>0.9</td>
<td>22.0</td>
</tr>
<tr>
<td>Omnogovi</td>
<td>20.6</td>
<td>14.2</td>
<td>68.7</td>
</tr>
<tr>
<td>Selenge</td>
<td>35.0</td>
<td>7.1</td>
<td>20.2</td>
</tr>
<tr>
<td>Tov</td>
<td>41.8</td>
<td>19.2</td>
<td>45.9</td>
</tr>
<tr>
<td></td>
<td>125.0</td>
<td>51.9</td>
<td></td>
</tr>
<tr>
<td>Eastern</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dornod</td>
<td>18.1</td>
<td>10.5</td>
<td>58.0</td>
</tr>
<tr>
<td>Khentii</td>
<td>25.1</td>
<td>15.7</td>
<td>62.5</td>
</tr>
<tr>
<td>Sukkhaatar</td>
<td>23.7</td>
<td>18.6</td>
<td>78.5</td>
</tr>
<tr>
<td></td>
<td>66.9</td>
<td>44.8</td>
<td></td>
</tr>
<tr>
<td>Capital</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ulaanbaatar</td>
<td>254.2</td>
<td>5.1</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Promoting employment opportunities in rural Mongolia

Mongolia produces copper, fluorspar, molybdenum and uranium. Gold, silver, tungsten, tin and precious stones have been produced on a smaller scale. Mongolia also has substantial reserves of coal and oil. Annual data from administrative sources show that total employment in mining and quarrying was 31,940 for 2003, up 33 per cent from 23,766 in 2002. Using current measures for economic activity during the preceding week, employment in this sector was 18,800 persons according to the 2000 Population and Housing Census and 23,300 persons with statistics from the 2002–2003 Labour Force Survey. Other sources suggest that the total number is much higher with 100,000 people working in gold mining during the summer of 2003. Most of them were employed in Arkhangai, Bayankhongor, Bulgan, Ovorkhangai, Selenge and Tov aimags. Fewer were working in Darkhan, Uvs and elsewhere. Considering that the number of employed persons according to the 2000 census was 779,151 for the entire country and 413,107 for rural areas, the 100,000 figure represents a very large proportion of the employed population.

Mining offers “spin-off” opportunities for additional employment in areas near formal mining companies. For example, gold mines may subcontract the production of wooden boxes and metal pails. There is also a demand for boots and wood. Soum centres near mining companies benefit from businesses providing employment in trade and services. In some cases, mining companies and informal mining can support local schools and health services. One drawback to mining, however, is the damage to the environment. But then again, efforts to repair the damage and clean up the rivers and countryside surrounding mines could create local jobs.

According to some estimates, the “ninja miners” account for 20 per cent of the rural workforce and there is a general consensus that the number of informal gold miners has been increasing. For some, this is their principal occupation. Others work on the side of their regular jobs to earn extra money for medical payments or children’s education. University students look for summer jobs as informal miners to pay for higher education and living expenses.

The first informal miners were predominantly unemployed workers from the mining sector – geologists, engineers, cooks, drivers and their families – who lost jobs with the collapse of state-owned mining enterprises. As formal mining picked up

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32 Informal miners came to be known as “ninjas” because when they carry their pans on their backs, they look like the cartoon characters in the television series about ninja turtles.
during the mid 1990s, some of these workers found employment in mineral exploration companies. Those who continued to seek an income through informal mining were largely farm workers, urban poor and herding families.

In rural areas, animal husbandry and crop production continue to be the main occupations. Herders and farmers also engage in subsistence activities and commercial production to supplement their income. Many of the women and men in rural areas who live and work in aimag, soum and bagh centres engage in petty trade and informal activities. Others are government employees working as officials, professionals, clerks and teachers in offices, clinics and schools. Some people living in towns and cities combine herding and non-herding activities. Increasingly, ger areas are found on the outskirts of urban centres, accounting for the growing number of peri-urban households.

Occupational classifications using 2000 census data for Mongolia show that 46 per cent of the employed population was classified as agricultural workers – 7 per cent in urban areas and 81 per cent in rural areas. After herders and farmers, men were more apt to be machine operators (3 per cent), professional workers (3 per cent) or in services and trade (3 per cent). Women were more likely to be classified as professionals (5 per cent) or in services and trade (5 per cent). Many of them were working as school teachers or in informal activities.

Classification by status shows that employees were much more common in urban areas (70 per cent) than in rural areas (16 per cent). Own account workers represented 22 per cent of the employed population in cities compared with 39 per cent in the countryside. Within rural areas, men were more likely than women to be classified as own account workers: 60 per cent of employed men compared with 14 per cent of employed women. Likewise, women were more apt to be classified as unpaid family workers: 70 per cent of women versus 23 per cent of men.

Informal economy

The National Statistical Office (NSO) of Mongolia is conducting a survey of the non-observed economy with funding from the Soros Foundation that will include the informal sector as distinct from the underground economy, illegal activities and household production for final consumption. While the 2002–2003 Labour Force Survey was not designed to measure the informal sector, the main report comes up with a working definition that is close to international standards. For practical reasons, this measures only employment in non-agricultural activities. Using NSO classifications for organizations in Mongolia, it includes three sectors – self-employed, private enterprise and partnerships – with no regular employees or only one to four paid

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employees. The measure includes employment in both primary jobs and secondary occupations.  

In the absence of a government policy decision on measuring the informal sector and informal employment, the report of the 2002–2003 Labour Force Survey draws on the resolution of the ILO Fifteenth International Conference of Labour Statisticians (ICLS) in which the informal sector is broadly characterized as consisting of units engaged in the production of goods and services with the primary objective of generating employment and income for the persons concerned. According to this definition, the informal sector units typically operate at a low level of organization with little or no division between labour and capital as factors of production. Informal operations are on a small scale. Production units in the informal sector are household enterprises or unincorporated enterprises owned by households. To make the ICLS definition of the informal sector operational, enterprises of informal employers can be defined in terms of the size of the unit below a specified level of employment and/or non-registration of the enterprise or its employees.

The 2002–2003 Labour Force Survey indicates that of 862,500 persons classified as employed by current activity, 402,200 (47 per cent) were working in agriculture including herding. This left 460,300 (53 per cent) employed in non-agricultural jobs, of which only 20 per cent were working in rural areas. Ulaanbaatar accounted for 45 per cent of non-agricultural employment. The NSO definition shows that at the time of the 2002–2003 Labour Force Survey there were 126,000 employment opportunities in the informal sector in either primary jobs (114,500) or secondary activities (11,500), of which 69,600 (55 per cent) of the jobs were filled by men and 56,400 (45 per cent) by women. The distribution of informal activities by type of sector was self-employed (113,700 or 90 per cent), private enterprises (11,200 or 9 per cent) and partnerships (1,100 or 1 per cent). Given the overall distribution of non-agricultural jobs, it is not surprising that most informal sector opportunities

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37 The Seventeenth ICLS in 2003 broadened the concept of informal to include informal jobs as opposed to informal enterprises. The reasoning is that jobs have different characteristics than enterprises, while workers may have more than one job. Some people hold informal jobs in formal enterprises and some people hold formal jobs in the informal sector. Jobs are “informal” if they are in law or in practice not subject to: labour legislation, income taxation, social protection and employment benefits such as advance notice of dismissal, severance pay, sick leave and annual leave.
were in urban centres (89,300 or 71 per cent) rather than in rural areas (36,700 or 29 per cent). About four in five of the jobs were for services, shops and sales (45 per cent), crafts (18 per cent) or plant and machinery operators (17 per cent). The educational attainment of persons working in the informal sector was quite high. Only three in ten, or 37,100 jobs, were filled by women and men with an incomplete secondary or lower education. Roughly four in ten, or 46,500 people, had a complete secondary education and three in ten, or 42,400, had an educational attainment of higher than secondary school.

![Figure 2: Proportion of informal sector jobs by urban and rural, Mongolia, 2002–2003](source).

Unemployment rates

Data from the Labour Force Survey for 2002–2003 show that 142,300 persons in the labour force were unemployed. Of them 74,600 were male and 67,700 were female. Unemployment rates were virtually the same for men and women at 14 per cent. The unemployed are defined as those not at work, available for work and seeking work during the seven days prior to the survey. They also include those who did not look for a job because they did not think one was available. This definition differs from annual employment data collected in accordance with Resolution 207/103 that states that the unemployed are men and women of working age who are capable of working, actively seeking work and registered with employment offices in their respective areas. At the end of 2003, the number of persons fitting those criteria was 33,300.

The unemployment rate measured by the Labour Force Survey was higher in urban areas than in rural areas, with the urban rate at 19 per cent for males and 18 per cent for females. The corresponding figure for rural Mongolia was 10 per cent for both men and women. Quarterly data from the Labour Force Survey point to the seasonal nature of measured unemployment. Unemployment rates were highest at 18 per cent during the first quarter of the survey carried out in October through December of 2002. The rates then fell from the beginning of the year at 15 per cent during the second quarter in January through March 2003 to the lowest rate of 11 per cent in the fourth quarter of the Labour Force Survey in July through September of 2003.
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Figure 3: Quarterly unemployment rates, Mongolia, 2002–2003


The Labour Force Survey, as shown in Table 7, provides information about the duration of unemployment. Among those classified as unemployed, 35 per cent had been without work for more than one year – 40 per cent in urban areas compared to 27 per cent in rural areas. The percentage of the total classified as unemployed for three or more years was 25 per cent in urban areas and 19 per cent in rural areas. The rates of these “hard core” unemployed are slightly higher for men than women.

Table 7: Unemployed by duration and sex in urban and rural areas, Mongolia, 2002–2003

<table>
<thead>
<tr>
<th>Duration of unemployment</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
<th>Urban</th>
<th>Male</th>
<th>Female</th>
<th>Rural</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;1 month</td>
<td>56.9</td>
<td>54.7</td>
<td>59.3</td>
<td>51.5</td>
<td>48.8</td>
<td>54.6</td>
<td>66.2</td>
<td>65.2</td>
<td>67.1</td>
</tr>
<tr>
<td>1–3 months</td>
<td>2.0</td>
<td>2.1</td>
<td>1.8</td>
<td>2.1</td>
<td>2.3</td>
<td>1.7</td>
<td>1.9</td>
<td>2.0</td>
<td>1.9</td>
</tr>
<tr>
<td>4–6 months</td>
<td>3.8</td>
<td>3.4</td>
<td>4.2</td>
<td>3.9</td>
<td>3.2</td>
<td>4.7</td>
<td>3.6</td>
<td>3.6</td>
<td>3.6</td>
</tr>
<tr>
<td>7–11 months</td>
<td>2.3</td>
<td>2.7</td>
<td>1.8</td>
<td>3.0</td>
<td>3.5</td>
<td>2.5</td>
<td>1.0</td>
<td>1.3</td>
<td>0.7</td>
</tr>
<tr>
<td>1–2 years</td>
<td>12.3</td>
<td>12.5</td>
<td>12.1</td>
<td>14.8</td>
<td>15.0</td>
<td>14.6</td>
<td>7.9</td>
<td>8.0</td>
<td>7.8</td>
</tr>
<tr>
<td>3+ years</td>
<td>22.8</td>
<td>24.6</td>
<td>20.8</td>
<td>24.7</td>
<td>27.2</td>
<td>21.9</td>
<td>19.4</td>
<td>19.9</td>
<td>18.9</td>
</tr>
<tr>
<td>Total</td>
<td>100.1</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>


According to the 2000 census (Table 8), 18 per cent of the population aged 15 years and older was unemployed. Open unemployment was slightly greater for men (18 per cent) than for women (17 per cent) and more than twice as high in urban areas (24 per cent) than in rural areas (10 per cent). Official statistics show the proportion of women among the unemployed rose from 47 per cent in 1992 to 54 per cent in 2001, suggesting that women are more likely than men to register with employment offices.
### Table 8: Unemployment rates by age and sex in urban and rural areas, Mongolia, 2000

<table>
<thead>
<tr>
<th>Age group</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>15–19</td>
<td>25.5</td>
<td>24.4</td>
<td>27.2</td>
<td>48.7</td>
<td>47.1</td>
<td>51.0</td>
<td>13.7</td>
<td>12.5</td>
<td>15.3</td>
</tr>
<tr>
<td>20–24</td>
<td>21.0</td>
<td>21.5</td>
<td>20.4</td>
<td>32.8</td>
<td>22.5</td>
<td>31.8</td>
<td>11.2</td>
<td>11.0</td>
<td>11.4</td>
</tr>
<tr>
<td>25–29</td>
<td>18.5</td>
<td>19.7</td>
<td>17.0</td>
<td>26.4</td>
<td>28.7</td>
<td>23.8</td>
<td>10.0</td>
<td>10.3</td>
<td>9.7</td>
</tr>
<tr>
<td>30–34</td>
<td>18.4</td>
<td>19.0</td>
<td>17.8</td>
<td>23.9</td>
<td>25.7</td>
<td>22.0</td>
<td>11.4</td>
<td>10.8</td>
<td>12.0</td>
</tr>
<tr>
<td>35–39</td>
<td>16.9</td>
<td>18.2</td>
<td>15.5</td>
<td>20.5</td>
<td>22.6</td>
<td>18.4</td>
<td>11.4</td>
<td>11.8</td>
<td>10.9</td>
</tr>
<tr>
<td>40–44</td>
<td>14.0</td>
<td>15.7</td>
<td>12.3</td>
<td>17.2</td>
<td>19.4</td>
<td>15.1</td>
<td>9.2</td>
<td>10.3</td>
<td>8.1</td>
</tr>
<tr>
<td>45–49</td>
<td>10.6</td>
<td>13.0</td>
<td>7.6</td>
<td>13.7</td>
<td>16.8</td>
<td>10.1</td>
<td>6.2</td>
<td>7.9</td>
<td>4.0</td>
</tr>
<tr>
<td>50–54</td>
<td>7.0</td>
<td>9.6</td>
<td>2.5</td>
<td>9.4</td>
<td>12.8</td>
<td>3.5</td>
<td>3.9</td>
<td>5.6</td>
<td>1.3</td>
</tr>
<tr>
<td>55–59</td>
<td>4.5</td>
<td>5.8</td>
<td>0.9</td>
<td>7.9</td>
<td>9.6</td>
<td>2.1</td>
<td>1.8</td>
<td>2.5</td>
<td>0.3</td>
</tr>
<tr>
<td>60+</td>
<td>0.8</td>
<td>0.7</td>
<td>1.0</td>
<td>2.1</td>
<td>1.8</td>
<td>3.0</td>
<td>0.3</td>
<td>0.1</td>
<td>0.4</td>
</tr>
</tbody>
</table>

| Total     | 17.5  | 18.2 | 16.6   | 24.4  | 26.0 | 22.4   | 10.2  | 10.2 | 10.3   |


Unemployment rates decrease with age in both urban areas and rural areas according to the 2000 census. The large proportion of unemployed teenagers is striking in urban areas where unemployment rates were 47 per cent for young men and 51 per cent for young women. The percentage of unemployed dropped off substantially among adults. However, the proportion of people seeking work in the cities was higher than in the countryside for all age groups. In rural areas, the rates of unemployment increased slightly for those aged 30–39 before falling again after age 40.

Census data illustrated in Figure 4 indicate that unemployment rates in rural areas were lowest for degree holders and those with a primary school education or less. They were highest for persons who have a technical education without a degree and those who have an educational attainment of Grades 4–10. This pattern was similar for both men and women. In rural areas, the total unemployment rate was 10 per cent. For those with an education of primary or less than primary, the unemployment rates were roughly half — 5 per cent and 6 per cent, respectively. For those with a technical degree or secondary education, the unemployment rates were higher than average at 13 per cent. This indicates that the technical education was inappropriate for employment opportunities or that jobs were simply not available for those with an education above primary school level who have not completed a degree.
Promoting employment opportunities in rural Mongolia

Figure 4: Unemployment rates in rural areas by educational attainment and sex, Mongolia, 2000


Not in the labour force

According to statistics for 2002–2003 from the Labour Force Survey, 534,400 persons, or 35 per cent, of the population age 15 years and older were classified as not economically active. Of them, 227,400 were male and 307,000 were female. The reasons given for not being in the labour force were: studying (39 per cent), household duties (10 per cent), looking after children (5 per cent), disabled (5 per cent), sick (3 per cent), not available or not interested in work (2 per cent), too young to work (1 per cent), elders or retired (28 per cent) and other reasons (7 per cent).

While data released from the Labour Force Survey for 2002–2003 include discouraged workers as unemployed and therefore in the labour force, the census data classifies them as economically inactive. Among those who were not recorded as economically active according to the 2000 Population and Housing Census, 16 per cent stated that the reason was that there was “no work available.” Overall, the percentage was higher in urban areas (16 per cent) than in rural areas (13 per cent) and for men (23 per cent) than for women (11 per cent). Among those not in the labour force, men were twice as likely as women to be discouraged workers. Nearly three-fourths of the discouraged workers lived in urban areas and about two-thirds were male. Among prime aged men (25–44 years old), just under half reported that they were not employed because there was no work available.38 The age

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38 The figures by age group are 25–29 (44.5 per cent), 30–34 (48.8 per cent), 35–39 (48.8 per cent) and 40–44 (45.1 per cent). NSO, UNFPA and Australia-Mongolia Development Cooperation Programme: 2000 Population and Housing Census, Economic activity: Analysis based on the 2000 census, Ulaanbaatar, 2001, p. 38.
structure of discouraged workers was similar to unemployed workers. However, young people were more likely to be looking for a job than older people.\textsuperscript{39}

If discouraged workers were added to the labour force as open unemployment, the labour force participation rates would increase from 62 per cent to 68 per cent, using 2000 census data. The activity rate for men would rise to 76 per cent and for women to 60 per cent. Likewise, the unemployment rate would increase from 18 per cent to 25 per cent, with rates for men and women rising to 26 per cent and 23 per cent, respectively. The urban unemployment rate would increase to one-third of the urban labour force, or double that for rural areas.

Again according to 2000 census statistics, three in ten of those not in the labour force were students. As would be expected with education facilities for secondary schools and higher education in urban areas, a greater proportion of the economically inactive population in cities (35 per cent) than in the countryside (17 per cent) did not work because of their studies. The national percentages of persons not in the labour force were about the same for males and females. Census data show that 28 per cent of the working age population was not in the labour force because they were retired.

Many civil servants were made redundant during the onset of the transition period. Low salaries and delayed payments encouraged others to retire early and look for work in livestock production or the informal economy. Retirement was given as the reason for not working by almost twice as many respondents in rural areas (42 per cent) as in urban areas (23 per cent) in the 2000 census. This may reflect both the large number of laid-off workers and the inadequate opportunities for new jobs. The proportion of women (32 per cent) is much higher than for men (23 per cent). In rural areas the corresponding percentages were 46 per cent and 35 per cent. Women with four children were offered the option of retiring early, though some were forced into early retirement. Both men and women in older ages found it difficult to find new jobs. Thus, many now retired or laid-off workers are discouraged from looking for employment. The percentage of those not in the labour force who stated disabilities as the reason for not seeking work was 6 per cent, 9 per cent for men versus 5 per cent for women.

**Youth employment and unemployment**

Mongolia has a young population with 55 per cent younger than 25 years. Young people account for one-third of the labour force. Defined by the United Nations (UN) and the ILO to be those aged 15–24 years, youth encompass teenagers (15–19) and young adults (20–24). Overall, the labour force participation rate for youth was 54 per cent compared to 66 per cent for adults in 2000, according to the census.

Data from the 2000 census also show that youth unemployment was 37 per cent of total unemployment in Mongolia. The youth unemployment rate (23 per cent) is higher than the adult unemployment rate (15 per cent). Whereas the ratio of the youth rate to adult rate is usually two to three, it was only 1.5 for Mongolia as a whole. However, youth rates are much higher than adult rates in urban areas.

More boys and young men are in the labour force than girls and young women. They are more likely to drop out of school to help with family herding or seek other employment. In rural areas, school attendance for boys drops sharply after age 10 and remains lower than for girls at all levels. This may reflect lower enrolment rates for older male cohorts as well as drop-outs from school. Among herding households there are indications that wealthier herders with more animals rely on additional labour from poorer families. Some hire adolescent boys who work for food and lodging. This informal labour market for boys and men may have placed additional burdens for unpaid work on girls and women.40

### Table 9: Labour force participation rates and unemployment rates for youth by age and sex, Mongolia, 2000

<table>
<thead>
<tr>
<th>Age</th>
<th>Labour force participation rates</th>
<th>Unemployment rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Male Female</td>
<td>Total Male Female</td>
</tr>
<tr>
<td>15</td>
<td>20.3 25.9 14.7</td>
<td>15.9 15.9 16.0</td>
</tr>
<tr>
<td>16</td>
<td>31.3 38.2 24.2</td>
<td>24.0 24.2 23.8</td>
</tr>
<tr>
<td>17</td>
<td>46.0 52.2 39.5</td>
<td>29.6 29.0 30.4</td>
</tr>
<tr>
<td>18</td>
<td>55.6 62.6 48.6</td>
<td>27.5 25.7 29.8</td>
</tr>
<tr>
<td>19</td>
<td>57.0 65.0 48.7</td>
<td>25.2 23.4 27.7</td>
</tr>
<tr>
<td>20</td>
<td>60.7 69.1 52.0</td>
<td>23.5 22.7 24.6</td>
</tr>
<tr>
<td>21</td>
<td>63.8 71.9 55.6</td>
<td>22.1 22.1 22.1</td>
</tr>
<tr>
<td>22</td>
<td>68.6 75.0 62.1</td>
<td>21.3 21.7 20.8</td>
</tr>
<tr>
<td>23</td>
<td>72.1 78.0 66.3</td>
<td>19.7 20.8 18.3</td>
</tr>
<tr>
<td>24</td>
<td>73.9 79.2 68.6</td>
<td>18.9 20.2 17.6</td>
</tr>
<tr>
<td>Total</td>
<td>53.7 60.4 46.9</td>
<td>22.8 22.7 23.0</td>
</tr>
</tbody>
</table>


2.5 School attendance

Schooling is compulsory in Mongolia and public schools charge no tuition fees. Every soum centre has a school with teaching staff and service workers. Most rural schools also run boarding facilities for children from the outer districts. Prior to 1990, the education system of Mongolia and the educational attainment of the

population were a source of pride. Illiteracy was at a low level. The modernization and industrialization of rural areas had been accompanied by provision of secondary education for staff and families in herding collectives, state farms and rural industries.

Today there are serious problems with rural schools that are reflected in the literacy statistics. In 2000, illiteracy among children aged 8–15 was 5 per cent compared with 2 per cent in 1989. The majority of rural schools are in a state of disrepair; school officials complain that they have inadequate funding for maintenance, heating, equipment and books. It appears that both schools and schooling improve the closer one gets to the country’s largest cities of Ulaanbaatar, Erdenet and Darkhan. Parents frequently complain that teachers in rural schools lack training and motivation. Evidently, many school teachers have moved from the countryside to towns and cities. There also are complaints that poor children, particularly from herder families, are treated unfairly.

Figure 5: School attendance in rural areas by age, Mongolia, 2000


Overall as indicated in Table 10, school attendance for girls and young women aged 16–29 exceeds that for boys and young men; the ratio is roughly three females to two males. Enrolment rates are much higher in urban areas than in rural districts of Mongolia.

44 NSO and World Bank: Mongolia Participatory Living Standards Assessment 2000, Ulaanbaatar, 2001, p. 35.
Table 10: School attendance by urban and rural and sex, Mongolia, 2000

<table>
<thead>
<tr>
<th>Age group</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
<th>Urban</th>
<th>Male</th>
<th>Female</th>
<th>Rural</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>16–19</td>
<td>40.0</td>
<td>33.2</td>
<td>47.0</td>
<td>57.0</td>
<td>49.6</td>
<td>63.9</td>
<td>15.5</td>
<td>11.8</td>
<td>19.8</td>
</tr>
<tr>
<td>20–24</td>
<td>15.6</td>
<td>12.3</td>
<td>19.0</td>
<td>26.0</td>
<td>20.9</td>
<td>30.8</td>
<td>1.7</td>
<td>1.5</td>
<td>1.9</td>
</tr>
<tr>
<td>25–29</td>
<td>5.1</td>
<td>4.0</td>
<td>6.2</td>
<td>8.3</td>
<td>6.6</td>
<td>10.0</td>
<td>0.7</td>
<td>0.7</td>
<td>0.7</td>
</tr>
</tbody>
</table>


According to the 2000 census report, 88 per cent of children aged 10–14 were in school in 2000, while only 47 per cent of those aged 15–19 years and 16 per cent of those aged 20–24 years were attending an educational institution. In comparison, only 73 per cent of boys aged 10–14 in rural areas were still in school. And among teenage boys of 15–19 years, school attendance dropped to 19 per cent; only 2 per cent of young men aged 20–24 years were still studying.

The Labour Force Survey contains information on school attendance by single years of age. The data for rural areas during 2002–2003 indicate that boys start dropping out of school after 10 years (Table 11). The percentage of teenagers in school when they are 17 years old was only 44 per cent for boys compared to 57 per cent for girls.

Table 11: Percentage of children aged 7–17 attending school in rural areas, Mongolia, 2002–2003

<table>
<thead>
<tr>
<th>Age</th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>29.5</td>
<td>30.1</td>
<td>28.9</td>
</tr>
<tr>
<td>8</td>
<td>73.8</td>
<td>71.4</td>
<td>76.2</td>
</tr>
<tr>
<td>9</td>
<td>91.7</td>
<td>89.0</td>
<td>94.6</td>
</tr>
<tr>
<td>10</td>
<td>94.6</td>
<td>92.6</td>
<td>96.6</td>
</tr>
<tr>
<td>11</td>
<td>92.8</td>
<td>92.2</td>
<td>93.4</td>
</tr>
<tr>
<td>12</td>
<td>90.0</td>
<td>85.9</td>
<td>94.6</td>
</tr>
<tr>
<td>13</td>
<td>85.2</td>
<td>82.2</td>
<td>88.7</td>
</tr>
<tr>
<td>14</td>
<td>81.4</td>
<td>76.9</td>
<td>86.4</td>
</tr>
<tr>
<td>15</td>
<td>76.1</td>
<td>70.4</td>
<td>81.6</td>
</tr>
<tr>
<td>16</td>
<td>59.7</td>
<td>53.0</td>
<td>66.9</td>
</tr>
<tr>
<td>17</td>
<td>50.5</td>
<td>43.8</td>
<td>57.3</td>
</tr>
</tbody>
</table>


The link between education and poverty in rural areas is a serious concern. Although there are no tuition fees, poor households, already short of cash, must bear the burden of other expenditures that come with sending their children to school.
Poor families often find it difficult to meet standards for dress, hygiene and supplies for school. For example, children may be expected not to wear the *deel*\(^5\) and boots used in the herder camps but other types of clothes and shoes that must be purchased with cash. Many rural children travel long distances to school on horseback and thus are vulnerable to harsh weather conditions. Parents in more remote districts enrol their children in schools at the *soum* centre and therefore must find accommodation for them, either with relatives or in dormitories. Boarding costs hitherto had been paid in kind at a rate of approximately 40 kilograms of meat per year, with a rebate for siblings. This indirect payment now, in principle, has been abandoned. Another factor is the cost of sending smaller children to preschool and kindergartens. This sometimes causes older siblings to drop out of school to care for their younger brothers and sisters.

Enrolment rates are a standard indicator to measure access to and efficiency of education. The net enrolment rate is defined as the ratio of the number of children of official school age who are enrolled in school to the population of the corresponding age group, while the gross enrolment rate is the ratio of total enrolment regardless of age to the population of the age group that officially corresponds to the level of education. Data from the Household Income and Expenditure Survey and Living Standards Measurement Survey for 2002–2003 provide estimates for both primary school (ages 8–11) and secondary school (ages 12–17). These show that enrolment rates were lower in rural areas for both levels of education (Table 12). Net enrolment rates for primary school were 91 per cent and 93 per cent for *aimag* centres and *soum* centres, respectively, but only 84 per cent at the *bagh* level. For the secondary level, net enrolment rates decline from 85 per cent in *aimag* centres to 76 per cent in *soum* centres and 54 per cent in the countryside. At the primary level, there does not appear to be much difference between males and females and among income groups. However, for the 12–17 group in secondary school, net enrolment rates for the poorest 20 per cent of the population (65 per cent) were much lower than for the richest 20 per cent (85 per cent). For poor households in rural areas the net enrolment rate for secondary school was even lower at 59 per cent.

Since the mid 1990s, the prohibitive cost of schooling for the poorest families has resulted in increased drop-outs and rising illiteracy among the young, particularly in remote areas. The gender pattern of school drop-outs is of great concern: about 62 per cent of children not attending school are boys and approximately 40 per cent of boys in rural areas do not finish the eighth grade.

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\(\text{A *deel* is a traditional Mongolian garment.}\)
Promoting employment opportunities in rural Mongolia

### Table 12: Net and gross enrolment rates, Mongolia, 2002–2003

<table>
<thead>
<tr>
<th>Location</th>
<th>Net enrolment rates</th>
<th>Gross enrolment rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(8–11 years)</td>
<td>(12–17 years)</td>
</tr>
<tr>
<td>Urban</td>
<td>89</td>
<td>83</td>
</tr>
<tr>
<td>Rural</td>
<td>88</td>
<td>64</td>
</tr>
<tr>
<td>Ulaanbaatar</td>
<td>87</td>
<td>82</td>
</tr>
<tr>
<td>Aimag centres</td>
<td>91</td>
<td>85</td>
</tr>
<tr>
<td>Soum centres</td>
<td>93</td>
<td>76</td>
</tr>
<tr>
<td>Countryside</td>
<td>84</td>
<td>54</td>
</tr>
<tr>
<td>Sex</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>89</td>
<td>72</td>
</tr>
<tr>
<td>Female</td>
<td>88</td>
<td>78</td>
</tr>
<tr>
<td>Quintile</td>
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</tr>
<tr>
<td>Poorest</td>
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<td>65</td>
</tr>
<tr>
<td>Q2</td>
<td>87</td>
<td>70</td>
</tr>
<tr>
<td>Q3</td>
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<td>78</td>
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<tr>
<td>Q4</td>
<td>86</td>
<td>82</td>
</tr>
<tr>
<td>Richest</td>
<td>88</td>
<td>85</td>
</tr>
<tr>
<td>National</td>
<td>89</td>
<td>75</td>
</tr>
</tbody>
</table>


### Box 7: When the only education is far away

Samdan is in the fifth grade. He goes to school in the soum centre 30 kilometres away, which is too far to ride his horse every day in winter. So he needs to live in the school dormitory. He knows that the payment of 60 kilograms of meat per year for him and his little sister, together with the books and clothes they need, is a heavy burden for his family. They possess only 80 animals. Samdan’s family lives on the higher pasture and has several heads of yak in their herd, so it is not easy for them to set up their ger closer to the soum centre. Samdan is tired of school and of living in the soum centre without his family. His mother wants him to finish school, but his father would rather have him help with the work at home. He feels the school teaches very academic subjects without much relevance to his own life. Both for him and for the other students, whose parents cannot pay for their university entrance, there is little incentive to continue their studies.

Households spend an average of 3,348 tugrugs per student per month for public primary school and 4,233 tugrugs for public secondary school. Average expenditures on public school are greater in urban areas than rural areas. The poor spend less than the rich – 2,239 tugrugs per primary school student each month for the poorest 20 per cent of households compared to 4,790 tugrugs for the richest 20 per cent.\footnote{NSO, World Bank and UNDP: \textit{Main report of Household Income and Expenditure Survey/Living Standards Measurement Survey 2002–2003}, Ulaanbaatar, 2004, Table 3.9: Spending per pupil in public primary and secondary, pp. 45–46.}

The Labour Force Survey conducted in 2002–2003 included a module on child labour with technical and financial support from the ILO. Children aged 5–17 were asked their reasons for not attending school (Table 13). For the 18,404 young people in the 10–14 age group, the most important reasons given were helping with household duties (20 per cent), poor performance or not interested in school (20 per cent) and the cost of supplies and clothing for school (18 per cent). For the older group aged 15–17 totalling 36,442, the most important reason was helping with household duties (29 per cent) followed by poor performance or not interested in school (19 per cent) and contributing to family income (19 per cent).

\begin{table}[h]
\centering
\begin{tabular}{lrrrrrr}
\hline
 Reason for not attending school & \multicolumn{2}{c}{10–14 years} & \multicolumn{2}{c}{15–17 years} \\
 & Total & Male & Female & Total & Male & Female \\
\hline
 Too young & 0.5 & 0.5 & 0.6 & 0.4 & 0.5 & 0.2 \\
 School too far & 4.1 & 3.6 & 4.9 & 3.0 & 3.0 & 3.0 \\
 Cost of supplies and clothing for school & 17.9 & 16.5 & 20.2 & 10.6 & 9.8 & 12.0 \\
 Poor performance in studies or not interested in school & 20.2 & 21.4 & 18.1 & 19.1 & 20.7 & 16.9 \\
 Contributing to household income & 8.3 & 10.6 & 4.2 & 18.5 & 19.3 & 17.3 \\
 Helping with household duties & 20.4 & 21.3 & 18.9 & 29.4 & 30.8 & 27.4 \\
 Sick & 13.4 & 11.0 & 17.7 & 5.8 & 4.6 & 7.7 \\
 Disabled & 8.0 & 9.0 & 6.3 & 2.8 & 2.8 & 2.8 \\
 Other reason & 7.2 & 6.1 & 9.1 & 10.2 & 8.6 & 12.6 \\
\hline
 Total & 100.0 & 100.0 & 100.0 & 100.0 & 100.0 & 100.0 \\
\hline
\end{tabular}
\caption{Children by reason for not attending school and age group, Mongolia, 2002–2003}
\end{table}


The overwhelmingly academic curriculum of rural schools is an issue that must be addressed, including the role that rural schools inadvertently may play in orienting young people away from their local area. Another problem is that families who have lost animals but still have livestock are migrating to areas along the roads to sell dairy products and handicraft items. This can make it difficult for children to stay in school. On the positive side, schools tend to be centres for intellectual pursuits and
political activities in the soum centre, with a great potential for building community participation, disseminating useful information and conducting training activities related to practical subjects required by herding communities and in soum centres.

**Box 8: School drop-outs and child labour**

Enrolment rates are now increasing, but there continue to be large numbers of school drop-outs. Young people from many aimags are migrating to cities where they may continue their education or find jobs instead – many in the informal economy. Most youth who remain in the rural areas engage in herding activities. Children who work for wages are generally employed by their relatives (80 per cent) or neighbours (20 per cent). Payment is made in cash or in kind. There are no labour contracts. In recent years, rural households have been sending their children back to school. This has been partly because there is less work with fewer animals after the droughts and dzuds. Many go to aimag centres to complete their secondary schooling. Arrangements now can be made for children in the same family to stay in one room of dormitories run by the government. The problem is that there are not enough dormitories. School funds are insufficient to pay for heating and electricity. The soum centres generally offer eight years of schooling and sometimes ten years. Some bagh centres provide four years of schooling.


The Labour Force Survey shows that 73,500 children were economically active – 44,600 boys and 28,900 girls during 2002–2003. Of them, 63,500 (86 per cent) were in rural areas. Most were working (68,600) rather than seeking work (4,900). Among those working, 41,900 were boys and 26,500 were girls. The age breakdown for those working was 5–9 years (22 per cent), 9–14 years (31 per cent) and 15–17 years (47 per cent). Nine out of ten of the children who were working were classified as unpaid family workers. Another 8 per cent were self-employed. The remaining 2 per cent were in paid employment. Of the total number of 62,200 children at work, 91 per cent were engaged in agriculture. Of them, 38,000 were boys and 24,200 were girls. Almost all of them were in herding.

The Labour Force Survey also collected data for household work by children aged 5–17 years (Table 14). A total of 567,400 (84 per cent) had chores at home – 285,500 boys and 281,900 girls. Three out of four of the children assisted with cooking and cleaning. The proportions of girls who helped with cooking (86 per cent) and cleaning (86 per cent) were greater than boys. Of those helping out at home, 53 per cent fetched water and 47 per cent collected fuel; more boys than girls do these jobs at home.

---

## Table 14: Household activities of children aged 5–17 during the reference week, Mongolia, 2002–2003

(Percentages)

<table>
<thead>
<tr>
<th>Household activities</th>
<th>5–17 years</th>
<th>5–9 years</th>
<th>10–14 years</th>
<th>15–17 years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>Male</td>
<td>Female</td>
<td>Total</td>
</tr>
<tr>
<td>Cooking and serving food for</td>
<td>76.4</td>
<td>66.9</td>
<td>86.1</td>
<td>73.8</td>
</tr>
<tr>
<td>household</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cleaning house and utensils</td>
<td>74.1</td>
<td>62.5</td>
<td>85.8</td>
<td>67.3</td>
</tr>
<tr>
<td>Washing clothes</td>
<td>45.8</td>
<td>35.7</td>
<td>56.1</td>
<td>15.0</td>
</tr>
<tr>
<td>Minor household repairs</td>
<td>5.9</td>
<td>9.1</td>
<td>2.7</td>
<td>2.0</td>
</tr>
<tr>
<td>Shopping for the household</td>
<td>21.1</td>
<td>18.3</td>
<td>23.9</td>
<td>11.3</td>
</tr>
<tr>
<td>Knitting, sewing and mending</td>
<td>5.8</td>
<td>2.1</td>
<td>9.5</td>
<td>1.2</td>
</tr>
<tr>
<td>Fetching water</td>
<td>53.0</td>
<td>61.8</td>
<td>44.0</td>
<td>39.5</td>
</tr>
<tr>
<td>Collecting fuel and preparing</td>
<td>46.7</td>
<td>56.3</td>
<td>37.1</td>
<td>40.5</td>
</tr>
<tr>
<td>firewood</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Caring for the old, sick and</td>
<td>2.3</td>
<td>1.8</td>
<td>2.8</td>
<td>1.3</td>
</tr>
<tr>
<td>infirm</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Looking after children</td>
<td>8.1</td>
<td>6.5</td>
<td>9.8</td>
<td>12.4</td>
</tr>
<tr>
<td>Caring for household pets</td>
<td>6.4</td>
<td>7.6</td>
<td>5.3</td>
<td>5.4</td>
</tr>
<tr>
<td>Voluntary community services</td>
<td>6.0</td>
<td>5.9</td>
<td>6.1</td>
<td>3.0</td>
</tr>
<tr>
<td>without pay</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total number</td>
<td>567,400</td>
<td>285,500</td>
<td>281,900</td>
<td>144,800</td>
</tr>
</tbody>
</table>

3  Growing disparities

3.1  Poverty and inequality in rural areas

Living Standards Measurement Surveys (LSMS) conducted in 1995 and 1998 indicate that 36 per cent of the population of Mongolia were regarded as poor at the time. Both the depth and severity of poverty increased during the late 1990s. Over that first decade of the economic transition, poverty grew as a result of unemployment and underemployment combined with cutbacks in social services and social protection. As well, inequality increased. The Gini coefficient measuring deviation from absolute equality rose from 0.31 in 1995 to 0.35 in 1998.48

Table 15: Key poverty indicators, Mongolia, 1995 and 1998

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>All Mongolia</td>
<td>820.7</td>
<td>470.5</td>
<td>350.1</td>
<td>241.1</td>
<td>862.9</td>
<td>493.4</td>
<td>369.5</td>
<td>221.3</td>
<td>10.9</td>
<td>11.7</td>
<td>4.8</td>
<td>5.6</td>
</tr>
<tr>
<td>Urban</td>
<td>470.5</td>
<td>493.4</td>
<td>38.5</td>
<td>39.4</td>
<td>38.5</td>
<td>39.4</td>
<td>12.2</td>
<td>13.9</td>
<td>5.7</td>
<td>7.1</td>
<td>5.7</td>
<td>7.1</td>
</tr>
<tr>
<td>Rural</td>
<td>350.1</td>
<td>369.5</td>
<td>33.1</td>
<td>32.6</td>
<td>8.9</td>
<td>9.8</td>
<td>3.6</td>
<td>4.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ulaanbaatar</td>
<td>241.1</td>
<td>221.3</td>
<td>35.1</td>
<td>34.1</td>
<td>10.4</td>
<td>13.0</td>
<td>4.5</td>
<td>7.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>


More recent data from the Household Income and Expenditure Survey/Living Standards Measurement Survey conducted during 2002–2003 are not strictly comparable to the previous estimates due to differences in methodology. However, an important change cannot be overlooked: Poverty is now higher in rural areas than in urban areas, as the following Table 16 indicates.

48 The depth of poverty is the poverty gap index measured by the average shortfall of per capita expenditure and expressed as a percentage of the poverty line. However, the poverty gap index is not sensitive to the actual distribution of welfare among poor households. The Foster-Greer-Thorbecke Index is used to measure the severity of poverty. It gives higher weight to the welfare levels for the very poor as opposed to households living very near the poverty line. A review of the 1995 and 1998 Living Standards Measurement Surveys concluded that methodological differences in the two surveys make them an unreliable basis of determining trends in poverty over time.
Table 16: Measures of poverty and inequality, Mongolia, 2002–2003

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headcount</td>
<td>36.1</td>
<td>30.3</td>
<td>43.4</td>
</tr>
<tr>
<td>Poverty gap</td>
<td>11.0</td>
<td>9.2</td>
<td>13.2</td>
</tr>
<tr>
<td>Severity</td>
<td>4.7</td>
<td>4.0</td>
<td>5.6</td>
</tr>
<tr>
<td>Gini coefficient</td>
<td>0.329</td>
<td>0.331</td>
<td>0.313</td>
</tr>
<tr>
<td>Theil index</td>
<td>0.183</td>
<td>0.185</td>
<td>0.165</td>
</tr>
</tbody>
</table>


Regional consultations conducted during early 2002 indicated that living standards of the rural population dropped significantly during the preceding two years as a result of drought and dzuds. Low productivity and low income characterize the informal economy and nomadic herding. The Participatory Living Standards Assessment conducted in 2000 outlined several types of insecurity and vulnerability in Mongolia, including unemployment, listed in Box 9. Both herding families and non-herding households have experienced poverty in Mongolia.

Box 9: Types of insecurity and vulnerability in Mongolia during 2000

| Economic             | Unemployment; isolation and remoteness from markets; poor terms of trade; price instability; late payment of salaries, pensions and benefits; cash shortages; loss of assets; indebtedness; theft, particularly of livestock. |
| Social               | Social exclusion; weakening kinship networks; lack of trust; inability to work with others; inexperience of new herders. |
| Environmental        | Overgrazing and degradation of pastures; declining pastoral mobility; conflict over pastures; dzuds; droughts, floods, dust and sand storms; steppe fires; invasion of insects; shortages of wells and winter shelters for livestock. |
| Health               | Alcohol abuse; domestic violence; poor quality of drinking water; imported food and medicines; deterioration of sanitation and hygiene; health risks due to prostitution. |


Poverty and employment

The links between unemployment and poverty are clear from the data in the Living Standards Measurement Surveys. The statistics for 1998 (Figure 6) show that the percentage of unemployed among the “very poor” in rural areas was 27 per cent compared to 4 per cent for wealthy households and 10 per cent for all households outside urban areas.50

Figure 6: Percentage employed and unemployed by income group, Mongolia, 1998

<table>
<thead>
<tr>
<th>Income Group</th>
<th>Employed</th>
<th>Unemployed</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very poor</td>
<td>15.1</td>
<td>8.5</td>
<td>66.4</td>
</tr>
<tr>
<td>Poor</td>
<td>26.5</td>
<td>11.9</td>
<td>61.6</td>
</tr>
<tr>
<td>Not poor (little)</td>
<td>58.4</td>
<td>79.6</td>
<td>12.0</td>
</tr>
<tr>
<td>Not poor (middle)</td>
<td>83.3</td>
<td>81.3</td>
<td>5.4</td>
</tr>
<tr>
<td>Not poor (wealthy)</td>
<td>81.3</td>
<td>80.8</td>
<td>8.0</td>
</tr>
</tbody>
</table>


These figures would be even more striking if discouraged workers in the inactive population were added to the unemployed population. Not surprisingly, there is a direct relationship between unemployment and poverty and an indirect one between employment and poverty. The economic costs of unemployment are measured in terms of losses in production, erosion of skills and increases in poverty. The social costs in Mongolia have been high. Loss of job threatens self-esteem and can lead to mental depression, alcohol abuse, drug addiction and criminal activity. This can cause a vicious cycle of domestic violence and broken families in which women and children are often the victims.

According to 2002–2003 estimates from the Household Income Expenditure Survey/Living Standards Measurement Survey (Table 17), the headcount for poverty based on labour force status of the household head was much greater among the unemployed (49 per cent) than the employed (34 per cent). The population in households whose head was a herder experienced higher rates of poverty (39 per cent)

Promoting employment opportunities in rural Mongolia

than those in other classifications (35 per cent). However, in rural areas, the rate of poverty was higher among non-herders (54 per cent) than herders (40 per cent). 51

Table 17: Poverty and labour force participation of the household head, Mongolia, 2002–2003

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Employed</th>
<th>Unemployed</th>
<th>Not in the labour force</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headcount</td>
<td>36.1</td>
<td>33.6</td>
<td>48.7</td>
<td>41.6</td>
</tr>
<tr>
<td>Poverty gap</td>
<td>11.0</td>
<td>9.7</td>
<td>16.7</td>
<td>14.0</td>
</tr>
<tr>
<td>Severity</td>
<td>4.7</td>
<td>3.9</td>
<td>7.4</td>
<td>6.6</td>
</tr>
</tbody>
</table>


Poverty in herding households

Although a poverty rate of 36 per cent has remained more or less unchanged since 1995, the increased inequality at the national level during the 1990s 52 affected the herding sector. Economic growth is evident in some rural areas, particularly in the central aimags, and some segments of the rural population have experienced increasing wealth. Yet the Mongolian Participatory Living Standards Assessment 2000 indicated that in both the countryside and cities, those already below the poverty line had dropped into deeper poverty. A massive migration from rural areas to urban districts and an overall decrease in rural population in recent years do not appear to have reduced rural poverty.

In most rural communities, people who are poor and very poor are perceived to make up half of all households, while the group of medium-income households appears to be declining.53 In contrast, rich households make up a small percentage of all households in most regions. Through the 1990s, rural areas faced a de-facto de-industrialization that, combined with a dramatic drop in grain production following the dismantling of the negdels, had a negative impact on the herding sector. While living conditions have improved considerably within the capital of Ulaanbaatar, people in rural Mongolia and in peri-urban areas have seen few positive changes in the quality of their lives.54 The government has taken on the challenge of implementing genuine reform as part of national plans for regional development and the rural sector.

Consecutive dzuds during the winters beginning in 1999 have greatly increased inequality among herders, as measured in animals per household. Approximately

10,000 herding families lost all animals during the first two years of the dzuds. From 1999 through 2002, estimated losses of adult animals were 12 million (Table 18).

**Table 18: Losses of adult animals, Mongolia, 1990–2002**

<table>
<thead>
<tr>
<th>Year</th>
<th>Camels (thousands)</th>
<th>Horses (thousands)</th>
<th>Cattle (thousands)</th>
<th>Sheep (thousands)</th>
<th>Goats (thousands)</th>
<th>Total (thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>9.5</td>
<td>41.6</td>
<td>78.3</td>
<td>423.8</td>
<td>136.8</td>
<td>690.0</td>
</tr>
<tr>
<td>1995</td>
<td>7.5</td>
<td>48.1</td>
<td>84.6</td>
<td>403.2</td>
<td>130.5</td>
<td>673.5</td>
</tr>
<tr>
<td>1999</td>
<td>6.9</td>
<td>72.8</td>
<td>127.0</td>
<td>344.9</td>
<td>248.4</td>
<td>800.1</td>
</tr>
<tr>
<td>2000</td>
<td>18.5</td>
<td>393.9</td>
<td>630.5</td>
<td>1,416.9</td>
<td>1,031.4</td>
<td>3,491.2</td>
</tr>
<tr>
<td>2001</td>
<td>20.5</td>
<td>449.8</td>
<td>1,018.5</td>
<td>1,988.2</td>
<td>1,282.0</td>
<td>4,758.9</td>
</tr>
<tr>
<td>2002</td>
<td>25.7</td>
<td>213.4</td>
<td>196.4</td>
<td>1,174.0</td>
<td>1,308.1</td>
<td>2,917.6</td>
</tr>
</tbody>
</table>


Deterioration in the terms of trade for livestock products affected by macroeconomic factors as well as regional disparity and infrastructure collapse has seriously limited the ability of herders to build sustainable herds for security purposes. The exchange rate between inputs and outputs in the herding economy varies dramatically according to distance from markets and roads and depending on the condition of infrastructure in local areas. With a relatively high price of grain due to a collapse of cropping, the amount of flour obtained per animal is much lower in the countryside than in Ulaanbaatar. In particular since the mid 1990s, the poor marketing opportunities and very low prices for animal products in the outer aimags, together with a more general regional economic disparity, have prompted herding families to migrate toward the central parts of the country.

A sharp distinction exists between subsistence herders with up to 150 animals and the well-established herders, who may have several hundred animals. A herd of 200–300 animals is often mentioned as an ideal for a common household, although much depends on circumstances. Larger herds may strain the labour resources of herding households, particularly of the women and girls. Herds greater than 300 animals may be the basis for accumulation of wealth. A very small percentage of rich herders possess around 1,000 animals. Merely 12 per cent of herders have more than 200 animals, however, and the 500 animal mark is used to define rich herders.

According to the Ministry of Food and Agriculture, 98 per cent of herders’ income comes from domestic animals. A family of four to five people should own 200–300 animals to sustain a living and ensure future production. The agricultural

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Box 10: Barter trade for basic necessities

Banzragch and his wife and their two children, aged four and six, live in the remotest part of their soum, some 50 kilometres away from the centre. Although they have 120 animals, which should be enough for a decent living, they see themselves as poor with no supplementary income and no access to cash. They fear for the time when their children must go to school and they must pay for boarding, clothes, shoes and study materials.

In their area Banzragch can sell only live animals and cashmere to the private traders who show up at very irregular intervals, sometimes several months apart. The traders are reluctant to carry heavy loads to or from their places of business due to the poor condition of the track connecting the southernmost bagh to the soum centre. They refuse to pay cash. There has been no maintenance for the simple track or the timber bridge built by the negdel that collapsed long ago. Thus, the exchange rate of sheep for flour is equal to only half of the rate in the soum centre. Banzragch often feels cheated.


census (Table 19) indicates that 69 per cent of households had fewer than 100 head of livestock in 2002, up from 58 per cent in 1999. The proportion with 100–200 animals fell from 25 per cent to 19 per cent over the same period. Altogether 88 per cent of herders had fewer than 200 head of livestock in 2002.

Table 19: Households by ownership of livestock, Mongolia, 1999–2002

<table>
<thead>
<tr>
<th>Number of livestock (number)</th>
<th>1999 (%)</th>
<th>2000 (%)</th>
<th>2001 (%)</th>
<th>2002 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 and less</td>
<td>28,669</td>
<td>10.6</td>
<td>31,361</td>
<td>11.7</td>
</tr>
<tr>
<td>11–30</td>
<td>35,970</td>
<td>13.3</td>
<td>40,436</td>
<td>15.0</td>
</tr>
<tr>
<td>31–50</td>
<td>31,874</td>
<td>11.8</td>
<td>35,041</td>
<td>13.0</td>
</tr>
<tr>
<td>51–100</td>
<td>61,347</td>
<td>22.7</td>
<td>63,096</td>
<td>23.5</td>
</tr>
<tr>
<td>101–200</td>
<td>67,840</td>
<td>25.1</td>
<td>59,821</td>
<td>22.3</td>
</tr>
<tr>
<td>201–500</td>
<td>37,635</td>
<td>13.9</td>
<td>33,408</td>
<td>12.4</td>
</tr>
<tr>
<td>501–999</td>
<td>5,438</td>
<td>2.0</td>
<td>4,591</td>
<td>1.7</td>
</tr>
<tr>
<td>1,000–1,499</td>
<td>1,061</td>
<td>0.4</td>
<td>893</td>
<td>0.3</td>
</tr>
<tr>
<td>1,500–2,000</td>
<td>75</td>
<td>0.0</td>
<td>48</td>
<td>0.0</td>
</tr>
<tr>
<td>2001+</td>
<td>41</td>
<td>0.0</td>
<td>37</td>
<td>0.0</td>
</tr>
<tr>
<td>Total</td>
<td>269,950</td>
<td>100.0</td>
<td>268,732</td>
<td>100.0</td>
</tr>
</tbody>
</table>


The differences between herding on a small scale and a medium scale relate not only to herd size but also may arise from different labour resources, work ethics and lifestyle priorities. Families with few animals have less need of frequent moves for new pasture, allowing a more settled lifestyle in a given locality, for instance near the soum centre. Subsistence herders live off their animals with a low level of involvement in the national economy. Many herders are immersed in set arrangements for households, work and movement that connect with the overall patterns of culture and identity. Other herding households take pride in large herds that allow substantial trade for food items, quality equipment, new machinery and better vehicles. There is interest in non-herding activities and business opportunities, given the considerable skills and past experience from work in the negdel. In terms of human resources, the relatively high educational level among the herding population is still a strong asset for rural development, although literacy rates and educational attainment slipped during the economic transition.

The number of animals per household is not an adequate measurement of poverty because the development of diversified household strategies has provided herding families with extra income. For instance, an adult member of a herding household may have a regular job in the soum centre. Another source of cash derives from pensions and allowances paid by the government. Although pensions have been relatively low until recent reforms, access to a source of cash can have tremendous importance in household budgets, especially in the more remote areas.

Wealth is more common in the form of livestock ownership than financial assets. Few households have savings in banks or investments in stocks – 15 per cent in urban areas and 7 per cent in rural areas, according to the Household Income and Expenditure Survey/Living Standards Measurement Survey 2002–2003 (Table 20). It is possible that survey data do not reflect cash holdings outside of financial intermediaries. However, 90 per cent of those classified as non-savers in the survey responded that they do not save because they simply do not have enough money to do so. Not surprisingly, the incidence of poverty is much lower among savers than non-savers.  

Table 20: Poverty and savings, Mongolia, 2002–2003

<table>
<thead>
<tr>
<th></th>
<th>National</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Headcount</td>
<td>Poverty gap</td>
<td>Severity</td>
</tr>
<tr>
<td>Savers</td>
<td>15.5</td>
<td>3.1</td>
<td>0.9</td>
</tr>
<tr>
<td>Non-savers</td>
<td>38.8</td>
<td>12.0</td>
<td>5.2</td>
</tr>
</tbody>
</table>


Box 11: Economic diversification within a divided family

Undendorj and Punsal both lost their jobs when the negdel broke up. He was a truck driver and she was a grain mill accountant – a combination of jobs that had secured them a good income to build a family. With the help of her father, Punsal managed to find employment as a cleaner in a government building. Today these wages in cash are a precious contribution to the household budget, enabling the family to live a relatively comfortable life. Undendorj went back to herding with their three sons, building a herd from the small number of private animals they had retained for their own use during the negdel times. Today, Punsal lives in a ger in the soum centre, which allows her to go back and forth between her home and job twice a day. She also takes care of some animals, mainly the cattle with calves. Undendorj has a ger on their pastureland some 15 kilometres away where he keeps the main portion of their 80–90 animals. The eldest son has married, while the two younger sons still live as herders with Undendorj. The family spends much time together, however, travelling on horseback. They see themselves as a happy family and spend most weekends in Punsal’s ger enjoying her good cooking. The youngest son is a competition wrestler studying to become a lama and considering moving to the aimag centre. The middle son so far wants to remain a herder.

In addition to the number of animals, household composition and life cycles should be considered in looking at poverty relative to the need to feed, clothe, transport, educate and secure family members. For instance, a household that must send three children to school in the soum centre and perhaps pay boarding fees can be considered poor even with 100 animals. On the other hand, an elderly couple sharing a camp with the households of several sons or daughters may not wish to have more than 50 animals for their own needs. Genealogical considerations, such as setting up households for sons and daughters with a sufficient herd size when they get married, have a tremendous impact on whether a household is poor relative to its needs.

Wealthier households generally have transportation that enables them to move livestock to pastures and reach markets to purchase supplies and sell products. They tend to have good knowledge of local conditions and market prices. They are often better able to organize family members and hire paid labour. Wealthy herders are more likely to focus on the quality of livestock and prices of cashmere. Middle-income herders are able to divide tasks within their camp and sometimes receive cash from pensions and allowances. In contrast, poor households do not usually have the transport and labour needed to graze their herds over long distances. Some provide services to other herders or in soum centres. Others sell firewood and make bridles. Very poor herders are often older women living with other women – daughters or granddaughters – who cannot benefit from the traditional division of labour between men’s jobs and women’s work. In some cases, the children of poorer households work for richer households by helping with cutting wood, slaughtering animals, repairing shelters and moving camp in return for payments in kind – food, shelter, clothes.  

**Poverty in soum centres**

Rural poverty is not limited to herding households. Town centres in rural areas grew with the negdels following their industrialization in the 1970s and 1980s. At the height of the negdel period, 30–40 per cent of the rural population lived in the soum centres, mostly dependent on a regular income from negdel work as administrative staff, drivers, technicians, builders or workers in small manufacturing units. When the negdels were dismantled, nearly 100,000 workers lost their regular income, affecting some 25 per cent of the rural population. Currently, the rate of poverty in soum centres (45 per cent) is above both the national rate (36 per cent) and the rural rate (43 per cent). Some herders who lost all their animals have settled in soum centres.

The distinction between herders and inhabitants of soum centres is not a clear one because many of the people who live and work in the centres own animals.  

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According to an NSO survey conducted in 2000, the percentage of households owning livestock was 84 per cent in soum centres, compared to 99 per cent in rural baghs. On average, the number of livestock per household was 48 animals in soum centres as opposed to 149 in rural areas. Individuals registered as herders may reside in the soum centre for part of the year, while their children are in school or if a member of the family has a job there. In general, however, families and individuals whose main profession is animal husbandry are registered in the rural baghs.

Today an estimated 30 per cent of the rural population lives in the soum centres, some in permanent housing from the negdel period but the majority in gers within small fenced-in private plots. Regular employment in the soum centres consists primarily of state jobs in government administration, schools and clinics, although the slowly growing private sector and informal economy provide some income opportunities. The low number of regular jobs in soum centres is evident from the occupational structure – professionals, legislators, senior officials and managers make up 25 per cent of salaried workers in urban areas but only 5 per cent in rural areas; service workers, shop assistants and sales workers account for 16 per cent in urban areas and 3 per cent in rural areas. Even more striking are the figures for technicians and craft workers who make up 23 per cent of salaried workers in urban areas and only 4 per cent in rural areas, indicating that these skills presumably are deteriorating in the countryside.

Employment in business activities and the informal economy slowly picked up during the 1990s, but there are still far too few opportunities to provide jobs and income to the non-herding population of rural areas. Larger businesses in soum centres tend to be those formed with assets from the negdels. Most of the operations that gradually have been transferred to private ownership are in transport, trade and construction. Other businesses involve crop production. Apart from public institutions, these businesses tend to be the largest employers in soum centres. As previously noted, the process through which negdels were privatized still greatly affects the level of wealth and income in rural areas.

A number of transportation businesses – typically one person and one truck – have been operating in rural areas. They provide links to cities, mainly Ulaanbaatar, and assist herders in moving their camps. New small businesses have been established in soum centres in recent years with a small amount of investment and a narrow range of products. They consist mainly of kiosks, shops and diners set up in gers. There are also restaurants, bars and hotels in more permanent buildings and an increasing number of gasoline stations. Repair businesses, sewing shops and simple manufacturing are also found in soum centres.

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Box 12: Odd jobs in a soum centre

Batmonkh and Suvda married two years ago and set up their ger at the perimeter of the soum centre. They are both without a job and regular incomes. Since each of them was born and raised in the soum centre, they have no experience with animals and no means of becoming herders. They scrape by for a meagre existence from the simple jobs Batmonkh is able to do for wealthier people in the soum centre such as cutting firewood, carrying drinking water or painting houses. He is never paid in cash for his work but receives some food items as decided upon by the employer. The couple also relies on gifts of food from their families, who are very poor as well.

Source: Ole Bruun:, Mongolia: A new vision for rural development, Bangkok, ILO Bangkok Area Office and East Asia Multidisciplinary Advisory Team, 2002.

The rate of single-parent households is much higher in soum centres than among herding families due to a division of labour in camps that assigns some tasks to men and others to women. In the absence of adult males to help with a herding lifestyle, single women are likely to move to soum centres. There is a very high rate of single parent households – as much as 25 per cent – among the very poor of rural areas. Presumably the proportion is even higher in soum centres. Most of these are women without a husband due to divorce or death of a spouse. Some never married. Between 1999 and 2002 the number of female-headed households increased by 12 per cent, from 55,248 to 61,765. Other women bear the main burden of supporting the family due to their husband’s unemployment and alcoholism.

Some residents of soum centres have turned to vegetable growing with a potential for profit and expansion, as illustrated in Box 13. The experience of the Agriculture Sector Development Programme working with informal groups, cooperatives and rural companies has demonstrated an interest among residents and success in crop production through the installation, maintenance and repair of irrigation systems.

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Box 13: Vegetable business in Zavkhan aimag

“I am a married woman living with my husband, one daughter and four sons in our own fenced ger. At present, I sell vegetables in the Tesin Gol market area of Uliastai town. I have been growing vegetables since 1993. During the first year we planted potatoes, turnips and cabbages. The following year we enlarged the vegetable plot and even managed to sell the surplus. Due to low prices of seeds and fertilizer and a big demand for vegetables, we made quite a good profit. In 1994 when the vegetable lands were privatized, we bought one hectare.

“My whole family participates in our business. I consult with them about how to grow and how to sell vegetables. In fact, each member of the family takes care of one particular kind of vegetable. For example, my husband is responsible for potatoes, a son for carrots and so forth. The busiest period is from late March to the end of July. During this time I involve my relatives in the work and pay them with cattle or money, depending on what they need. Our Russian jeep is a great support in our business; with it we transport vegetables, firewood and water. Sometimes my husband rents a tractor.

“I would like to expand our business and buy more land. For now I can plant vegetables only in the summer season. With a greenhouse, we would be able to grow vegetables the year round. If we manage to buy more land, we could grow cereals and make flour. I intend to talk about it with experienced people from Ulaanbaatar. But first, to implement our plans we need to solve the problems with land ownership.”

Source: ILO/UNDP SPPD on the informal sector in Mongolia, August 2001.

Wealthier households in settled areas may have a family member working in the public sector. Others have vehicles that enable them to engage in trade and take advantage of price differentials between urban areas and the soum centres. Members of the soum sometimes become indebted to traders who extend credit for flour and tea, to be repaid with livestock products. Some of these traders invest their profits from commercial dealings in productive activities, such as food processing.

Middle-income households more typically work in bakeries, tailoring or carpentry on a commercial basis and collecting firewood, growing vegetables and producing dairy products for their own consumption. Others gather wild foods such as grains, fruits, berries and onions and hunt for marmots and horns of antelope and deer. Still, they are economically vulnerable due to small markets and herder clienteles, as much of their business is conducted by barter.

Members of poor households are unemployed or have unstable work for low pay. Some find employment in temporary construction or small businesses, such as brick making. Since the labour available in soum centres vastly surpasses the current demand, employers can freely set the terms by paying in kind rather than with cash. Although there is a great potential for the tourist industry in many localities, most
investments have been made by urban entrepreneurs. Herding families accommodate travellers or invite them in for food and drink, but this has rarely developed into a steady source of household income. Others rely on pensions and allowances. The poorest groups in settled areas include persons with disabilities or problems related to alcoholism; it is often the case that they become indebted.\textsuperscript{66} Even pension cards can be used for a credit guarantee. Survival activities of the poorest residents of soum centres include selling firewood, making brooms and collecting garbage. Others rely on charity or resort to begging.\textsuperscript{67}

\textbf{3.2 Migration issues}

Confronted with rising unemployment and falling incomes without adequate social protection, Mongolians have developed a number of survival strategies. Among them is migration. Internal migration is not a new phenomenon. In the twentieth century there has been a gradual movement of people from the countryside to cities, although this was reversed during the early years of the economic transition. Recent waves of migration have been caused by deteriorating conditions outside of major cities. This trend is likely to continue.

Any discussion of rural to urban movements should begin with a note of caution: According to the 2000 census, 57 per cent of Mongolia’s population was classified as urban, with an average of 1.5 persons per square kilometre. However, population density and urbanization rates can be misleading and the settlement of population is varied across Mongolia. Part of the explanation lies in the different patterns of urban settlements across the aimags. The towns, cities and large aimag centres of the central region are quite different from the villages and small aimag centres of the south and east. Many urban areas lack facilities and infrastructure and include families engaged in herding and farming. According to census definitions, urban population and households are those in the nine districts of the capital city of Ulaanbaatar, aimag centres and villages classified by the Law on City and Village as settlements where 500 to 15,000 people live and in which economic sectors such as agriculture, industry, tourism and resorts are developed and under independent governance. Rural areas include soum centres outside of provincial capitals and areas classified as urban.\textsuperscript{68}

\textsuperscript{66} An estimated 88 per cent of all people with disabilities live in poverty. ADB: “Grant assistance, Financed by the Japan Fund for Poverty Reduction to Mongolia for expanding opportunities for poor disabled persons, To be implemented in conjunction with the Social Security Sector Development Programme, Loans 1836/1837 (SF), Approved on 28 August 2001,” April 2002. See also Debra A. Perry, Editor: Moving forward toward decent work for people with disabilities: Examples of good practices in vocational training and employment from Asia and the Pacific, Bangkok, ILO Regional Office for Asia and the Pacific, 2003.
Several issues remain important for balanced development. One is the nature and extent of regional disparity, including possible remedies to redress inequalities. Another issue is how large a population can be supported by local development in soum centres or at an intermediary level between cities and the countryside. A third issue is the sustainable level of grazing on pastureland that directly affects the size of herds and number of households the countryside can support.

The Mongolian population is about 2.5 million, having quadrupled since 1918 when it was estimated at 650,000. More than half of the urban population at that time was foreign, including Chinese traders, Russian merchants and military personnel, Tibetan monks and others. The number of livestock was merely 9.6 million, or possibly much below an historical average due to considerable disruptions. In 1918, the rural population was estimated to be between 450,000 and 500,000. Not counting lamas who resided at monasteries, the herding population was probably around 400,000 people, corresponding to just below 100,000 herding households. By 1920, manufacturing plants had opened in Ulaanbaatar and Altanbulag and crop production was established in the valleys of Haraa and Yuruu.69 By 1940, the monasteries had been demolished and livestock had been redistributed. At that time the Mongolian authorities determined the rural population to be around 500,000, encompassing 110,000 herding households. Total livestock had increased to 23.7 million.70 In the late 1950s, when the renewed collectivization of the herding economy began, the total rural population was 670,000, of which an estimated 125,000 households were herders possessing approximately 23 million livestock. Then in 1961, as a reaction to the process of collectivization, total livestock numbers dropped to 20.3 million. During the following decades, massive construction in both soum centres and city areas attracted many families away from herding.

The most significant population increase occurred from the 1960s to the 1980s, when large families were encouraged by state policy. The growing population was absorbed into urban areas as the capital city and aimag centres were built up largely from scratch. There was only a moderate increase in the rural population, with most growth concentrated in soum centres, particularly after the development of negdels in the 1960s. This has left the actual herding population at a relatively stable level.

When the industrialization of rural areas reached its peak in the late 1980s with the transfer of herding populations to wage labour within the negdel, only 42 per cent of the rural population, or a total of 877,000 people, were counted as herders, which corresponded to some 76,000 households. However, a closer look at the statistics reveals that these were the families who belonged to a suur, or small production team. Another 19–20 per cent of the rural population from more than 30,000 households lived a nomadic herding lifestyle on pastureland with a limited number of private animals. One or more family members were generally engaged in wage labour either in the soum centre or outside such as on farms, greenhouses and sawmills or on state farms.

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Despite recent increases, the present population of rural areas is still rather low by international standards. The soum centres easily can absorb a larger share of the rural population, provided that basic infrastructure and public services are made available. There is a need to support non-herding activities, especially those that provide inputs or process outputs for livestock production.

One important conclusion of a 2000 National University of Mongolia study on reasons for migration was that the government should pay greater attention to regional development, employment generation, law enforcement, educational facilities, administrative policies, public administration and health services. As further concluded in the same study, a comprehensive policy on migration is vital: It should address the flow of population into urban areas by means of incentives and conditions for permanent habitation in rural areas. Regional development should be focused on the soum level as the primary aim rather than supporting aimag centres. Apart from the six aimags with cities and villages established along the railway lines and in the east, the remaining 15 aimags have a vast majority of rural population, ranging from 60 per cent to 84 per cent of their total population. These tend also to be the aimags in greatest need of assistance.

Box 14: Recommendations regarding migration

To address the issue of rural to urban migration, researchers from the National University of Mongolia made the following recommendations in 2001 after a study of internal migration:

- Improve the functioning of labour markets;
- Increase the employability of job seekers;
- Develop small and medium enterprises;
- Encourage self-employment;
- Develop cooperatives;
- Encourage household businesses;
- Build regional education centres;
- Encourage private educational institutions;
- Develop human resources in rural areas;
- Improve services for education and health;
- Open centres for counselling and information; and
- Develop a comprehensive migration policy.

Another issue related to migration is the registration system. During the socialist period labour mobility was limited. Permission was required from the local authorities or individual workplaces for rural people to move to urban areas. Remnants of this system, including registration fees, remained until quite recently. While the Constitution of 1992 gave people a chance to choose where they live, administrative barriers have not yet been abolished. This poses difficulties for people who are not registered. In the past, inhabitants not counted among the official residents of certain areas were not entitled to public services, including education and health. Increasing mobility of the population requires that migrants not be denied access to public schooling for their children and health care for their families. Unemployed workers should be given assistance wherever they are seeking work through the employment offices in aimag centres and soum administrations. Moreover, it would be beneficial to include information about the transfer of remittances among the services that are provided.

While most labour migration is to the larger cities of Ulaanbaatar, Erdenet and Darkhan, there is some movement to local cities and among rural areas. One concern is the tremendous growth of peri-urban areas around principal cities, especially Ulaanbaatar, where tent cities without essential infrastructure provide a challenge to urban planning and migration policy. Basic improvements in heat, water and sanitation, together with public services for education, health and employment, that urban areas offer will continue to attract growing numbers of rural people from herding communities, crop production and soum centres.

### 3.3 Income insecurity in livestock herding

A key issue for an employment strategy in rural Mongolia is income security for livestock herding. After consecutive dzuds that caused sudden losses of livestock, including many herding households losing all their animals, questions were raised about the reasons for the losses. Some observers attributed it to the lack of skills and experience among those who took up herding after privatization of livestock. Others blamed overgrazing near urban centres and along transport lines due to a breakdown in infrastructure. The answers are not simple ones.

From the early 1990s until the first dzud of recent years, most international reports stressed the environmental adaptability and traditional skills of Mongolian herders, echoing national pride in a herding heritage. It remains important to incorporate rural people, including their lifestyle, language and habits, into the process of nation building.

### Continuity in herding

While the drop in livestock population was very dramatic in terms of animal numbers in the late 1990s, the figures for 2001 were fairly consistent with total stocks over the second half of the twentieth century. Data in Table 18 show the total number of animals measured in bod – a traditional unit of livestock equivalents, based on cattle and horses.
In looking at figures for livestock-owning households, a much greater continuity with the socialist period is shown: 262,300 households owned animals in 1990 as compared to 243,200 in 2002. Equally significant are the figures for the total rural population during the onset of the transition period. In 1990, when the negdels were still in existence, the rural population was recorded at 1,197,000 people compared to 1,054,400 in 2002. While the proportion of the population dropped from 58 per cent to 43 per cent over this period, to a very large extent, the number of the people residing in rural areas remained more or less the same with a steady flow of population from rural to urban areas, mainly to the capital of Ulaanbaatar.

Composition of families

When the negdels were industrialized in the 1970s and 1980s, herders were employed as workers, mechanics, drivers, accountants and so forth. The vast majority of them never moved into permanent housing but set up a ger in fenced compounds of the soum centre. This allowed them to have only a few animals. When they lost their jobs during the early years of the transition period, the majority of negdel workers went back to animal husbandry. These people now constitute a large part of the middle-aged and elderly herders who were brought up in herding families and who later found jobs in the agricultural collectives but eventually returned to livestock production. The younger herders were brought up in industrializing herding communities that provided access to education and opportunities for employment in the modern sector. They definitely held non-herding aspirations. A large segment of these young people now make a living from animal husbandry. However, they may see themselves as currently unemployed because they still look for regular non-herding employment. Thus, in general terms rural soums have more or less the same inhabitants as before the economic transition began. The majority of these people were brought up with the simple lifestyle associated with ger living. Most have been close to livestock all their lives. Now as before in the truly rural areas, 90 per cent of the population lives in gers.

Diversification of risk

To understand the changes in rural Mongolia over the past decade, it is useful to adopt a dynamic perspective on nomadic herding: Nomadic herders around the world are known to maximize security by various means such as developing diversified herds, breeding durable stock, building large herds and, when possible, converting wealth in livestock into land holdings, precious metals, vehicles or cash. Occasional large-scale livestock losses due to bad weather or disease are a constant risk in animal husbandry to which herders must adapt their strategies. Efforts to diversify economic activities within the household by combining herding and alternatives such as trading activities and crop farming are common.

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Promoting employment opportunities in rural Mongolia

Size of herds

Since the dismantling of negdels, no institutions have been established, either traditional or modern, that provide access to restocking in a systematic fashion. Many people in rural areas do not trust the banking system and until recently institutions for savings and credit were not available to herders. Many herder households attempted to build economic security with large herds.

Figure 7: Distribution of herding households by herd size, Mongolia, 2002

The majority of households, however, have been struggling with a compromise between herd size and economic necessity. With an average herd size of merely 130 animals and two-thirds of herder families possessing fewer than 100 animals, the majority of herding households are in constant danger of encroaching upon their key assets of production animals. They are having to sell and slaughter more animals on a yearly basis than are being reproduced. Many have no access to modern equipment or transport vehicles and depend on simple carts for their seasonal moves. They are thus dependent on traders who offer a poor rate of exchange between livestock and purchases for production and consumption. Veterinary services are in short supply. Without basic infrastructure and public support, it is difficult to maintain enough animals for family subsistence. Household security becomes a difficult task. Obviously, small herds of 50–100 animals have little capacity for recovery after heavy losses due to natural, economic or political catastrophes.

Dependence on trade

It is a common misconception that herder households, either in principle or in practise, are subsistence producers with little orientation toward the market economy. In fact, nomadic animal husbandry is only a viable economic strategy when livestock products can be exchanged for equipment, foodstuffs, tobacco, clothes, utensils and so forth. Both historically and today, nomadic herders should be regarded as specialized livestock producers that depend upon regular exchanges for both inputs and outputs.


Buffer against unemployment

There is no question that agriculture has served as an employment buffer in the transition period. The marked increase in agricultural production and rural population that accompanied the collapse of state enterprises and public employment is evidence of the absorptive capacity to provide employment and livelihoods. Agriculture continues to engage almost half of the labour force, despite the fact that many efforts to promote growth and development focused on non-agricultural production in the capital city during the early years of the economic transition. Regional development and the rural sector only recently emerged on the development agenda.

Access to services

Rural people are used to a simple lifestyle and severe climate and are accustomed to caring for themselves. However, during the Participatory Living Standards Assessment of 2000, herders voiced their concerns about increasing difficulties in gaining access to health services and basic education.\(^76\) Indirect expenses and hidden costs have contributed to difficulties that have resulted in health problems and growing illiteracy among the rural population. Other indicators are consistent with this trend: Only 5 per cent of rural households have access to safe drinking water, as opposed to 57 per cent of urban households; only 3 per cent of rural households have a toilet facility, as compared to 58 per cent of urban households.\(^77\) Access to centralized heating and an electricity supply also distinguish urban households from rural households, even in soum centres.

Response to change

The outlook of Mongolian herders is still deeply embedded in the herding lifestyle, within which social organization, work routines, grazing patterns and economic strategies conform to a given set of priorities. After generations of traditional herding, followed by livestock collectives within a planned economy, herders should not be expected to respond immediately to new opportunities in a market economy. In addition, the growing rural-urban divide has negatively affected flows of information as well as confidence in the government and, presumably, the willingness to respond to new policies and political initiatives. Rural populations increasingly feel they are cut off from the national society.

Skills for herding

Some statistics suggest that within certain localities during the recent dzud, households that lost all their livestock possessed fewer than 100 animals.\(^78\) As a result,

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\(^{78}\) Gobi Regional Economic Growth Initiative: “Year four work plan,” Ulaanbaatar, Mercy Corps, 2002, p. 11.
there are suggestions that many of the herders with only a few animals were those who left other jobs to begin livestock production during the privatization process. The argument goes that these newcomers to herding did not have the skills and experience necessary to protect against the loss of animals. It has not been sufficiently proven that dzud losses are mainly due to the poor skills of herding households with unsustainable herds. And herd size should not be used as a measure of inadequate skills. Certainly households with fewer than 100 animals have a higher risk of losing all animals than wealthier households have. Two-thirds of herder households are in this category at risk.

Access to pastures

Clearly, herder skills are not the only factor contributing to dzud losses. Any given area has a limited number of potential campsites that offer a combination of protection, water and grazing for the different kinds of animals, not least in relation to possible snow cover. Preferred and established campsites generally have good access roads or tracks. Newcomers in herding may lack use rights to seasonal pastures, particularly to the critical winter camp areas. Although a principle of open access to pasture use prevails, in actual practice pastures may be protected in a number of ways, including with the harassment of certain herders and theft of their animals. Also, during a dzud, herders can hardly leave their gers. As a result, animals balance between life and death. In some cases pure chance determines the outcome.

Box 15: Herders in the hands of fate

Delegnyamin has set up his ger in an elongated valley in Ulaanchulu bagh. He explains his typical grazing patterns in this area but then admits that this year he has not moved his camp according to his usual pattern. In fact, he is still at his winter campsite although it is now late summer. When asked why, he says he does not know the reason. Delegnyamin has been a herder all his life and he knows, of course, why he has not moved. He offers some evasive answers, such as “my ger cover is in bad condition,” “there is a strong wind blowing” and “maybe somebody else has taken the place.” But then he confesses, “I cannot tell you the main reason.”

Only much later in the conversation does he reveal the loss of three-quarters of his animals the previous winter. When asked specifically if this is the reason he has not yet moved, he confirms that with only 30 animals left, there is no reason to find new pasture. Although now desperately poor, he has not received aid from local government. Delegnyamin and his wife are in their mid fifties but still have their youngest son in the household. Without access to restocking, they will slowly eat all their animals. In a few years, they will be forced to move.

Variety of circumstances

There is a wide variety of herding households whose circumstances are not easily captured in the distinction between herders who are skilled and unskilled and whose herds are large or small. Herd size will vary for many reasons. In addition to such factors as access to credit, proximity to markets and provision of services, there are other considerations such as the attributes of herders and fortunes of families. The case story in Box 16 describes one unfortunate explanation.

Box 16: Bleak outlook for some herders

A mother of three children, Dolgorsuren faced tremendous difficulties after her husband received a 12 month jail sentence for violence – he had been drinking too much and gotten into a brawl that led to his arrest. At the time, the family had enough animals and could just make ends meet as average herders. But after her husband went to jail in the aimag centre, Dolgorsuren was not able to care properly for their animals.

The animals were not vaccinated. Some sick ones were left to die, and then several of them were stolen from her in the autumn. When the dzud hit in January, Dolgorsuren could do nothing for the animals. She had no hay or fodder. They just lay down to die – one after another. When spring came, all the animals were gone. Since that winter, Dolgorsuren has been dependent on emergency supplies of flour from the local government as well as gifts of food from relatives. She looks forward to the summer when her husband returns, but she cannot see their future as herders.


Restocking programmes

Despite the importance of other factors, income security certainly depends on herd size. Recent experience with consecutive dzuds highlights the significant risks. The government is developing a law to make livestock insurance compulsory, which could pay herders the replacement value of livestock lost due to dzud and other causes.79

Considerable experience has been gained in restocking as the main approach to reducing rural poverty in Mongolia, in combination with efforts to diversify livelihoods. These programmes have been piloted since 1995 with initial financial support and technical assistance from the Food and Agriculture Organization (FAO), International Fund for Agricultural Development (IFAD) and Save the Children Fund (UK). The World Bank supported the extension of restocking in five of the most severely affected aimags in response to the dzuds that began in 1999.

79 See the following section on livestock insurance.
There are common elements in the restocking programmes organized by different organizations in Mongolia. In-kind credit schemes are administered by local governments with repayments in the form of animals or cash. Procurement of livestock is done locally by way of richer herders selling to projects that lend animals to poorer herders. This ensures that animals are adapted to local conditions and restocking does not change livestock densities. The process for selecting eligible beneficiaries is community driven. But restocking is not a widely embraced solution. A review of the different programmes identifies disadvantages to restocking in terms of sustainability. Primarily, restocking schemes can be a disincentive for risk management of livestock production and for development of microfinance institutions. Those who are not in favour of restocking argue that it is not clear how restocked households will deal with future risk.

Despite these cautions and reservations about the approach, some projects, such as the IFAD Rural Poverty-Reduction Programme in four of the poorest aimags (Arkhangai, Bulgan, Khovsgol and Khentii), continue to support restocking. The programme provides assistance for livestock services, including the private veterinary sector, agricultural extension officers and herder field schools.

**Box 17: IFAD Rural Poverty-Reduction Programme**

According to International Fund for Agricultural Development (IFAD) reports, the priority needs expressed during participatory rural appraisal training exercises and field visits are: (i) support for herding as a perennial livelihood, (ii) creation of opportunities for non-herding income-generating activities and (iii) improvements in social services, particularly in primary education and health care among the isolated herder communities. Communities, individual households and public support services share an awareness of constraints and opportunities; however, they lack the financial, technical and human resources to deal with them effectively.

IFAD’s target group for its Rural Poverty-Reduction Programme covers 80,000 households, equal to 90 per cent of the total population of the four aimags that have been selected from the poorest in the country. Poverty prevails throughout the rural population, including residents of the aimag and soum centres. Almost all households range from poor to very poor and live in exceptionally harsh conditions with limited food availability and negligible cash income. In addition, a new group of very vulnerable poor households, consisting of single women with young children, has appeared in rural centres, representing almost 15 per cent of the population there. In general, women form a significant part of the IFAD target group because they experience inferior social and economic standing, despite the fact that they tend to be better educated than men.


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80 World Bank: “Project appraisal document on a proposed credit in the amount of SDR 15.00 million (US$18.73 million equivalent) to Mongolia for a Sustainable Livelihoods Project in support of the first phase of the Sustainable Livelihoods Programme,” Rural Development and Natural Resources Sector Unit, East Asia and Pacific Region, 15 May 2002, p. 9.
Of those households participating in the IFAD programme, 80 per cent have improved incomes and sustainable herds. The success is attributed to the practise of giving loans to herder groups and herder cooperatives rather than to individuals. Of course, it is the herders themselves who ultimately obtain the animals and repay the loans, as illustrated in Box 18.

**Box 18: Repaying loans for cows and sheep**

Thanks to a loan from the IFAD Rural Poverty-Reduction Programme in four of Mongolia's poorest aimags, Yangin Dulam could borrow money to purchase 45 cows and sheep. With their milk she makes cheese and other dairy products for her family and to generate income. "I've been involved in the project since 1997. There's a special repayment schedule worked out, and my last loan payment will be in 2006," says Yangin. "Of course, life has changed here since I took the loan; now I milk in the morning and in the afternoon prepare dairy products for the children."


**Livestock insurance**

An alternative to restocking schemes is livestock insurance. As previously noted, the government is developing a law to make livestock insurance compulsory. An earlier draft was rejected by the Ikh Khural in the spring of 2001; a working group that includes the Ministry of Finance and Economy and the Ministry of Food and Agriculture has sought assistance in developing livestock insurance. Among potential difficulties are problems related to voluntary coverage, moral hazard and wrong incentives for individual households, high costs to insurance companies and potential damage to public confidence in insurance schemes. An approach explored through the Sustainable Livelihoods Project under its microfinance outreach component has been the index-based livestock insurance scheme, as explained in Box 19.

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Box 19: Index-based livestock insurance scheme

According to the original proposal for a World Bank sustainable livelihood project, a risk index would be developed during the first year with technical assistance support. On that basis, eligible, participating private insurance companies would offer livestock insurance to individual herders, herding households or other entities owning livestock to cover covariant risk from dzud, drought or other weather-related events. The index, based on objective, third-party verifiable indicators such as weather data, livestock mortality rates, and indices of range vegetation conditions, would differentiate relative risk at an appropriate level – most likely at the soum level – based on historical data. Indemnities under the scheme would be triggered once the index exceeded a given threshold level specific to that soum. Insurance cover would be for productive activities including:

- The replacement value of livestock;
- The value of goods or services to support risk preparedness and enhance livestock productivity, such as hay and fodder production or purchase, acquisition of veterinary drugs and services, construction of livestock shelters and breeding services; and
- The value of goods and services to allow policy holders to engage in alternative or supplementary livelihood strategies.

Payments to insurance companies, on claims paid to policy holders against covered risks and for such productive activities, would be made when the aggregated amount of these claims exceeds the agreed level of liability of the insurance company, as specified in a stop-loss agreement between the government and the participating insurance company. The project also would finance training workshops for participating insurance companies and public officials involved together with a nationwide information campaign to publicize the scheme and attract potential policy holders.

Source: World Bank: “Project appraisal document on a proposed credit in the amount of SDR 15.00 million (US$18.73 million equivalent) to Mongolia for a Sustainable Livelihoods Project in support of the first phase of the Sustainable Livelihoods Programme.” Rural Development and Natural Resources Sector Unit, East Asia and Pacific Region, 15 May 2002.
Rural development and employment strategies

4 Rural development and employment strategies

4.1 National policies

Employment policies for rural areas must be part of a national strategy for rural development. A number of policy frameworks and national programmes have been introduced in Mongolia. The government has been working to revise the Primary Rural Development Policy Directions approved by Parliament in 1996 to improve living conditions, support the livestock sector and increase agricultural production. Various approaches already have been implemented through a number of programmes for livestock services, animal health, water supply and disaster protection, as well as subprogrammes for milk, cashmere and wool production.82 A Herders Livelihood Support Programme implemented under the National Programme for Household Livelihood Capacity Support aims to help herders improve their working and living conditions by developing services, increasing capacity and intensifying production consistent with regional development and environmental sustainability. Toward this end, the Sustainable Livelihoods Programme provides support to rural development through pastoral risk management, microfinance outreach, a Local Initiatives Fund and project management and policy support.

Under the component for pastoral risk management, an integrated strategy is being developed, piloted and adopted in eight selected aimags for managing covariant risk in pastoral livestock production with a primary emphasis on risk preparedness – risk forecasting and contingency planning, grazing and pasture management, herder self-help initiatives and hay and fodder enterprise development. The microfinance outreach aims to create a Microfinance Development Fund, strengthen revolving loan funds and develop an index-based livestock insurance scheme. The Local Initiatives Fund supports training activities, capacity building and fiscal decentralization.83 The Economic Growth Support and Poverty Reduction Strategy includes rural development in its main Concept of Regional Development. To address employment promotion within the rural sector, development initiatives should be linked to the National Employment Promotion Programme.

4.1.1 Economic Growth Support and Poverty Reduction Strategy

In its Economic Growth Support and Poverty Reduction Strategy finalized in 2003, the government set itself the goal of reducing poverty through higher economic growth based on active private sector participation and an export-oriented trade policy. The strategy aims at redistributing the benefits of growth through pro-poor policies. It calls for rural development to support animal husbandry, crop production,

83 World Bank: “Project appraisal document on a proposed credit in the amount of SDR 15.00 million (US$18.73 million equivalent) to Mongolia for a Sustainable Livelihoods Project in support of the first phase of the Sustainable Livelihoods Programme,” Rural Development and Natural Resources Sector Unit, East Asia and Pacific Region, 15 May 2002, p. 18.
agricultural marketing, agro-business development and improved protection against natural disasters, including land reform, environmental protection and expanded rural infrastructure.

The World Bank and International Monetary Fund (IMF) have expressed general agreement with the priority actions for rural development in the economic growth strategy that consists of: “(i) achieving stronger outreach and greater competition in rural areas among financial sector intermediary institutions; (ii) promoting greater efficiency in the processing of livestock products including, but not restricted to, cashmere; (iii) developing a comprehensive approach to risk management in the pastoral livestock sector; and (iv) addressing transport and other constraints to marketing to improve the terms of trade for rural inhabitants, including measures to support cooperation among rural producers.”

As part of the Poverty Reduction Strategy Paper (PRSP) process, thematic groups were formed for the rural sector with participation by the government, donor community, NGOs, private sector and the academic community to discuss land reform, rural finance, enterprise development, rural cooperatives and risk management. There was reluctance among participants to come up with a comprehensive document, given the recognized importance of grassroots initiatives. “In discussions on various themes,” according to the thematic group’s assessment, “there appeared to be a consensus that the principal approach to rural development needs to change to one that encourages and motivates grassroots community initiatives. In this regard, the GTZ [German Technical Cooperation Agency] project on community-based natural resource management, UNDP’s pilot project on herder community development, USAID’s Gobi Initiative and other project experiences in the same area seem to indicate many important lessons, both positive and cautionary, as to how people’s cooperation and initiatives might be encouraged and genuine cooperative communities built as a primary base for rural development in Mongolia. Such communities could interact with public and private service providers, such as soum and bagh governments, health clinics, rural schools, microfinance institutions, private veterinarians, processing industries and others for more coordinated and effective efforts for poverty alleviation, productivity enhancement and social development.”

4.1.2 National Employment Promotion Programme

The National Employment Promotion Programme supports productive work and aims to integrate employment policies into national strategies, enhance participation and ownership by government organizations and civil society and encourage transparency of activities and accessibility of information. Employment

promotion policies include improving financial services and fiscal policies; supporting micro, small and medium enterprises; promoting rural employment through cooperative development, restocking programmes and household enterprises; integrating employment policies with environmental protection and rehabilitation measures; and increasing local employment through tourism and infrastructure. Labour market policies should promote youth employment and support vulnerable groups, enhance skills development and vocational training to meet market demand, improve information and raise awareness for promoting decent work.

4.1.3 Rural Development Strategy

There has been considerable discussion about rural development in Mongolia. Important contributions to the debate are the High-Level Seminar on Employment Promotion of Herders Who Lost Their Source of Income and a draft Rural Employment Strategy.

(1) High-level seminar on promoting employment of herders

Prior to the drafting of an employment strategy for the rural sector, a High-Level Seminar on Employment Promotion of Herders Who Lost Their Source of Income was organized in March 2002 with senior policy makers. The problems and issues identified during that seminar were many:

Vulnerability and underemployment in the countryside

As a result of the extensive privatization programme that began during the 1990s, employment opportunities have increased in the agriculture sector. However, intensive production and low output, coupled with natural disasters over the past few years, have not provided herders with enough income to sustain themselves. Substantial numbers of herding households have lost their entire herds and thus their only source of income. Factors contributing to the problem are generally poor rural development, extremely low population density, small local markets, inadequate banking services, limited distribution systems, poor veterinary services and insufficient business skills among the rural population. Low productivity of existing forms of livestock production together with the high risk and great dependency on natural conditions pose serious problems for herding households. Internal migration of herders to towns and cities due to loss of incomes adds to problems of poverty, unemployment and crime in urban areas. Underemployment as well as unemployment is a problem in rural areas.

Animal husbandry as a business enterprise

The slow speed with which the rural sector reoriented itself to the market economy, together with the challenges of drought and dzuds, raise questions about the compatibility of the Mongolian nomadic lifestyle and low population density with current economic changes. The need for increased productivity of animal husbandry and crop production for settled herding households is a challenge to the centuries-old mentality. There are calls to raise competitiveness by shifting from herding
as a nomadic lifestyle to herding as a business philosophy. It will be important to introduce better management and improved coordination of the substantial donor aid that has been channelled to rural development efforts. Donor assistance should be utilized not only for relief programmes following natural disasters but also for prevention measures and creation of basic social and economic infrastructure in rural areas.

**Employment promotion and skills development in rural areas**

A focus on rural employment promotion must be at the heart of national employment policies because the rural population is more vulnerable to income insecurity due to limited opportunities and a high dependency on natural conditions, including climate changes. Alternative income options, along with restocking of lost herds, need to be considered. Skills development, both business and vocational, need to be among priorities as the majority of herders do not have vocational skills other than what is needed for livestock production.

**Livestock insurance**

Some policy makers noted an acute need to introduce social insurance and asset insurance for herders, together with a legal framework for protection from natural disasters. Asset insurance exists to a very limited extent. While developing and extending the concept of livestock insurance, it will be important to consider the coverage and to determine the losses in order to define the risks involved and to identify the types of insurance that are applicable to livestock. This is necessary to set premiums. International experience should be studied. The fundamental challenge is to shift away from sole dependency on pastoral herding toward diversification of production possibilities and employment opportunities through sector development that will enhance rural employment.

**Local investment and popular participation**

The delivery mechanism for rural credit should be reviewed in order to create an environment for local investment and business development. One concept is that population policy needs to be formulated to manage internal migration with a view to concentrating and settling herders around *soum* and *aimag* centres. Strategies should be identified and implemented through a diversification of partners with greater involvement of public agencies, local communities and NGOs. There is a need to rethink the nature of local councils, or *khurals*, so that they are not only vehicles for promoting local identity but also channels to address problems of development through financial assistance and other support. It will be necessary to create an environment in which the business community will invest in rural areas. In this regard the *Ikh Khural* is prepared to consider proposals.
Comprehensive approach to rural development

During the high-level seminar, participants identified a need to examine existing forms and new structures for cooperation in livestock production, including partnerships, labour contracts and employment relations. Awareness raising among herders is essential for identifying employment opportunities within existing organizations. The issue of rural employment promotion should be approached comprehensively with regional development, environmental protection, population policy and rural production. There is a need to introduce a risk management system, pasture management schemes and relevant legal frameworks. Development of banking and non-banking financial institutions is essential for providing start-up capital, especially in view of the virtual non-existence of banking systems in the provinces and the shortage of cash.86

(2) Rural development strategy

The Centre for Policy Research prepared a draft Rural Development Strategy in 2002 that set out strategic proposals and logical frameworks to deal with key considerations for rural development – encouraging local initiatives, improving risk management, promoting group development and cooperative action, creating an enabling environment for rural economic and social development and supporting agricultural development and food security.87 The development goals for that strategy, as the following explains, aim to ensure income growth and quality services to rural people and sustainable use of natural resources.

Promoting local initiatives

Sustainable rural development will only take place if the people directly involved recognize that changes in their thinking and in their activities will bring benefits. Without improvements in the ability of the rural population to express their priorities and of local government to implement these changes, the pace of rural development will be slow. This implies that some decentralization of government activities is required. One of the main reasons for migration from rural to urban areas is the desire for improved access to a better standard of social services, particularly education and health. Investment is required to improve facilities in rural areas, but innovative approaches to service provision also are needed to address specific problems, such as the relatively high school drop-out rate of boys from herding families. If rural communities are involved in setting the development priorities, they are more likely to provide direct support for service provision.

Promoting employment opportunities in rural Mongolia

**Improving risk management**

Recent experience with disasters in both the livestock and crop sectors calls attention to the urgent need for changes in operations and management to mitigate the effects of adverse weather conditions, such as drought and dzud. Projects have provided evidence that better preparedness through, for example, greater investment in supplementary feed and veterinary care can significantly reduce losses. Such actions are primarily the responsibility of herders, as individuals or in groups, but the government has an important role to play in forecasting and strengthening the disaster response systems and promoting and testing appropriate insurance schemes.

**Promoting group development and cooperative action**

Many of the poorest rural households have a relatively small number of animals as their primary source of income. With little to trade, herders have limited access to markets. As well, the terms of trade for poor herders is much worse than for rich herders and consequently poor herders have difficulties in obtaining supplementary feed – hay and fodder – during severe winters. To assist poorer households in overcoming these problems, the rural strategy emphasizes cooperative action. Sustainable usage of natural resources also requires joint initiatives. There is clear evidence that environmental degradation, especially of pastures near towns and cities, is a result of uncontrolled overgrazing. The promotion of increased community involvement in the management of natural resources is a key part of the Rural Development Strategy.

**Creating an enabling environment for rural economic and social development**

Even with the emphasis on livelihood improvement for the poorer herding households, there still will be a significant number of families for whom livestock production cannot provide an adequate income. The Rural Development Strategy therefore emphasizes the creation of favourable conditions for the development of additional economic opportunities in the rural areas as alternatives to livestock herding and crop production. This requires the easing of administrative barriers to business start-ups and improved access to financial services, particularly micro credit, which is likely to benefit the poorer sections of rural communities. Small-scale vegetable production such as what is being supported by the Green Revolution programme is expected to play an important role in improving nutritional standards and in providing income-generating opportunities. Land issues are very important for vegetable growing. The Law on Allocation of Land to Mongolian Citizens for Ownership enables people to obtain land for agriculture use. Access to water is also crucial. The most rapidly growing employment in some areas is unregistered activity in informal mining. This kind of development brings with it the potential dangers of environmental damage and reduced contributions to government revenues.
Promoting agricultural development and food security

Achieving the poverty reduction objectives requires economic growth; part of this is to come from improved productivity. Unfortunately, trials of new systems for intensive cropping and livestock production have not produced models for replication on a significant scale. Thus, the strategy calls for coordination and evaluation of pilot projects and building the capacity of the Ministry of Food and Agriculture for monitoring and evaluation and for strengthening extension services and information dissemination through technical assistance and financial support. There is a need to find alternatives to the wide-scale wheat subsidies that have been abandoned.

Box 20: Rural Development Strategy

In the forward to the presentation of the draft Rural Development Strategy, Sh. Gungaadorj, Member of Parliament and Chairman of the Standing Committee for Environment and Rural Development, wrote:

“Mongolia’s rural development strategy should aim to ensure sustainable growth of the rural economy. More importantly, however, it should provide an environment in which the well-being of every rural person can be assured. This can only be attained by addressing all of the pressing environmental, economic and social issues through a harmonized approach. The rural development strategy presented here is valuable in that it is comprehensive, based on a holistic approach and includes detailed implementation plans. The rural development strategy needs to be implemented by incorporating it into the national policy and assuring that the government development programme and projects fit within the strategy.”


4.2 Regional strategies

In its Concept of Regional Development of Mongolia, which was adopted by the *Ikh Khural* in 2002, the government introduced regional development based on economic zones. The objective is to reduce disparity between urban centres and rural areas as well as across aimags on the basis of economic resources and comparative advantage in different regions. According to the concept, regional development should be placed within the context of government, economy, society, culture, environment and settlements. It should also fit within the global economy.

The idea is that regional strategies will draw on the comparative advantage of economic zones to promote more even development. The zones will be linked and coordinated. An effort will be made to develop economic potential and to balance nomadic traditions with sedentary patterns of livelihood. Important components are infrastructure development – energy, roads and communications – to connect local markets with regional, national and international trade. Plans will include development
of financial, communication and information services. Regional development will take into consideration history and culture together with the situation of natural resources and environmental conditions. The plan involves participation of government, businesses, NGOs and citizens through local councils, or khurals. It is hoped that the development of regions or zones will reduce the concentration of population, industry and services in Ulaanbaatar, Erdenet and Darkhan.\footnote{Government of Mongolia: \textit{Concept of Regional Development of Mongolia}, Unofficial translation by Batdelger Luuzan, Ulaanbaatar, 2002.}

According to the regional strategy, Mongolia will be divided into five zones: Western, Steppe, Central, Eastern and Ulaanbaatar. Within each of the zones efforts will be made to promote the development of key economic sectors: animal husbandry; food and light manufacturing; extraction and processing; construction and construction materials; knowledge-based and service industries that require a high level of intellectual skills; travel and tourism; resorts and sanatoriums; and infrastructure for industry, markets and social services. A preliminary framework mapping economic activities for the five regions is presented in Box 21.

The Concept of Regional Development outlines components for government policies, economic organization, natural environment, society and culture, population and settlements, and foreign connections. Under the concept for regional development, government policies are to deal with legal coordination, development strategy, fiscal and monetary policies; banking, finance and insurance; consultative mechanisms; local participation in economic development; coordination and information and territorial administration. Economic organization should develop networks for small and medium enterprises, based on regional resources, and promote business, including branches and subsidiaries of domestic and foreign firms; outline plans for development of soums; improve energy, transport and communications; and develop a national programme for the construction for the Millennium Road that will link cities and regions across Mongolia to central Asia and north-east Asia.\footnote{In 2001 the Ikh Khural approved a project to develop a road stretching across the country from east to west together with five north-south roads to strengthen regional links and expand world trade.}

Regional programmes for the natural environment are to be linked with social development encouraging cooperation among aimags and soums. To promote society and culture, the regional strategy envisions branches of colleges and universities in each region as well as centres for research, information and training and a system of health clinics and hospital services.

Preferential treatment, such as tax breaks, is to be provided in remote areas to reduce poverty and increase employment. The strategy calls for minimum living standards and social security payments suitable for the region. Norms should be developed for food security. Organizations in both urban centres and rural areas are to preserve the customs and culture of ethnic groups. There is to be a system that promotes exchange of information among local governments and NGOs regarding survival skills and employment practices in urban areas and among rural populations within the region.
For spatial development, the regional strategy calls for a Master Plan of Development of Population Settlement to be drafted, adopted and implemented. Models for the size and structure of Ulaanbaatar and aimag, soum and bagh centres are to be created, taking into consideration regional development, local environment, population patterns, historical factors and cultural conditions. The strategy even proposes moving the capital to the centre of Mongolia. According to the concept, a national system for strategic management of territorial administration and regional development will be introduced. Finally, the plan calls for transport connections to be developed with Asia and Europe.90

Foreign economists and other observers have noted that regional planning for economic activity has not always been successful elsewhere. According to an assessment

by the IMF and the World Bank, “Regional development presents a challenge to many countries and is especially so with Mongolia’s widely dispersed population. International experience has shown that picking winners and deciding the location of industries is often not successful.” There appears to be tension between the allocation of resources by markets versus by planning, as suggested in Box 22, and between the promotion of growth by the private sector versus government intervention. The IMF–World Bank assessment urges careful attention to the policies and instruments as well as to environmental factors and financial costs.

**Box 22: Market signals versus regional planning for rural development**

“The support system, which had been provided by the State during the socialist period, now needs to be delivered by an optimum mix of public and private entities. The State now should redefine its role, leaving to the private sector the services it can do best: microfinance, veterinary services, well construction and maintenance, marketing and trade activities, among many others. The distinction between the responsibilities of the public and private should be made clear and we should avoid duplication in their respective roles. The establishment of standards and criteria for public well-being and economic efficiency is one of the important roles of government. Such standards and criteria should cover, for example, land-use planning and the concession of mineral exploration rights. Another important function of government is the provision of social services that the private sector cannot deliver satisfactorily. Such services include education and health care, resolution of disputes and others. The enforcement of these standards and delivery of these services should be consistent, transparent and efficient. This is often a problem in Mongolia.”


An ILO report prepared with support from the UNDP points to international experience showing that state-based efforts to promote broad spatial distribution of industrial development are not likely to succeed. The report argues that even with tax breaks and economic subsidies for locating industries in less developed areas, these efforts are largely unsuccessful. A better alternative is to improve distribution of infrastructure – social and economic – and allow development to be demand driven.

While policies should be flexible in addressing the considerable diversity in Mongolia and reducing the disparities that have contributed to hardship and migration,

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92 K. Sundaram: Human resource development and training in Mongolia: Issues and options, Unpublished report prepared for the ILO under a UNDP SPPD, Bangkok, ILO East Asia Multidisciplinary Advisory Team, August 2000, p. 84.
households and firms ultimately will make decisions based on individual well-being and business prospects. A challenge is to use regional planning to create a business environment for growth that is led by the private sector. Whatever the outcome, the frameworks identified for the development of regions can be used as guides for policies at all levels, including for soums and baghs engaged in the participatory process of local development.

In terms of employment promotion, the regional strategy should provide a business environment that supports enterprise development. In rural areas this entails special recognition of the problems confronting small businesses. Figure 8 illustrates elements of the business environment. The policy and legal framework provides the means by which government can manage the economy so as to achieve sustainable social and economic outcomes. An enabling environment takes these functions further by providing incentives to encourage entrepreneurship and job creation among small enterprises. The policy and legal framework has several layers. The last layer refers to the ways in which policies, laws and procedures are applied, managed and monitored.

**Figure 8: Business environment for employment promotion**

![Diagram of business environment for employment promotion](image)

4.3 Local development

Local economic development is just one way to go about beginning a process of local development for decent work. This involves not only economic development leading to job creation and income generation through participatory development, local empowerment and social dialogue, but also other aspects of decent work or better jobs through social protection, income security, safe work and rights as a foundation of work. This section focuses on employment and income.

4.3.1 Local economic development

The challenge in Mongolia is to decentralize the process of making decisions to encourage greater participation in addressing the political, economic, social and cultural issues affecting individuals and communities. One approach is local economic development (LED), which is an integrated plan for area development that includes administrative decentralization, political participation, community planning and economic, business and social development. The use of the term “local” in Mongolia may refer to aimags, soums and baghs.

Local development is a phased process beginning with a diagnosis of the situation followed by a process of informing stakeholders, promoting a forum, designing a strategy, building structures and taking action. The process requires a catalyst that begins with different components or “entry points” to the participatory process such as through developing small businesses, establishing microfinance institutions, building local infrastructure and so forth. The six steps of the generic approach to local economic development are outlined in Box 23.

One possibility is to use a local economic development approach at the soum level with employment offices in the aimag centres facilitating the delivery of information, training and finance as well as organizing the monitoring and evaluation of activities. Local economic development is a participatory strategy for creating decent jobs locally by using local resources to solve local problems. It does this by bringing together local stakeholders to discuss and pinpoint their strengths, weaknesses, opportunities and threats and to develop a collective strategy for development. It is through their joint efforts – dialogue, planning and implementation – that a sustainable development process is initiated and sustained.

The ILO uses a multidisciplinary approach to local economic development that involves socio-economic analysis, small enterprise development, community-based training, employment intensive investment, financial services, cooperative development and association building among others (Figure 9). It draws on the ILO experience with social dialogue among governments, employers and workers.93

Box 23: Steps toward local economic development

A facilitator works with local stakeholders to develop and apply community-driven initiatives by building their own organizations and learning from international experience. This approach has the following elements:

- The *diagnosis phase* aims at acquiring knowledge about the local economy and its resources. This might begin with a mapping exercise for a preliminary analysis of the major socio-economic data and the objectives and activities of the different local stakeholders and dynamics among them.
- *Sensitizing* generates local participation and social dialogue and is directed at stimulating stakeholders’ involvement and commitment in the local development process.
- *Promoting a local forum* fosters coordination and cooperation among all local stakeholders – economic, social and institutional. A forum is typically composed of the most important local stakeholders contributing to the exchange of ideas and cooperation.
- The *common design* of a strategy helps to secure the sustainability of the local development process by working toward shared vision, objectives and targets as well as a mix of strategy options.
- The *coordination and creation of implementing structures* maps out the responsibilities of the participating institutions, drawing on existing resources and structures or creating new ones, such as a local development agency.
- A *set of activities* represents the integrated answer to the development challenges identified by local stakeholders and often includes financial or non-financial services, training, investment, infrastructure and networking.


Figure 9: Possible components of an integrated strategy for local economic development

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<tr>
<th>Local economic development (LED)</th>
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<tr>
<td>Small enterprise development</td>
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<td>Community based training</td>
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<td>Employment intensive investment</td>
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<td>Cooperative development</td>
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<td>Association building</td>
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The ILO’s participatory methodology identifies, involves and mobilizes all relevant stakeholders. It selects economic sectors and main subsectors considered the most promising for development and expansion within a particular locality. It also outlines specific measures to promote development and employment in these sectors, including suggested methods to overcome obstacles, constraints and barriers to economic development. These are aimed at encouraging investment in business start-ups and business expansion. The implementation of local economic development strategies by local stakeholders can create enterprises – large, medium, small and micro – to produce goods and services for consumption or sale in local, regional, national and international markets. The most promising sectors and subsectors will be identified on the basis of local conditions in mutual consultation. The process of local economic development can:

- Map resources available in a locality – natural resources, human resources, social capital, infrastructure and equipment, programmes and projects, and so forth;
- Determine methods for obtaining access to central funds, regional programmes and local resources, such as the Employment Promotion Fund, in support of economic development and business initiatives at the aimag and soum levels;
- Identify and develop the best methods to establish links and create networks with similar activities, both within and among administrative units and geographical areas of Mongolia; and
- Establish mechanisms for sharing good practices and lessons learned with other regions, aimags and soums.

**Figure 10: Community participation to identify opportunities and plan activities**

As illustrated in Figure 10, the approach begins with the identification of opportunities. Strategies are then developed to put the support in place such as training, infrastructure and services. Community participation also can point to other needs for local development, such as improvements in education, health, water, roads, social security and occupational safety and health.

Given the dispersed nature of nomadic herding over a vast territory and the particular vulnerability to climatic changes and outside influences, it would appear that applying the local methodology to small areas – aimags, soums and baghs – would be most appropriate for employment creation. Piloting a local economic development approach could involve the following steps:

- Define and collect information on the business environment – local, regional and national – for small enterprises and cooperative development in potential areas;
- Develop preliminary plans for local economic development methodologies and stakeholder involvement; and
- Compare and integrate results of case studies in diverse localities.

A key challenge for local economic development in Mongolia is building associations or creating cooperatives by exploring approaches and strengthening institutions for joint action in communities. Over the past decade the government, NGOs and others have provided support to individuals, such as the restocking of animals. Now the emphasis is on providing employment opportunities and improving living standards for communities. Thus, the local economic development approach fits into the Mongolian development agenda. Local stakeholders at the soum level that could be included in consultations for local economic development are elected councils, government institutions, Household Livelihood Capacity Support Councils, herders’ groups, employers’ organizations, trade unions, NGOs, international organizations and religious institutions.

Box 24: LED in Mongolia

Key features of the local economic development approach appear to be consistent with national policies, regional development and rural strategies:

- Initiates a local, bottom-up development process that is appropriate to the specific economic, environmental and cultural context of a given area;
- Supports private sector development for jobs and income;
- Promotes social dialogue and public–private partnerships in local initiatives for business development and employment creation; and
- Can include both herding communities and settled populations of soums and baghs.

Box 25 outlines some steps to take in setting up a local development strategy at the *soum* level.

**Box 25: Getting started with a local development strategy: Road map for the *soum* level**

- Conduct a SWOT analysis for local economic and social development identifying strengths, weaknesses, opportunities and threats;
- Undertake a “mapping” of resources in the community – facilities, equipment, programmes, projects, human resources, government funding and so forth;
- Create a Local Economic Development Council at the *soum* level with participation by local authorities, representative bodies, community organizations, business enterprises, workers’ organizations, herding cooperatives, women’s groups, youth organizations, informal economy operators and others;
- Present results of the SWOT analysis and mapping exercise to the *soum* Local Economic Development Council for validation and update;
- Identify activities that can be organized quickly, drawing on local resources in a participatory process through the Local Economic Development Council;
- Establish a “one-stop-shop” for sharing information at the *soum* level about opportunities for wage employment and self-employment, herding activities and non-herding employment;
- Ensure that there is an active participatory mechanism to represent the views and voice of members in the community, for example, group discussions on specific topics such as income-generating activities in *soum* centres, credit facilities for small businesses and marketing schemes for agricultural products;
- Create a “tool kit” for use at the *soum* level drawing on materials already available in Mongolia;
- Facilitate the translation and adaptation of other tools that meet local needs;
- Build capacity for *soum* residents to use relevant ILO tools, the LED “tool kit” and other relevant materials.


Special measures are needed to make certain that disadvantaged groups benefit from employment promotion in local development. Strategies should be developed to reach rural women, youth, ethnic minorities and people with disabilities. Measures also can be taken to ensure that both females and males in remote areas benefit from local economic development. In Mongolia, for example, it would be useful to provide support to young herders and young farmers through outreach projects to *aimags*, *soums* and *baghs*. 

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4.3.2 Stakeholders and institutions for local economic development

For the purpose of suggesting joint efforts for economic development and employment creation at the local level, this section identifies institutions and stakeholders. These include government civil society institutions and representatives of the social partners. While considerable local variation exists, rural communities tend to be too small for a clear division between social groups as well as between formal sectors and informal institutions. Also, special consideration must be given to the gender aspects of community participation.

**Elected councils**

Councils, or *khurals*, at the national, *aimag* and *soum* levels are pillars of Mongolian democracy. On the basis of local election results, *soum* councils are formed with proportionate representation. The chairperson receives an allowance from the *soum* government and is in charge of organizing council meetings. The councils ideally serve as a channel for voicing community decisions to a higher level of government. However, local councils face a serious challenge in providing a forum for interests and consultations at the grassroots level because they may be viewed as an extension of the government and thus are expected to provide information and implement policies rather than serve as a forum to discuss local ideas for joint action.

**Government institutions**

*Aimag* centres house government offices, legal institutions, hospitals and schools. Before the break-up of the *negdels*, an administrative structure was built for rural areas. Below the provincial level, rural *soums* were established on the basis of *negdel* territories but with independent control of administration and institutions. Rural *soums* have average populations of 3,200 people, often with 5,000 people in the central parts of the country, and an average household size of just over four members. Some 75–80 per cent of the rural population are registered as belonging to herder households with most of the rest living in *soum* centres. Each *soum* is made up of *baghs* established by the *negdels* and retained as administrative units with a *bagh* leader responsible to the *soum* government. The *soums* are divided into an average of five *baghs*. The more remote *baghs* may have health workers paid by government.
Figure 11: Administrative structure of Mongolia

The head of the local administration, the soum governor, is a permanent employee appointed at the aimag level. The soum governor may not be a local person.

Figure 12: Soum governors administration

Due to capacity constraints of local governments and the large territories they commonly control, there is a general problem for government administrations to reach out to constituent populations. Staff do not always have access to transport enabling them to deal with issues that affect herders. For example, the soum governments are charged with regulating land use. Disputes often arise over “possession rights” for seasonal pastures and winter camps in the absence of private ownership. In some cases, possession contracts have been issued for pasture use.

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The *soum* school with its relatively large teaching and non-teaching staff is an important institution in the local community. Training courses could make use of the teaching staff and school facilities. Televisions in *soum* schools bring herders and their children up to date on national events and international developments. Similarly, the health clinics have potential for local development. For example, staff can share information and conduct training related to diet, nutrition, HIV/AIDS, alcohol abuse, domestic violence and gender sensitivity.

When compared to the territory they must cover, police capacity remains fairly low in most localities. A common *soum* police station has three regular officers, including the head of station. Police officers are generally non-locals on two- or three-year assignments from outside the *soum* centre. The station may possess a jeep but officers frequently share just one motorcycle. The police do not carry weapons. Because there are no local detaining facilities, suspected criminals are transported to the *aimag* centre. The police generally have limited capacity to deal with rustling, theft, violence and other crimes that are often associated with alcohol abuse.

**Household Livelihoods Capacity Support Council**

In eight pilot areas of Mongolia the government has set up a Household Livelihoods Capacity Support Council to enhance participation in the Sustainable Livelihoods Project. These piloted councils replace the Poverty Alleviation Councils of the National Poverty Alleviation Programme. Councils in the *soum* centres generally include the *soum* governor, school director, clinic head, accountant for the *soum* governor’s office and the social welfare officer, who serves as secretary. Other members are teachers, herders and NGOs, including the Mongolian Women’s Federation and the Mongolian Veterans’ Association.

**Herders’ groups**

Where they exist, groups of herders should be included in participatory processes for local development. Given the dispersed nature of nomadic herders and general reluctance to attend formal meetings, representatives of these groups can be encouraged to share information and views about constraints and opportunities for improving employment, productivity and income. Participation may be from *ails* or *khot ails* (herders’ camps), associations or cooperatives.

**Employers’ organizations**

The Mongolian Employers’ Federation has paid a great deal of attention to the informal economy in both urban centres and rural areas as a source of membership and opportunities for business as well as the potential threat of “black markets” and unfair competition. Local businesses include older companies linked to the former *negdels* and new entrepreneurs with kiosks, shops and restaurants. The former have

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96 *Khot ail* appears in recent studies of herding communities. However, the term is not used in all rural localities. In some areas the *ail* is used instead. This means camp or homestead.
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an advantage of being established. However, this does not mean that they make full use of their premises, equipment and employees. Many managers lack marketing skills, spare parts and modern equipment. Consequently, there are possibilities for employment creation in activities once organized by the agricultural collectives and state farms in crop farming, fodder production and manufacturing enterprises. Small businesses are aware of the constraints they face in making their ventures more productive and profitable. Community actions could improve the business environment. There is a need to strengthen local branches of employers’ organizations through enhanced capacity for greater involvement in local development.

Trade unions

The Confederation of Mongolian Trade Unions (CMTU) has representatives at the soum level who, in some cases, have set up informal organizations but have not yet worked on programmes and activities to promote employment and create jobs. An ILO project that includes Mongolia is promoting representation and voice among informal economy workers as a means to improve productivity, access, rights and conditions of work. In this regard the CMTU currently is looking at building up its own capacity – first on how trade unions can be engaged in assisting informal economy workers and also how CMTU can be strengthened through the involvement of informal economy workers. Members of trade unions who were laid off from state-owned enterprises and public sector employment have a vested interest in creating job opportunities for employees working in small enterprises, both inside and outside of Ulaanbaatar.

Social organizations

Herders informally group themselves in camps, usually consisting of two to five households. The camp, called an ail or a khot ail, is ideally formed along lines of kinship with sons setting up their own households in the camp of their parents. In practise, other groups are possible. Labour sharing in well-defined activities is common in the camps: There is a division of labour for making felt, cutting hay and moving camp, in addition to herding. There may be mutual assistance among relatives on an informal basis. Herder households generally maintain a strong principle of “one household, one hearth.” The camps have a social function as much as an economic role, although the composition of a camp is not permanent and may vary through the seasons. For that reason, it may not be ideally suited to local development planning.

There is no real superstructure of social organizations that binds livestock herders together at a higher level, although it is common to help relatives. Herders have a keen sense of belonging to a particular area, both their bagh and the soum, and maintain a sense of privileges for grazing and watering within that area. Mongolian communities do not have a strong tradition of working together for a common cause. However, herders have been known to take joint action against certain types of problems, such as repairing and maintaining their wells. And successful herders enjoy sufficient prestige that they could lead development initiatives. In soum centres there are social organizations such as informal groups of senior citizens.
Non-governmental organizations

A number of NGOs operate in Mongolia, engaged in activities such as school building, distance education, radio broadcasting, vegetable growing, restocking schemes, breeding projects, training programmes, off-farm production, marketing activities and capacity building. Generally, though, they locate in aimag centres rather than in rural areas. Given the large number of NGOs working in Mongolia, with 3,200 registered in 2003 employing 12,000 people, it is not surprising that there is a great deal of variation in their scope of work from region to region. Because many of the NGOs have experience and networks in local areas, such as the Mongolia Women’s Federation, Mongolia Youth Federation and Mongolia Veterans’ Association, they should be considered important partners in local development. A number of NGOs and donor agencies have worked directly with herders, forming a variety of cooperatives, associations and groups for livestock, credit, repairs and other reasons. There is some concern, however, that many NGOs are heavily dependent on foreign funding.97

International organizations

Donor organizations have funded projects in rural areas to promote local development, poverty reduction and employment creation. Most are now turning to participatory approaches in local communities. Among them are the Asian Development Bank (ADB), Japan International Cooperation Agency (JICA), German Technical Cooperation Agency (GTZ), International Fund for Agricultural Development (IFAD), United Nations Development Programme (UNDP), United States International Agency for Development (USAID), the World Bank and many others. The challenge today is to harmonize contributions of donors and ensure that the benefits of foreign aid are distributed outside of Ulaanbaatar. Innovative approaches, such as the Gobi Regional Economic Growth Initiative, have gathered tremendous experience in working directly with herders.

Religious institutions

A remarkable resurgence of Buddhism in rural areas has taken place in recent years. Herders once again consult lamas to determine the auspicious days such as for moving their camp, sheering sheep and conducting business. Some have become entrepreneurs. The lamas differ from other actors by linking social issues to individual merit. They could be important partners at the community level with their views of social morality and governance issues as well as economic development. Many lamas enjoy great prestige in the local community and sometimes serve as links to a world outside of the soum.

Promoting employment opportunities in rural Mongolia
5 The development process: Key challenges and policy responses

Based on the information collected from reports, proposals and research, the remainder of this study includes suggestions for the development process, employment promotion and other aspects of decent work that include the quality as well as the quantity of jobs. Each section begins with a box of key points.

An employment strategy for the rural sector must respond to the same challenges as other components of a policy for growth and development. These include promoting decentralization, increasing participation, strengthening cooperation and building capacity.

5.1 Promoting decentralization

Promoting decentralization for employment:

- Incorporate employment policies in decentralization strategies for economic development and administrative reform.
- Develop strong institutional support for labour market policies and employment promotion measures.

The Constitution of Mongolia provides for a governance system based on democratic values and human rights. The Law on Territorial and Administrative Units and their Governance passed by the Ikh Khural in 1992 sets out the structures and functions of local governments. Decentralization policies together with regional development have received strong support.\(^{98}\) Decentralization, participation, cooperation and capacity are all parts of a strategy to replace the top-down methods with bottom-up approaches that are part of democratic processes and a market economy. Decentralization and participation were encouraged under the National Poverty Alleviation Programme. There was some success with local investment projects, revolving credit funds, small business promotion and targeted social assistance. Nevertheless, community participation and decision making at local levels were relatively weak, even with the presence of Poverty Alleviation Councils (PACs), which were established at the soum level. The 2000 Participatory Living Standards Assessment (PLSA) indicates that people considered the PACs to be weak and ineffective. This weakness was partially the result of low fiscal decentralization. The soum administration had only limited funds from self-generated revenues and inter-governmental transfers. Some of the problems that can result are outlined in Box 26. There are some exceptions, such as in areas where soum governors receive revenue from mining companies.

Without local revenues, there are constraints on local decisions. According to a World Bank appraisal report, “There is therefore a circular relationship between community participation and fiscal decentralization.” Without fiscal decentralization, local communities have little voice and influence regarding public expenditures. Inadequate participation by local communities makes fiscal decentralization less feasible. Lessons learned during the early years of transition led to the Good Governance for Human Security Programme that encourages capacity building for local administration and supports consultation, voice and participation of stakeholders. The Participatory Living Standards Assessment conducted in 2000 pointed to the importance of taking local needs, priorities and aspirations into account.99

Box 26: Soum development requires local budgets

Soum budgets are barely sufficient to pay for salaries, heating, administrative expenses and social insurance contributions. Not one tugrug therefore is spent for poverty reduction, law enforcement and government programmes. Because of an incentive structure that encourages cost cutting, soum governments save money unethically. This results in under-heating of government buildings, insufficient services to medical patients and inadequate food for school children, staff cuts and other measures that result in serious violations of human rights, such as poor access to education, health and medical services.


Another new question is how will this decentralization take place with a sparse population, great distances and limited resources? The Economic Growth Support and Poverty Reduction Strategy promotes regional development together with rural development. The challenge will be to avoid creating more layers between the capital city and the rural population, between nomadic herders and settled communities. In a sense, aimag centres may play more of an administrative role rather than an economic function, as they are not creating a large number of employment opportunities in the private sector. Many soums near Ulaanbaatar have stronger ties to the capital city than to the provincial centres. The capital of Ulaanbaatar is where people most typically have children in school and connections in business. It is where they go for visits, errands and shopping. Many of the programmes designed to reduce poverty during the 1990s did not reach down as far as the soums and baghs. To avoid repeating this mistake, one approach suggests focusing development activities directly on the herding communities and soum residents. Some services would remain at the aimag level, such as hospitals, but the focal point for community development and

99 World Bank: “Project appraisal document on a proposed credit in the amount of SDR 15 million (US$18.73 million equivalent) to Mongolia for a Sustainable Livelihoods Project in support of the first phase of the Sustainable Livelihoods Programme,” Rural Development and Natural Resources Sector Unit, East Asia and Pacific Region, 15 May 2002, pp. 9–10.
employment creation would be at the local level. It may be possible to address some of the complaints raised in the Participatory Living Standards Assessments of 2000 by giving soum authorities greater access to financial resources and offering a greater role to bagh leaders and the representative khurals.

The present number of independent soum administrations may not be sustainable and initiatives have been underway for some time to merge administrations, particularly in the less populated areas. The status of soums is also tied to strategies for livestock production and diversified production. One solution suggested by the Central Employment Office is to locate intensive production near soum centres and to combine nomadic herding with other sources of household income. The soum centres have basic infrastructure: electricity, communications, schools, shops, government administration and health care. The idea is to encourage entrepreneurship for slightly larger markets rather than widely dispersed production. The population of the centres varies across seasons; many herders reside in the centres during the winter so that their children can attend schools. In summer they follow the animals. Housing in traditional tents, or gers, is portable. One suggestion to develop rural settlements around wells and irrigation is outlined in Box 27.

Box 27: One vision for settled areas

In an interview, the head of Mongolia’s Central Employment office, Dagdan Jantsan, spoke of a turning away from the nomadic traditions of his country:

“Nature has forced us to reconsider our way of living. We must now look to more settled methods of animal husbandry. To give an example, ten Mongolian cows are equal to one ‘elite’ cow – productivity is low. Thus, we are thinking that we should produce fewer animals more productively in a settled way that also includes diversified production, such as vegetable growing. One method of doing this is to settle herders around wells. This could be combined with partnerships and cooperation for additional “joint efforts.” Thus, we are concentrating on crop production and sedentary agriculture in aimags, such as Govi-Altai and Bayankhongor, where people have lost animals. For those without any livestock left, we need to consider crop production and rehabilitate irrigation systems based on either rivers or wells. These are the priorities this year. We are looking at settled production – pigs, poultry and vegetables. The aimag governors have requested financial support from the Employment Promotion Fund and the Central Employment Office is helping. We are looking at public works and rehabilitation of irrigation through employment-intensive projects. In addition, we are considering training in aimag and soum centres.”


100 Dagdan Jantsan: Head of Central Employment Office, Interview, Ulaanbaatar, May 2002.
Promoting employment opportunities in rural Mongolia

Whatever the structures and mechanisms for delivering an employment strategy at the local level, it must fit within the broader context of strengthening decentralization in Mongolia. The Human Development Report Mongolia 2003 points to a way forward, as summarized in Box 28.

Box 28: A way forward for strengthening the decentralization process

The process of decentralization in Mongolia 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 central government and local governments.
- Encouraging meaningful public participation in local governance.
- Initiating confidence building measures to reinforce people’s faith in democracy.

Increasing participation for employment:

- Identify policy priorities and action plans for labour and employment through consultative processes and community dialogue.
- Integrate employment promotion into local development.
- Link local employment programmes to regional development and national priorities.
- Encourage associative mechanisms through which the voices of nomadic herders, local businesspersons and rural workers can be heard in debates on development and employment.
- Extend outreach and mobilize networks for nomadic herders and other workers in rural areas.

5.2 Increasing participation

Drawing people, particularly those who are poor, into processes for policy making and identifying ways to improve their livelihoods is a crucial component of the local economic development approach. A key way to increase people’s participation is to help them organize into informal associations or formal groups that can serve as a channel for their specific issues. The draft Rural Development Strategy, prepared by the Centre for Policy Research, outlines an approach for association building in rural areas, as Box 29 explains.

Box 29: Building associations in rural areas

The draft Rural Development Strategy includes the following components for better organizing herders and other rural residents to increase their participation in local government and local development and thus ultimately helping to expand opportunities for employment:

- Provide legal, organizational and financial support to the existing informal groups of herders who cooperate in risk-mitigation activities;
- Create a conducive environment for developing the informal groups of herders into formal entities, such as cooperatives and NGOs;
- Equip local government, especially bagh leaders, with community mobilization skills;
- Assess constraints and the potential of existing cooperatives and their associations and recommend solutions for addressing the constraints; and
- Design and conduct training for building capacities of informal groups of herders to cope with risks, organize marketing and deliver social services, focusing on the demonstration of pilot activities.

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Civil society can assist the government to implement a wide range of development programmes, especially at the grassroots level. Special attention should be paid to improving cooperation among government offices, private sector and civil society and creating possibilities for further collaboration toward accomplishing the common goal in poverty reduction. Potential stakeholders at the soum level are representative councils, government institutions, employers’ organizations, trade unions, social organizations, NGOs, international organizations and religious institutions. NGOs in Mongolia appear ready to play a greater role at the grassroots level, as Box 30 explains. Activities can be broadened to combine poverty reduction, local development and employment promotion.

**Box 30: NGO vision on poverty reduction: Civil society participation**

The following are recommended measures to ensure civil society participation in local economic development:

- The government should include civil society in the decision-making process for developing and implementing poverty action plans.
- Local communities and NGOs should participate in the implementation of poverty reduction programmes in their areas.
- Capacity-building programmes to improve knowledge and skills for effective implementation should be provided to civil society and local communities.
- Research and seminars on poverty-related issues should be conducted.


Under a Rural Poverty Reduction Programme, supported by the International Fund for Agricultural Development, rangeland management and monitoring committees are used to encourage participation at the local community level, as Box 31 describes.
To develop this approach, participatory rural training workshops were conducted initially with additional training sessions offered in the stages leading up to the establishment of the rangeland management and monitoring committees at the local community level. The committees will have the tasks of: (i) bringing together members of the community to discuss and prioritize investment options for the area; (ii) formulating the local natural resource management map and the associated overall development plans; (iii) disseminating information about the Rural Poverty Reduction Programme activities to all households; (iv) monitoring the programme implementation and its impact on the population; (v) overseeing loan disbursement, supervision and recovery in the interest of the community; and (vi) ensuring that activities are properly targeted and progress is monitored.


Member-driven community organizations empower entrepreneurs and workers to participate in economic progress by developing small enterprises and creating job opportunities. Many of the obstacles that small and micro enterprises face are directly related to the inability or impossibility of the entrepreneurs and their workers to act collectively. Despite their substantial share in national job creation, small entrepreneurs often do not have adequate channels of representation to voice their concerns and aspirations and to influence policy decisions in their favour. They often lack the means of networking to pool resources so as to widen market opportunities and improve enterprise competitiveness.

For the most part, workers in small and micro enterprises also lack mechanisms for representation. The prevalence of informal relationships or family ties with the employers and the absence of established counterparts with whom to negotiate are just a couple of the most common obstacles hampering workers’ organization in these enterprises. The ILO supports employers’ organizations and trade unions through its tripartite structure. It also has worked closely with cooperatives over the years. Recently, it has begun to develop guides and manuals for association building as part of its programme for boosting employment through small enterprise development, as explained in Box 32.
Box 32: ILO association building for small enterprise development

ILO work on association building aims to:

• Enhance the capacity of small enterprises and their workers to build their own representative associations that, in full respect for the principles of independence and democracy, act primarily to pursue the economic self-reliance of their members;
• Promote gender mainstreaming in associations of small enterprises and their workers by securing far greater representation of women in their own decision-making structures and bodies and more gender-sensitive policies and programmes;
• Increase the representation of small enterprises and their workers in employers’ associations and trade unions;
• Improve the ability of organizations of small enterprises and their workers to provide relevant economic and social services to their members;
• Help these organizations improve networking, linkages and interaction with market stakeholders and government institutions;
• Assist trade unions and employers’ associations in reaching out to small enterprises and their workers and better cater to their needs;
• Identify and help remove policy and regulatory obstacles that hinder organization and representation security in small enterprises; and
• Foster mechanisms for broad-based social dialogue including small enterprises and their workers.


From the past 15 years of working with small business associations, the ILO has developed an approach to improve association building and participation that is based on the following principles:

• Building on existing networks and self-help initiatives;
• Identifying associations through partners that have local roots and enjoy trust;
• Introducing resource sharing from the start;
• Allowing group-building processes the time they need;
• Making provisions for addressing gender issues; and
• Seeking long-term commitments from partners and support agencies.

More specifically, the ILO has developed a guide to managing small business associations, as described in Box 33. It is designed to help leaders of new and existing associations of micro, small and medium businesses expand their capabilities by first understanding the reasons for developing an association and then by helping them to: identify needs and problems of their members, develop appropriate activities and services for their associations, negotiate with the government, participate in the formulation and implementation of policies, manage their associations and plan strategically so as to expand their membership. This guide is being translated and
adapted by the ILO project in Mongolia on “Informal economy, poverty and employment: An integrated strategy” that is part of a global programme. The project in Mongolia grew out of an ILO/UNDP policy paper on The informal sector in Mongolia: Profiles, needs and strategies, which was presented at the National Employment Conference in 2001 and the National Conference on the Informal Economy in 2002. The project promotes representation and voice by helping employers’ organizations and trade unions to extend membership and services in the informal economy; it also encourages and supports the creation of other member-based representative organizations.

Box 33: Guide to managing small business associations: Contents of ILO training package

- **Introduction** – explains why small business associations are important and introduces the basic concepts and training materials.
- **Promoting small business associations** – describes small business associations and how members participate; explains social capital; and outlines the life cycle of small business associations.
- **Delivering services to members** – discusses how small business associations decide on services; explains steps to develop a savings and credit scheme; covers business advice and extension services; introduces other topics such as training courses, commercial activities, business linkages, advocacy measures and social services as well as joint management of premises and equipment.
- **Managing small business associations** – offers suggestions for developing the organization through leadership, communication and negotiations; and covers financial management and mobilizing funds.
- **Small business association’s growth and outreach** – introduces SWOT analysis of strengths, weaknesses, opportunities and threats; covers strategies for membership, stakeholders, federations, unions, networks and growth; explains the preparation of proposals; and deals with monitoring and evaluation of projects.


Associations of workers can empower women workers in the informal economy. For example, in 1998 trade unionists and informal workers in the Philippines established Women Workers Aiming at Freedom (Makalaya) to develop women’s leadership skills, strengthen women’s role in mixed organizations and organize women in informal work. Makalaya operates as a pressure group both inside and outside of the trade union movement. In rural areas, it takes care of collecting the social security contributions of its members and paying them to the local government. It also works in partnership with local governments to develop micro credit schemes, provide non-financial inputs and encourage the formation of cooperatives. In Mongolia, the trade unions have been working to organize women working in the informal economy in several ways. In

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some cases, a union or federation extends the scope of its attention to include workers in informal employment. In others, workers have set up their own unions.\footnote{ICFTU: “The informal economy: Women on the front line,” \textit{Trade Union World Briefing}, No. 2, March 2004, p. 16.}

Some of the main networks of trade unions and NGOs working with informal women workers globally are listed in Box 34, with contact details for more information provided.

**Box 34: Trade unions and NGOs: Organizing women informal workers**

- **SEWA** (Self Employed Workers Association) is a trade union, a women’s movement and a cooperative movement in India. Founded by Ela Bhatt in 1972, SEWA organizes home-based workers, street vendors and self-employed women and relies particularly on the formation of cooperatives to increase their market access. SEWA has also set up support services, such as a credit and savings bank as well as insurance and social security schemes. More information is available at http://www.sewa.org.

- **SEWU** (Self-Employed Women’s Union) is a trade union focusing on street workers. Founded in South Africa in 1993, it serves as the head of StreetNet International and is affiliated to Union Network International (UNI). For more information see http://www.voices.org/sewu.

- **WIEGO** (Women in Informal Employment, Globalizing and Organizing) is an umbrella organization bringing together trade unions, educational institutions, NGOs and international organizations. The founding members of WIEGO are SEWA, SEWU, HomeNet and StreetNet. For additional information, see: http://www.wiego.org.

- **HomeNet International** is a network of trade unions and NGOs dealing with home workers. Founded in 1994, it is based in the United Kingdom. HomeNet organizations exist in South and Southeast Asia. For more information, see: http://www.homenetworksww.org.uk.

- **StreetNet International** is an international organization of groups targeting street vendors, vendors’ associations, municipal authorities and international organizations that aim to strengthen and expand member-based organizations of market vendors. Set up in South Africa in 1995, it covers 11 countries. More information can be found at http://www.streetnet.org.za.

- **RESPECT** (Rights, Equality, Solidarity, Power in Europe and Cooperation Today) is a European network of migrant domestic workers set up in 1998. It is supported by an alliance of NGOs linked to labour and the trade union movement stemming from the action of a British association called Kalayaan Justice for Overseas Domestic Workers. For more information, see: http://ourworld.compuserve.com/homepages/kalayaan and http://www.solidar.org/doclist.asp?SectionID=9

5.3 Strengthening cooperation

Cooperatives are associations of people who join together to meet common needs. The types of cooperation depend on the kind of needs – marketing, producer, service, financial, worker, multipurpose and other cooperatives. Special cooperatives respond to grassroots organizations for local development. The potential of cooperatives for employment promotion and social protection has been recognized for some time in Mongolia.

Any attempt to meet the employment and poverty challenge must include greater job creation and enhanced agricultural productivity. “Cooperatives empower people by enabling even the poorest segments of the population to participate in economic progress,” states the ILO Director-General in a report on Working out of poverty. “They create job opportunities for those who have skills but little or no capital; and they provide protection by organizing mutual help in communities. Furthermore, by creating a platform for local development initiatives, they bring together a range of community institutions to foster opportunities for decent work and social inclusion. Cooperative members learn from each other, innovate together and, by increasing control over livelihoods, restore the dignity that the experience of poverty destroys.”

The ILO views cooperatives as important for improving the living and working conditions of women and men as well as making essential infrastructure and services available in areas neglected by the government and enterprises. Cooperatives have the potential to advance the ILO concept of decent work because they:

- Promote fundamental principles and rights at work by encouraging freedom of association and workplace democracy;
- Create greater opportunities for women and men to secure decent employment and income by enabling their members to combine resources, skills and talents;
- Enhance the coverage and effectiveness of social protection by providing the socially excluded with basic social services; and
- Strengthen tripartism and social dialogue by defending the interests of the rural poor and unprotected workers.104

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Cooperatives have been effective in upgrading and linking marginal jobs and unprotected work in the informal economy and rural areas to the mainstream economy. The ILO Promotion of Cooperatives Recommendation, 2002 (No. 193) anchors cooperative organizations in the private sector while reaffirming their democratic identity and close links with the social partners. The Recommendation calls upon governments to provide a supportive policy and legal framework guided by values and principles of cooperatives. It states that cooperatives should be treated on terms no less favourable than those accorded to other forms of business enterprise and social organization in accordance with the law. Governments should introduce support measures, where appropriate, for specific policies such as for employment promotion, disadvantaged groups or specific regions. Such measures may include tax benefits, loans and grants together with access to public works programmes and special procurement provisions. Special consideration should be given to increasing women’s participation in the cooperative movement at all levels, particularly in management positions and at leadership levels.

Box 35: Promoting the potential of cooperatives

Measures should be adopted to promote the potential of cooperatives in order to assist them and their membership to:

- Create and develop income-generating activities and sustainable decent employment;
- Develop human resource capacities and knowledge of the values, advantages and benefits of the cooperative movement through education and training;
- Develop their business potential, including entrepreneurial and managerial capacities;
- Strengthen their competitiveness as well as gain access to markets and to institutional finance;
- Increase savings and investment;
- Improve social and economic well-being, taking into account the need to eliminate all forms of discrimination;
- Contribute to sustainable human development; and
- Establish and expand a viable and dynamic distinctive sector of the economy, which includes cooperatives, that responds to the social and economic needs of the community.


Another part of the local economic development process in Mongolia would be to promote and develop cooperatives that either build on existing forms of voluntary cooperation or create new structures to meet the local demands for farming and business. This would involve identifying forms of cooperation that already exist. Within the ail or khot ail, for example, there are forms of labour sharing among the several households camping together. These involve such tasks as milking mares, making hay, sheering sheep and combing cashmere. Other shared tasks are moving camp and taking livestock to salt pans. This sharing of tasks could be the seed leading to growth of a larger structure that tends to the greater interests of the families living together.

The recent series of droughts and dzuds has brought greater awareness and new incentives for people in rural areas to work together in groups – both in herding and non-herding activities and for livelihood strategies as well as business enterprises. The current emphasis is on providing employment opportunities and improving living standards for rural communities. This approach is consistent with the broad initiatives and integrated strategies that are espoused by the government.

Informal forms of herder cooperation include herders’ associations that are usually organized by experienced herders who are entrepreneurial individuals with common tasks and opportunities, such as marketing products, maintaining wells, repairing shelters and sharing tools. Poor households are more likely to be accepted if they can offer specific skills.106

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**Box 36: Proposed solutions from UNDP project: Strengthening cooperation among livestock herders**

<table>
<thead>
<tr>
<th>Problem</th>
<th>Proposed solutions</th>
<th>Expected outputs</th>
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<tbody>
<tr>
<td>• There is weak cooperation among herders.</td>
<td>• Identify existing types of cooperation among herders.</td>
<td>• Collective action among herders.</td>
</tr>
<tr>
<td>• Although herders understand benefits of cooperation, they lack experience about how to go about it.</td>
<td>• Encourage move toward more formal institutional structure using participatory methods and appropriate training among herders and communities.</td>
<td>• Greater willingness among herders to cooperate.</td>
</tr>
<tr>
<td></td>
<td>• Encourage cooperating group in joint herding and non-herding activities.</td>
<td>• Herders able to deal more effectively with government, business, NGOs and other citizens.</td>
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</tbody>
</table>


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Steps taken to improve cooperation must build on the participation of local communities in proposing joint solutions for common problems. For example, the UNDP project on Sustainable Grassland Management has identified processes and outputs for strengthening cooperation, as Box 36 explains.

There is a huge challenge in replicating strategies from the bottom up rather than top down while making certain that the sharing of lessons learned and good practices from one area to another across regions, aimags, soums and baghs remains part of a grassroots process. Based on their past experience with collectivization and privatization, herders are wary of structures imposed from outside. A lesson from the Vulnerable Groups Organizations under the National Poverty Alleviation Programme is that strong associations rely on their own initiative. Otherwise, there is a risk that groups become channels for receiving funds but with only their leaders reaping the benefits.\(^{107}\)

**Box 37: Interview with the Chairman of the National Federation of Agricultural Cooperatives**

In commenting about the future of cooperatives in Mongolia, the Chairman of the National Federation of Agricultural Cooperatives, Mr. Batmunkh, remarked that interventions and measures are only in targeted aimags and do not cover the whole country. “It is important that there be some overall coordination by the government,” cautioned Mr. Batmunkh. “Once a project has proved successful, there is a tendency to replicate the approach in other areas by direct application of the project idea without using a bottom-up strategy.”

Source: Interview with Batmunkh, Chairman, National Federation of Agricultural Cooperatives, Ulaanbaatar, May 2002.

According to the Centre for Policy Research in its draft Rural Development Strategy, “The existing behaviour of herders, which is to maximize livestock numbers and which is a rational choice for herders in the existing incentive structure, is the primary challenge for putting the industry on a sustainable path of development. Herders need to be encouraged to adopt more sustainable strategies of income generation, namely, building their own capacity to mitigate risks, improve productivity and start alternative businesses. However, it is difficult for herders to engage in those activities within the existing industry organization in which households that are too small to be economic units are scattered over a huge territory. First, launching those activities requires certain capital and labour resources, which the subsistence small households cannot provide. Second, because the household enterprises are widely scattered, the cost of delivering services to herders is high, making low return per unit cost. This also applies to the delivery of social services to herders. Therefore, enhancing

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collective actions among herders through strengthening the traditional customary arrangements is a key to achieving the above objectives. Currently, herders having less than 200 animals are said to be underemployed. Some herders have already realized the situation and started informal cooperation with relatives and neighbours for seasonal migration, preparing hay and marketing livestock products. Supporting this type of cooperation is the most promising way to promote cooperation among herders. Experiences of the government and donor efforts to promote herders cooperatives show that there is a need to evaluate thoroughly why herders are not willing to establish formal coops and create an environment conducive to cooperative development.108

An earlier study conducted by the Government of Mongolia and the Japan International Cooperation Agency identified several areas for development of agricultural cooperatives: sales, purchases, production, processing, training, information and social services.109 The Mongolian Cooperatives Network, supported by GTZ, is assisting the development of a commercially successful cooperative sector through small and medium enterprise development. The purpose is to support members with market access, timely information and promotional services related to taxes, regulations, goods, services and finance. It facilitates an exchange of views about cooperative policy, providing answers to questions from online consultants. The network maintains a web site directed to the needs of leaders, managers and members of cooperatives, business partners, cooperative enterprises, cooperative associations, policy makers, public administrators and international cooperation projects.110

The Mongolian Cooperative Training and Information Centre supports sector associations, such as agricultural, consumer, industrial and credit and savings cooperatives. The Centre provides training and assistance for starting and strengthening cooperatives. Courses include management and bookkeeping. The ADB works with the training centre as part of a project for credit and savings cooperatives. The ILO Start and Improve Your Business (SIYB) project provides support for strengthening entrepreneurship in cooperatives.111

5.4 Building capacity

Building capacity for employment:

- Incorporate capacity building into all policies, programmes and projects.
- Organize training of trainers for technical work related to rural employment.
- Provide opportunities for sharing experience and knowledge through visits of groups to other baghs, soums and aimags.
- Support capacity building for government officials, employers’ organizations, workers’ organizations, community leaders, herders’ organizations, cooperatives and NGOs at the national, aimag, soum and bagh levels.

Given the immense territories and sparse populations of rural soums, local governments are facing enormous difficulties in reaching out to constituent groups. Local governments already have considerable responsibilities. For example, annual collections of statistical material, livestock counts for taxation purposes, common registration of births, deaths, marriages, migration and so forth and reporting to higher levels of government are heavy enough burdens for a relatively small staff with limited computer access. Participating in various central government programmes and keeping updated on new laws and regulations are frequently beyond the capacity of smaller administrations in soum centres. Yet improvements are possible even with a limited number of staff.

The Sustainable Livelihoods Project has a special component on project management and policy support. Under the National Committee on the Household Livelihoods Capacity Support Programme, the Household Livelihoods Support Programme Office has overall responsibility with executing agencies at aimag and soum levels through the Household Livelihoods Support Councils. The programme office assumes responsibility for operational costs associated with the project, including vehicles, equipment, recurrent costs and incremental staff hired as long-term consultants on fixed-term contracts at the central, aimag and soum levels. Capacity building takes the form of technical assistance to develop institutional capability in generating inputs for policy development and legislative reforms, information dissemination and communication channels, project orientation workshops and training, monitoring and evaluation, and auditing.

The Ministry of Social Welfare and Labour has identified approaches to raising the capacity of its staff, as outlined in Box 38. In terms of rural development, planned activities involve bringing staff from the soum level to the aimag centre and the capital city to be trained in skills related to planning, organizing, monitoring, evaluation and teamwork. The training includes using information and analysis for policy and programmes.

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112 World Bank: “Project appraisal document on a proposed credit in the amount of SDR 15.00 million (US$18.73 million equivalent) to Mongolia for a Sustainable Livelihoods Project in support of the first phase of the Sustainable Livelihoods Programme,” Rural Development and Natural Resources Sector Unit, East Asia and Pacific Region, 15 May 2002, p. 18.
Box 38: Approaches to building capacity

The Social Security Sector Strategy Paper of the Ministry of Social Welfare and Labour outlines the following activities for capacity building:

- Analyse and draw conclusions from information and research results.
- Develop policy, programmes and guidelines for methodology.
- Plan and organize activities.
- Strengthen systems for monitoring and research, assessment and evaluation.
- Communicate with the general public.
- Establish contacts and work in teams.
- Make effective use of information and communication.


There are several initiatives to build the capacity of local government to deal with the increased responsibility of decentralization and participation. For example, the Asia Foundation has conducted activities that support citizen’s participation in local government through community dialogue and training programmes, as Box 39 explains.
Box 39: Asia Foundation and capacity building for local development

The Asia Foundation in Mongolia focuses on transparent and accountable democratic and economic governance, women’s security and political participation, and enhanced regional relations. Through grants, technical support, research and exchanges, the Asia Foundation works with local partner organizations to further the country’s efforts at political and economic reform. Programmes seek to: promote greater public accountability at the national and local levels and broader public participation across gender, age and political lines; reform the regulatory environment for accelerated private sector development; and enhance understanding of Mongolia’s positions in both the region and the world.

**Civil society and democratic governance** – The Asia Foundation’s programmes have helped to strengthen the non-government sector and increase accountability and transparency at the national and local levels. The *Blueprint on NGO development* document is the product of consensus among urban and rural NGOs on concrete steps to improve NGO effectiveness, while a financial sustainability workshop, organized with Peace Winds Japan, introduced new concepts for NGO sustainability.

**Conflict resolution** – A research team supported by the Asia Foundation recommended formation of local level land dispute committees to resolve the growing number of conflicts among rural herders. Government officials and herders endorsed the research recommendations and a committee in an outlying area of Ulaanbaatar resolved a major land dispute using the conflict resolution guidelines. Other communities have expressed interest in forming committees. With support from the Asia Foundation, the Ministry of Agriculture distributed the *Conflict resolution handbook* to aimag officials throughout the country.

**Women’s security** – The Asia Foundation has supported the Mongolian National Centre Against Violence and the Mongolian Women Lawyers Association in their efforts to establish a law on domestic violence. The Asia Foundation also supports the Centre for Human Rights and Development to conduct research and analysis on laws and policies related to the emerging problem of trafficking of Mongolian women and children.

**Women’s political participation** – A Women for Social Progress study on local legislative procedures for citizen access recommended changes to increase local legislature accountability. The Asia Foundation supported programmes to strengthen women’s participation and recognition of their rights under Mongolian and international law. Support for programmes in parliamentary and local elections encouraged women to improve campaign strategies and raised awareness among voters about women candidates.

6  Employment strategy

In addition to recommendations for placing employment promotion at the centre of the development process, this report contains specific suggestions for an employment strategy in rural Mongolia. The following components of policies, programmes and projects can be used in an integrated approach for local economic development to provide more and better jobs to men and women in rural areas. They aim to create jobs, raise productivity and increase incomes. The recommendations include strengthening public employment services, promoting business and entrepreneurship, providing financial services, enhancing employability, creating employment through public works and community services, improving information, and strengthening the process of monitoring and evaluation. Suggested actions are presented in the boxes at the beginning of each section.

6.1  Strengthening public employment services

Employment promotion through public employment services:

• Facilitate local economic development for employment promotion at the soum level.
• Expand and improve the range of labour market services offered in aimags and soums.
• Provide services for guidance and counselling, placement and training.
• Organize and coordinate direct job creation through public works and community services under the Employment Promotion Fund with projects undertaken using other resources, such as the Local Development Fund and Local Initiatives Fund.
• Supply relevant information about employment policies, labour markets, business opportunities and training programmes.
• Provide training programmes that respond to the needs of special groups such as people with disabilities, mainstreaming training activities as much as possible.
• Facilitate community-based training for local economic development.
• Disseminate all kinds of information necessary for wage employment and self-employment in livestock herding, crop production and business enterprises.

In Mongolia, the Central Employment Office is responsible for implementing the Employment Promotion Law and other legislation related to reducing unemployment and promoting employment. Its role is to ensure implementation of policies and legislation, carry out active labour market policies and promote employment. The employment office is responsible for activities organized at the national level, capital city, aimag offices and soum administrations. It acts with advice from the tripartite National Employment Council and a cabinet member responsible for social welfare and labour issues. Regarding employment promotion in the rural sector, the Central Employment Office allocates the Employment Promotion Fund, provides guidance to local employment offices, coordinates activities for employment promotion with government agencies and NGOs and cooperates with employers’ organizations and trade unions.
Promoting employment opportunities in rural Mongolia

Employment services can include both traditional methods and innovative ways to help rural people find more and better jobs. For example, an employment strategy for the rural sector can make use of the Employment Promotion Fund through aimag offices for employment promotion at local levels. The fund is intended to provide a range of services, as outlined in Box 40, that move people from unemployment and underemployment into productive work.

**Box 40: Using the Employment Promotion Fund to provide key services that move people into productive work**

- Vocational guidance and counselling
- Labour market information
- Training and retraining
- Entrepreneurial skills for self-employment
- Public works for job creation
- Business support for self-employment, partnerships and cooperatives
- Payment of unemployment benefits from insurance contributions
- Other employment promotion measures


Employment services can be extended from the Central Employment Office in Ulaanbaatar to employment offices in aimag centres as well as to the government officer for social policy at the soum level responsible for social welfare, employment programmes and poverty issues. Regional development plans can be communicated by aimag officials to the soum government.

**Figure 13: Structure for extending employment services to rural areas**
Employment promotion requires integrated strategies. An advisory group such as the National Employment Council, which involves line ministries, parliamentary committees, social partners, NGOs and other stakeholders, can ensure that employment policies are integrated into a coherent framework. It can identify policies and suggest reform for the employment components of the national development plans, poverty reduction strategy, rural development strategy, employment promotion programme, informal economy policy, regional development plans, herders’ livelihood support and other national policies and initiatives related to employment issues. It also can help mainstream gender sensitivity and efforts to respond to the needs of people with disabilities throughout government, including into policies and programmes.

Employment promotion is not limited to linking job seekers to job vacancies but includes information, training and support for business development and the informal economy. This also involves legislative review and capacity building. Service centres for aimags or soums offer great potential as a “one-stop-shop” for all the needs in seeking either wage or self employment: listing job opportunities, coordinating labour market information, implementing labour market policies and offering counselling services, training programmes, social security and social assistance. Service centres also can facilitate consultations among key stakeholders for local economic development.

**Box 41: Service centres as one-stop-shops**

One-stop-shops in service centres can include training (vocational skills, managerial techniques, confidence building and business skills), opportunities (market-oriented business ideas), planning (business plans including finance schemes), finance (financial support services including facilitation for remittances and transfers), information (legal requirements, administrative regulations, business subsidies, social security, and other), marketing (subcontracting arrangements, export linkages, product exhibition, and so forth), counselling (programme staff or role models to provide advice and services), legislation (laws and regulations that support rather than discourage women and men from undertaking viable business opportunities) and participation (all aspects of business may be enhanced by group formation).


There is a critical need to include people facing barriers such as those with disabilities through employment services by providing skills training and business support. The recommended approach is to include people with disabilities into the provision of services for all people, such as the programme of the Norwegian Lutheran Mission, explained in Box 42, which in 1995 began designing mainstream vocational training programmes that include people with disabilities.
Box 42: Including people with disabilities in mainstream training programmes

Beginning in 1995, the Norwegian Lutheran Mission (NLM) reached out and began integrating people with disabilities into its newly established training courses to help rural residents in Mongolia develop income-generating projects. It was a first for Mongolia – and even for much of the developing world. Its success is largely related to recognizing the obvious: With most herding families in Mongolia tending sheep and goats, raw wool is plentiful, but it is often sold at low prices for export. Wool processing and the production of woolen goods can generate higher incomes. Accordingly, NLM set up animal husbandry and wool processing facilities in its two regional projects, one of which operates in partnership with the government’s State Social Welfare Agency. Aside from taking advantage of a national resource, NLM’s creation of an easily accessible centre and the active recruitment of people with disabilities have spelled success. “It is hard to be disabled in Mongolia,” says Eva-Synneve Dickson Lid, an NLM consultant. “People with disabilities are often left out.”

Source: Excerpted from Debra A. Perry, Editor: Moving forward toward decent work for people with disabilities: Examples of good practices in vocational training and employment from Asia and the Pacific, Bangkok, ILO Regional Office for Asia and the Pacific, 2003, pp. 146–147.

The function of sharing information and experiences can be placed in employment offices of aimag centres that also can serve as mobile units that would then provide employment “updates” and training materials to rural people in soums and baghs. Information and communication technology can keep the aimag offices connected with the Central Employment Office and the Ministry of Social Welfare and Labour in Ulaanbaatar. This system eventually can be extended to the soum centres.

Box 43: Information dissemination through employment services

As a one-stop-shop, the employment office should be able to provide the following information to soum officials, bagh leaders and civil society:

- Government policies, programmes and projects for poverty reduction and employment promotion
- Local economic development “tool kit”
- Key legislation relating to labour markets and employment promotion
- Programmes and projects to promote entrepreneurship and support business
- Information about financial services that are available
- Opportunities for training and retraining
- Changes in household registration
- Price information for production inputs, consumer goods and agricultural products
with information offices placed, for example, in central locations such as the community halls, cultural palaces or soum schools that can then disseminate information to local leaders and the general public.

In terms of a one-stop-shop approach, the soum centres can provide information and services useful for livestock production and the informal economy, such as weather conditions, agricultural prices, restocking programmes, extension services, distribution networks and storage facilities. This approach can provide special support for livestock herders and the informal economy through livelihood support, vocational training and capacity building. The soum service centre also can assist herders in accessing markets and developing cooperatives. It can ensure that activities affecting land use and water resources are environmentally sustainable. Entrepreneurs can be supported through skills development and business incubators. Employment services may be financed through the Employment Promotion Fund, local resources and donor support.

It would be useful to compile an inventory of services already provided through various agencies to rural areas and then suggest ways to strengthen links between employment services provided by the soum service centres and the National Employment Promotion Programme, the Sustainable Livelihoods Programme, Rural Development Strategy, Herders' Livelihood Support Programme and other initiatives for employment promotion, regional development and poverty reduction.

Both the Ministry of Industry and Trade and the Ministry of Food and Agriculture have programmes in rural areas to support production units – small enterprises and herding households – as well as to provide training, support and loans to entrepreneurs and herders. It would be useful to prepare materials that employment offices in aimags can share with women and men in soums and baghs through local government officials, mobile employment services, soum service centres and Local Economic Development Councils.
Promoting employment opportunities in rural Mongolia

Figure 14: Some institutional links for providing services for employment

- Ministry of Industry and Trade
- Ministry of Social Welfare and Labour
- Ministry of Food and Agriculture

Aimag employment office
- Information centre
- Counselling services
- Job placement
- Training courses
- Business incubator
- Equipment rental

Soum administration

Local Economic Development Council

Soum service centres
6.2 Promoting business and entrepreneurship

Employment promotion through business and entrepreneurship:

- Promote innovation and entrepreneurship for job creation through enterprise development.
- Identify feasible business ideas through local economic development.
- Provide information about training for business start-ups and enterprise expansion.
- Encourage the provision of financial services at soum level.
- Provide information about business development services.
- Promote inter-firm networks and self-help associations.
- Facilitate the exchange of experience among aimags and soums.

During the first decade after the socialist period, Mongolia moved toward a market economy and implemented policies for sustainable growth and poverty reduction. Now in its medium-term strategy, the government aims to accelerate private sector-led growth. A further goal of the Economic Growth Support and Poverty Reduction Strategy is to distribute the benefits of growth more equally with a pro-poor focus. In doing so, greater efforts must be made to include nomadic herders, small farmers and the informal economy in development plans. The growth strategy is to provide macroeconomic stability, improve the business climate and enhance human capital. It also addresses issues of governance.113

While development of the private sector and small enterprises is an essential part of any strategy for the rural sector, there appear to be opposing points of view about what to offer rural people as employment opportunities. One opinion sees small enterprises useful in providing employment to herders who have lost their animals. Enterprise start-ups support poverty reduction and survival strategies can be turned into a development process. This means creating opportunities for people who are poor and enabling them to respond to these opportunities. The poor are both the purpose and the means for development under pro-poor growth. According to a UNDP report, “When the poor account for more than a third of the entire population, as in Mongolia, there is no sensible alternative. Moreover, the response of the poor to the transition crisis shows that they are energetic, imaginative and talented, surely capable of making a major contribution to the development of their own country.”114

The counter view is that not everyone can be trained to become an entrepreneur. Thus, it may be more useful to support existing enterprises to improve productivity, raise income and create employment than to encourage job seekers and underemployed

herders to start their own businesses. In this case, the emphasis would be on supporting successful businesses to expand their operations. An employment policy for the rural sector might consider both approaches.

Another strategy would be to focus on the “missing middle,” or those entrepreneurs and ventures with the potential for developing into businesses that are sustainable and productive but risk failure without additional support. Assistance may be provided through integrated programmes in rural areas outlined through community participation strategies for local economic development. Part of this approach is to reduce obstacles to business expansion, such as taxes, fines, fees and regulations of small businesses. Some of these were identified by an ILO/UNDP study of the informal economy in Mongolia. The challenges and troubles workers within the informal economy experience in their daily bid to make a living listed in Box 44 are enough to warrant actions to remove barriers and provide support to entrepreneurs and businesses.

A number of constraints to the development of the private sector have been raised by the business community relating to taxes, customs, accounting standards, the banking system, access to land, licensing and inspection, the legal environment and the judicial system. Established channels for marketing and information broke down when the livestock cooperatives and state farms were dismantled.

In addition, basic infrastructure, including roads and bridges, has fallen into disrepair. The result has been growth in subsistence production, in-kind payments and barter trade. A lack of price differentials to encourage value added for raw materials has contributed to low productivity and poor quality. Meat products also suffer from lack of standards. Processing plants have used procuring agents with monopsonistic power in rural markets. Herders in isolated locations with few animals to sell lack market power and rely on barter trade. Compounding the difficulties is the highly seasonal nature of marketing agricultural products. Cashmere is combed in spring and animals are slaughtered in autumn. Wool is sheared in July and wheat is harvested in September. Agricultural processors thus require large amounts of operating capital at peak periods.


ADB: “Report and recommendation of the president to the board of directors on proposed loans and technical assistance grant to Mongolia for the Agriculture Sector Development Programme,” (RRP: MON 31212), November 2000, p. 7.
Excerpts from case stories of workers’ lives in the informal sector reveal a range of difficulties in Mongolia:

- “The police harass us home-made food vendors. We’re only fighting to live and survive.”
- “I sell soap, detergents and shampoo in the market, but the Narantuil Market administration works with a lot of bureaucracy. They hassle us by demanding hygiene certificates and record books. Whenever something happens, they rush to fine us and threaten us to confiscate our goods or storage. They’re very tough on us.”
- “I’ve opened an ice cream shop. The main difficulty we face is the bureaucratic hierarchy for licenses and permits.”
- “My job is to sell fruit and vegetables on the street. Of course, I bribed the authority to get a good location.”
- “Together with my family we sell girls’ clothes, hair accessories and fashion jewellery purchased in Beijing. How much duty we pay in bringing goods from China depends solely on the customs officer of the day.”
- “I import spare car parts from Russia and the customs officer requires us to pay a bribe every time we cross the border.”
- “I do all types of shoe repair. Very often low-ranking policemen come and fine me without any reason. For example, if I’m busy with other customers they threaten to fine or hit me. Some of them don’t even pay for the services provided.”
- “I have permission from the Tesiin Gol Market administration to sell flour in Uliastai in Zavkhan aimag. I have to give a sample of the flour to the hygiene authority each time it arrives so I can get permission to sell it. I also pay a daily tax. I really don’t understand what this tax is for.”
- “After I retired from the army I set up a pawnshop. The greatest difficulty in getting started was obtaining the license. So far I haven’t faced many problems. But the district authorities sometimes visit us to collect contributions. They don’t give us any idea about where the money goes.”
- “Although I receive a pension as a retired medical doctor, I could not make ends meet, so I started a credit service. I went through lengthy and bureaucratic procedures to get the business started. This included obtaining a business registration and a company seal which involved various payments. Though it’s not clear what these payments are for, to me they’re just the sale of paper.”

Source: Excerpts from case studies, ILO/UNDP SPPD on the informal sector in Mongolia in Elizabeth Morris: *The informal sector in Mongolia: Profiles, needs, and strategies*, Bangkok, ILO East Asia Multidisciplinary Advisory Team, 2001, p. 41.
The Economic Growth Support and Poverty Reduction Strategy outlines measures to create a favourable operating environment for business. These include legal reforms, infrastructure development, increased investment, market access, regional development and rural development.\textsuperscript{117}

Some people in rural areas have turned obstacles into opportunities. This is the case of traders, such as one described in Box 45, who travel long distances to sell animal products in Ulaanbaatar where they purchase consumer goods and production inputs for sale in rural areas.

Other traders take advantage of the breakdown in local markets for animal products. Box 46 presents a case study illustrating how a resident of Khentii left his government job to trade in animal skins. His earnings supplement those of his wife who works in the informal economy.

Box 46: Animal skins trade between Khentii and Ulaanbaatar

“I’m 37 years old with an incomplete secondary education. I live with my wife and two daughters in the ger district of Khentii aimag. I’m an animal skin dealer. I worked in a government office until 1998, when I left the job because the salary was not enough to live on. I started my business with 100,000 tugrugs saved from my wife’s business selling goods at a counter in the informal economy. In the beginning, I didn’t have difficulties with local authorities. The only problem was my lack of experience in this field. At times I bought bad skins and was forced to sell them at lower prices in Ulaanbaatar.

“We’re supposed to run our business inside the fenced area. There was a sign saying ‘Raw Materials Buying Centre’ attached to a fence and traders pay 4,000 tugrugs per month to the inspection agency. However, middlemen buy skins before people bring them in, so all dealers wait outside the fence and nobody pays the tax. Inspectors from the agency come once a month and demand that we pay the monthly tax and run our business in the permitted area. Sometimes they confiscate our raw materials, if we don’t pay the tax. In this case, we have to pay it in order to get our goods back. Once I was fined 10,000 tugrugs. The business is becoming more competitive. People want to sell the raw materials themselves and avoid the dealers. Raw materials dealers are generally men in their twenties and thirties. The business is quite risky and not very hygienic. But at the same time, it brings a good profit.”


In its project on Sustainable Grassland Management, UNDP analysed problems and solutions (Box 47) for some of the challenges faced by herdsmen in processing and marketing livestock products.
### Box 47: Proposed solutions from UNDP project: Processing and transporting of livestock products

<table>
<thead>
<tr>
<th>Problem</th>
<th>Proposed Solutions</th>
<th>Expected Outputs</th>
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<tbody>
<tr>
<td>Little market information.</td>
<td>Train herders how to access timely reliable market information and goods markets.</td>
<td>Improved access to information and markets will increase herders’ ability to receive a fair price for livestock products.</td>
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<td>Subsistence nature of household economies – more products go to households’ own consumption.</td>
<td>Assist communities to establish channels to collect and sell products.</td>
<td>Enhanced bargaining power of herders raises incomes.</td>
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<tr>
<td>Low bargaining power of herders – few products for sale, fragmented sales by individual households and difficulties in transport to market.</td>
<td>Assist herders to organize joint transport of livestock products to market.</td>
<td>Economies of scale in transport and storage of livestock products increasing herders’ ability to compete for good market prices.</td>
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<tr>
<td>Disadvantages of barter trade – the dominant form.</td>
<td>Help herders establish contact with reliable business partners.</td>
<td>Reliable business and trading partners for herding communities.</td>
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<tr>
<td>Shortage of cash.</td>
<td>Promote quality certification of livestock products through record keeping of breeding and veterinary care and scientific quality testing.</td>
<td>Quality certified livestock products in larger volumes command higher prices.</td>
</tr>
<tr>
<td>Low quality livestock products due to poor breeding techniques, limited feed availability and incomplete animal health care.</td>
<td>Train herders to both semi-process and fully process livestock products before marketing to improve price received.</td>
<td>Reduced herder dependency on variable natural environment.</td>
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<td>Low volume of value added to products marketed from countryside due to lack of rural processing.</td>
<td>Identify and launch alternative income-generating activities, such as making consumer goods – felt for <em>gers</em>, felt boots, processed milk products.</td>
<td>Gradual improvement in local infrastructure.</td>
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<tr>
<td>Limited ability to establish partnerships with buyers – households are not legal economic entities.</td>
<td>Train and facilitate herder groups in ways to overcome limitations of infrastructure.</td>
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<tr>
<td>Limited alternative livelihood opportunities.</td>
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<tr>
<td>Poor infrastructure.</td>
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The ILO’s Small Enterprise Development Programme can support the priorities of a local economic development strategy formulated by local stakeholders. Guidelines are provided in the ILO Job Creation in Small and Medium-Sized Enterprises Recommendation, 1998 (No. 189). The approach can include several subcomponents:

- Development of a conducive business environment that would encourage initiatives and remove barriers at the local level, including those relating to laws, regulations, administration, permits, infrastructure, taxes, land and so forth;

- Provision of appropriate financial services at the local level through banking and non-banking financial institutions to provide micro credit and small loans for investment capital and working capital to finance business expansion and business start-ups;

- Support for a range of business development services necessary for small and medium enterprises and micro and small enterprises, such as vocational and technical skills, training to start and improve a business, training for market access and market development, and access to market information;

- Establishment and development of appropriate and effective kinds of business associations, business-to-business networks and voluntary cooperation; and

- Introduction of ILO methodologies for public–private partnerships to promote employment in local areas.

Start Your Business (SYB) and Improve Your Business (IYB) materials described in Box 48 have been translated and adapted for use in Mongolia by the Mongolian Employers’ Federation together with the Ministry of Industry and Trade. These are being used in rural areas to support different forms of business units including small enterprises and herding households. The materials have been developed under the Social Security Sector Development Project of the Ministry of Social Welfare and Labour for use in business incubators of pilot aimags. Other training materials have been produced by the Gobi Regional Economic Growth Initiative, the German Technical Cooperation Agency, the European Commission TACIS Programme, the Growing Entrepreneurship Rapidly (GER) Initiative and other programmes.
Promoting employment opportunities in rural Mongolia

**Box 48: Start and Improve Your Business: An ILO best practice**

The ILO has developed a Start and Improve Your Business (SIYB) package for practical management of small businesses. Training materials include the following components:

*Know About Business (KAB)* aims at creating awareness of entrepreneurship and self-employment as a career option – particularly for trainees in vocational and technical training institutions. It is also being used in secondary schools. The materials provide knowledge of the required attributes and challenges for starting and operating a successful business.

*A Start Your Business (SYB)* package develops skills for starting a small business. It uses participatory training methods and brings together basic theory, relevant information and practical activities. The course is a cost-effective means of helping potential entrepreneurs think systematically through the most important issues in starting a business. One practical result of the training is a business plan for potential entrepreneurs in a form that can be presented to a credit institution.

*Improve Your Business (IYB)* is a separate but interlinked component that can supplement the SYB training. The IYB Basics cover essentials of home business management such as marketing, costing, pricing, basic record-keeping, buying and selling. The materials are flexible and adaptable to the specific training needs of the target group. The manuals use a learning methodology specifically developed for small business owners with relatively low formal education. Topics are presented using step-by-step explanations with illustrations of “real-life” situations.

Another training package to support entrepreneurship is the Gender and Entrepreneurship Together (GET) Ahead resource kit (Box 49) developed by the ILO Job Creation and Enterprise Development Department as part of Women’s Entrepreneurship Development and Gender Equality. The ILO Informal economy, poverty and employment project is translating and adapting the package for use in Mongolia. The objective of the training is to enable low-income women entrepreneurs and their families to shift from marginal income earning to profitable business development. The materials are suitable for women engaged in individual, family or group business. The training package promotes economic and social empowerment.
Box 49: Gender and entrepreneurship together: GET Ahead for Women in Enterprise

- **Module 1**: Basics on gender and entrepreneurship: Promotion of equality between men and women in the life cycle of people and enterprises.
- **Module 2**: The businesswoman and her environment: Self-development and business mapping.
- **Module 3**: Business project: Business ideas, opportunities and challenges; marketing; production, services and technology; and finance.
- **Module 4**: People, organization and management: Management of self and others; business support and networking; and action planning.


The Ministry of Industry and Trade has made progress in overcoming some of the obstacles to business development outside of major cities. A Small and Medium Enterprise Development Fund goes directly to rural areas, and with it the Ministry is supporting the development of financial self-help units to provide loans for business start-ups. It is establishing a system for the renting and sharing of equipment to reduce costs to individual entrepreneurs. A needs assessment is being conducted through this project. The government is providing guarantees for loans extended for the purchase of equipment. Efforts will be made to promote technologies that are environmentally friendly. Other activities of the Ministry include information networks and training programmes for young entrepreneurs and new businesses. The curriculum is designed to meet local needs. Individual counselling services for business start-ups will be extended from aimag centres to soum administrations.\(^{118}\)

The Social Security Sector Development Programme within the Ministry of Social Welfare and Labour is setting up business incubators as part of a project for skills training and entrepreneurship development. The business incubators are being piloted in five areas beginning with Nailaikh. Training is offered in an additional seven locations so that there are altogether twelve areas for planned activities under the project funded by the ADB. The business incubators are set up as special units of training institutions to help adult clients. Vocational schools and employment offices already offer training to young people. Clients are offered business training and counselling services. The business training is using the Start Your Business and Improve Your Business materials that ILO created. A training of trainers has used the materials in the business incubators and training institutes. In addition to the use of ILO materials for business training, there is specific instruction related to conducting business in Mongolia – business legislation, establishment procedures, accounting

\(^{118}\) Surenkh: “Opportunities for supporting rural employment promotion in development of small and medium enterprises,” State Secretary, Ministry of Industry and Trade, Presentation for the Consultative Workshop on Rural Employment, Ulaanbaatar, 30–31 March 2004.
issues and tax information. These components are allocated to service providers based on a tendering process. Training, advice and support for the preparation of business plans is seen as a first step toward obtaining credit. The business incubators are managed by employment offices and include a training manager, computer specialist and business consultant. It is hoped that local stakeholders will become involved in the planning and management of the incubators.

The Growing Entrepreneurship Rapidly (GER) Initiative (Box 50) implemented by CHF International with funding from USAID and the United States Department of Agriculture (USDA) aims to improve the situation of families living in the “ger districts” that surround the cities of Mongolia. Pushed by poverty and unemployment from rural areas, many people are living in gers and shelters on plots surrounded by wooden fences without proper heat, water and sanitation. The GER Initiative estimates that in Ulaanbaatar there are 500,000 residents of these peri-urban areas accounting for more than 60 per cent of the population. In Erdenet, there are about 30,000 residents and in Darkhan 20,000 residents making up more than 30 per cent of the population in each of these cities.

The objectives of the GER Initiative are threefold: (i) to improve the capacity of ger residents to initiate and expand viable businesses; (ii) to increase access to business information, financial resources and employment opportunities; and (iii) to build the capacity of local institutions and development stakeholders to support the needs of residents in ger districts. The GER Initiative creates linkages between residents and businesses. It works with banks to facilitate access to credit for entrepreneurs, supports business-to-business linkages and promotes employment matching services. The GER Initiative collaborates with both private and public providers to build capacity and promote sustainability of business development services in ger communities.

It would be useful to draw on the experience of the GER Initiative in peri-urban areas to see what can be used in local economic development at the soum level in rural Mongolia. The GER Initiative clientele in Ulaanbaatar is predominantly businesses (70 per cent), while in Erdenet and Darkhan unemployed persons (70 per cent) are the main recipients of services. Among businesses seeking support in Ulaanbaatar, 65 per cent are in trade or services and 35 per cent are small manufacturers. In Erdenet and Darkhan there are more clients in trade and services (90 per cent) and fewer in manufacturing (10 per cent).
Box 50: Business Development Centres under the Growing Entrepreneurship Rapidly (GER) Initiative

The GER initiative provides demand-driven, fee-based support for micro enterprises, small business development and employment services, including:

- Business development consulting
- Business training
- Loan facilitation
- Employment matching
- Biweekly business newsletters
- Business, market and legal information.


The International Liaison Services-Local Economic Development Agencies (ILS-LEDA) has a special programme to help link local products with international markets. Initially a survey was conducted in Arkhangai, Ovorkhanghai, Selenge and Darkhan where four Local Economic Development Agencies were being set up to find marketable products. Working together with local producers, ILS-LEDA compiled “fact sheets” that describe the products and the firms that make them. Each product was photographed and the information is now offered on the ILS-LEDA web site. Box 51 lists the various products available.

Box 51: Mongolian products on the ILS-LEDA web site

- Embroidered sacks for bottles
- Tobacco pouches
- Bags embroidered with traditional designs
- Silk pillow slips
- Lambs wool socks
- Camel hair vests and coats
- Embroidered pillow slips
- Patchwork felt bags
- Carpets for chairs, saddle cloths for horses and motorcycles
- Camel hair sweaters and accessories
- Angora vests and scarves
- Sheep bone fortune-telling sets
- Musical instruments
- Hand-decorated breadbaskets
- Traditional pointed hats
- Mongolian silk dresses
- Pigskin work boots
- European-style items with traditional embroidery (make-up case bags, key holders and others)
- Wool-lined leather jackets, boots, gloves, slippers
- Leather belts and boots, traditional slippers
- Western-style cashmere coats
- Wooden dolls of various sizes
- Leather hats and vests


6.3 Providing financial services

Employment promotion through financial services:

• Extend financial services to rural areas.
• Expand the types of services available at soum level.
• Establish information networks for microfinance provision among various agencies working in rural areas.

Capital markets in Mongolia do not work effectively to encourage investment in rural areas. High rates of interest and short periods of repayment together with high interest rate spreads discourage borrowing by rural residents. For most of the livestock herders the only collateral they have is their animals. Given the risks involved in setting up businesses with small local markets and high transport costs and given nomadic practices and seasonal patterns, it is difficult for potential entrepreneurs to obtain loans except from traders, money lenders, friends and family.120

The financial market tends to exclude smaller participants due to the high fixed costs of financial transactions. It is generally more profitable and often less risky for banks to deal with larger customers. Also, traditional banks are reluctant to cater to people who are poor for several reasons: Self-employed people and micro enterprises rarely have legal title to assets that banks can use as collateral. Banks recover the costs of researching the business prospects or income security of a client by charging it to the interest on the loan, but the costs of research for a small loan are similar to those for larger loans that will yield a much higher return. Small businesses in the informal economy, especially those just starting up, are rarely able to provide statements of accounts required by banks. Taking small deposits from a large number of people who are poor requires maintaining an extensive and costly network of branch offices in poor communities. By comparison, a small number of branches catering to wealthier clients is a much more attractive business proposition.121

The informal financial sector responds to the needs of people who are poor for financial services that are quick and simple. It can facilitate bank lending when the lack of collateral or equity is a problem. While informal arrangements play an important role in survival strategies, informal finance is not always favourable to the poor – in many parts of the world informal finance is synonymous with exploitative practices.122

Microfinance for employment creation and enterprise development can provide benefits in the following ways:

Employment strategy

- **Job creation**: Credit, equity, leasing, payment and guaranteed products facilitate small investments in fixed assets and working capital by micro and small enterprises;

- **Poverty reduction**: Savings, emergency loans and insurance products stabilize income levels and reduce the vulnerability of people living near the subsistence level; and

- **Empowerment**: Group formation and other delivery techniques in microfinance develop a sense of responsibility, strengthen social capital and empower the poor, especially women.123

As a poverty reduction strategy, microfinance can improve access by people who are poor to savings, credit and insurance facilities to smooth their consumption, manage their risks, build their assets, develop their businesses, increase their earnings and improve their lives. Microfinance services also can lead to improved resource allocation, product markets and technological choices.124

The ILO report on *Working out of poverty* suggests how microfinance is best used: “The success of microfinance lies in the mutually reinforcing effect of financial resource pooling and social organization. Microfinance institutions overcome the handicap of individually insignificant transactions and bring people together in mutual support. As money is involved, there has to be a measure of trust for such groups to work. The building of trust, or social capital, is vital to the struggle of the working poor for political rights and representation and economic opportunities.”125 This underscores the importance of building voluntary associations such as employers’ organizations, trade unions, cooperatives and other groups.

There has been some debate about the extent to which microcredit should be provided through banks, non-bank financial institutions, cooperatives or development programmes. When loans from banks are not an option for women and men in rural areas due to a lack of collateral and experience, microfinance institutions and self-help arrangements can be an alternative. Basically, microfinance consists of services for people who are poor to support income-generating activities and micro enterprise development to reduce vulnerability. Banks are often reluctant to lend to poor people because of the operational costs and high risks as well as the absence of collateral. Microfinance institutions cut costs by transferring them to clients and by adapting processes and procedures that reduce risks. In the absence of collateral, microfinance institutions use group guarantees and collateral substitutes as well as special incentives related to loan performance. Good practices combine outreach with sustainability.

Promoting employment opportunities in rural Mongolia

Microfinance products include credit, savings, insurance, leasing and transfers. Providers are banks, NGOs, credit cooperatives, development projects, money lenders, family, friends and suppliers who advance sales on credit. Microfinance models include solidarity group lending, individual lending, village banking and credit cooperatives. Box 52 presents some of the basic characteristics of microfinance models.

**Box 52: Basic characteristics of microfinance models**

**Solidarity group lending**
- Individual loans with group guarantee
- No collateral required
- No documentation required
- Loan either disbursed to group leader or during a group meeting
- Compulsory savings
- Loans size varies

**Village banks**
- Self-selected, usually around 30–50 members
- President, treasurer, auditor and accountant
- External account with seed capital from a microfinance institution
- Internal account through member savings
- Democracy and independence

**Individual lending**
- Credit products tailored to the business
- Collateral required
- Documentation required
- Loan disbursed at the branch office
- Loans generally less than a specified small amount

**Credit cooperatives**
- Cooperative principles
- Common bond among members
- Elected committees
- Member shares and savings
- Collateral-free loans
- Linked to an “apex” institution

Source: Linda Deelen: Training materials for study tour on employment promotion and income generation in the informal economy to Thailand, Bangladesh, Philippines and Japan, ILO/Japan Long-Term Fellowship Project in Labour and Employment Policy Administration, 19 February–2 March 2004.

At the beginning of the transition period, financial support to herding collectives and state farms stopped, and the cash flows to rural areas now consist mainly of government salaries, pensions and allowances. Much of this money then flows back to Ulaanbaatar to purchase consumer goods and agricultural inputs. Some of the cash returns as savings in the banks of Ulaanbaatar or is invested there in apartments or businesses. For more remote regions of the country, larger towns and aimag centres may serve as intermediate markets between rural populations and the capital city. With a reduction in the amount of money circulating in the countryside, a barter system has replaced cash transactions in many areas. Livestock products often are sold directly to local shopkeepers in soum centres for basic necessities – sometimes on

126 Linda Deelen: Training materials for study tour on employment promotion and income generation in the informal economy to Thailand, Bangladesh, Philippines and Japan, ILO/Japan Long-Term Fellowship Project in Labour and Employment Policy Administration, 19 February–2 March 2004.
credit. Informal arrangements are common, such as the advance of goods on a promise of repayment in kind.

According to a 2001 survey on financial services, four-fifths of households in Mongolia borrow money at least occasionally. Among nomadic groups the most important source of funds is friends and families followed by pawnshops, banks and cooperatives. The reasons given for these sources were lack of alternatives or absence of collateral. The most common motives for borrowing money for herders are consumption needs and school costs. In addition, there are expenses in maintaining animals – feed, medicines, vaccinations, shelter, wells and equipment for processing skins and milk. Other purposes for borrowing cash are to pay taxes, buy vehicles and repay debts. The survey shows that while 90 per cent of herders were using bank services, only 5 per cent were borrowing from the banking system and 93 per cent kept their savings at home rather than in banks.127

During the first decade of economic transition there was a series of bank failures followed by success stories, such as Xac Bank and Xaan Bank, commonly known as the Ag Bank. Donors, including the ADB and other agencies, have supported financial sector reform. Over recent years, microfinance has become a powerful tool for poverty reduction, asset accumulation and income generation. Most of the clientele are still micro entrepreneurs in urban areas. More recently, however, some microfinance initiatives are targeting herders at the soum level. Credit Mongol, for example, has successfully implemented a microfinance scheme for herders in soum centres. The government, together with the ADB, has agreed to priority areas for the next phase of financial sector reform: strengthening risk management, promoting long-term contractual savings and developing capital markets.128

According to a subsector review of microfinance produced by the UNDP and the Ministry of Social Welfare and Labour, the financial needs of rural areas are very different from urban markets and peri-urban areas, as Box 53 highlights.

**Box 53: Key challenges for financial services in rural areas**

- Under-development of complementary markets and related institutions;
- Limited availability or absence of reliable collateral security;
- Covariant risks and seasonal fluctuations in demand for and supply of short-term financial resources; and
- High costs associated with serving rural clients in low-density areas.


128 ADB: "Statement by the Representative of the Asian Development Bank on the Economic Growth Support and Poverty Reduction Strategy Consultative Group Meeting on Mongolia," Tokyo, 19–20 November 2003. The ADB Rural Finance Project encourages the development of savings and credit unions (SCUs) that are licensed to offer deposit services in addition to credit.
Promoting employment opportunities in rural Mongolia

The National Employment Promotion Programme in Mongolia recognizes the key role of financial services in promoting development, creating jobs and providing protection. Special provisions in the employment programme are outlined in Box 54.

**Box 54: National Employment Promotion Programme: Credit opportunities and fiscal policies**

- Establish a soft loan mechanism to domestic entrepreneurs for raw materials;
- Introduce insurance systems to cover damage caused by fire, disease, theft, death, bankruptcy and injuries;
- Invest in employment promotion that is appropriate with respect to the development, resources and comparative advantage of each region;
- Introduce polices that promote local development of goods and services that meet the needs of local people in order to reduce out-migration; and
- Improve micro credit services through bank and non-bank financial institutions.


The Economic Growth Support and Poverty Reduction Strategy of Mongolia calls for “Expanding the scope of microfinance services: provision of financial and micro credit services to the rural individuals and families of the poor and vulnerable groups through the Microfinance Development Fund and the earlier Revolving Credit Fund. Various tools for mitigating micro credit risk, forms of collateral and a small-scale insurance system will be tested out.” The Microfinance Development Fund aims to expand the provision of financially and institutionally sustainable microfinance services to people who are poor and vulnerable groups in rural areas. The Fund is a wholesale lending facility to accredited institutions — commercial banks and non-bank financial institutions that extend loans to target groups in order to diversify sources of income for rural populations.

The Sustainable Livelihood Project is managed by the National Committee on Household Livelihoods Capacity Support. The National Household Livelihood Capacity Support Programme has a revolving loan fund for various needs, as outlined in Box 55. Groups and cooperatives of herders are eligible to apply for loans of a limited duration by supplying matching funds. To continue their activities beyond the initial period, the borrowers must obtain loans on a commercial basis that can be matched by soft loans.

The Sustainable Livelihoods Project has extended loans for a variety of purposes in rural areas. Among them are:

- Developing and strengthening livestock production
- Establishing income-generating small enterprises
- Digging and repairing shallow wells
- Setting up and expanding hay and fodder production and marketing
- Establishing livestock product processing and marketing.

Another resource that goes directly to rural areas is the Small and Medium Enterprise Fund through the Ministry of Industry and Trade. There are plans to provide loans to small and medium business enterprises and herding households as production units as well as to banking and non-banking financial institutions in rural areas. Box 56 describes an idea presented by an advisor to the Mongolian Employers’ Federation.

S. Baatar, an advisor to the Mongolian Employers’ Federation, has proposed a system that would extend loans to small businesses in rural areas from interest earned on government deposits placed in branches of banks in soum centres such as Xaan Bank or the Trade and Development Bank. Loans would be approved by the employment promotion officers who know how reliable people are in local communities and who can also assess the business prospects of loan applicants. Small businesses in soum centres could use the loans to employ additional workers including those who face difficulties such as the long-term unemployed and residents with disabilities. According to the proposal, the loans would be extended for three to four months and then be repaid with a subsidy from the government in the form of a deduction for social insurance contributions. The amounts involved would be enough to hire a number of employees paid at least the minimum wage, for example, five people at 50,000 tugrug per month for three to four months.

Source: Interview with S. Baatar, Ulaanbaatar, 4 March 2005.

6.4 Enhancing employability

Employment promotion through enhancing employability:

- Adapt national strategies for education and training to local communities.
- Use community-based training to ensure that training needs at the local level support local economic development.
- Ensure that girls and boys are able to obtain quality education that lays the foundation for employability and that fosters attitudes and values needed to succeed in life.
- Improve the accessibility, relevance and effectiveness of education and training for employment opportunities in rural areas.
- Link education and training to national growth sectors and regional development plans as well as local economic development.
- Coordinate training activities of employment offices with agricultural extension and other activities.
- Link employment programmes to development strategies, such as the Rural Development Strategy and the Sustainable Livelihoods Project.
- Enhance capacity of agricultural extension services.

Education and training increase the capacity of people to respond to economic circumstances that can lead to better jobs and greater incomes. Key competencies and continuous learning make it easier for individuals to take advantage of job openings and business opportunities. Preparation for employment through skills development should be placed within a broad framework, including both education and training. Many countries are grappling with how to provide core skills and lifelong learning so that workers can adapt to new technologies and work arrangements. In this regard Mongolia is planning to introduce new measures that support continuous learning.

Within education, attention should be paid to the full range from preschool to university. In terms of balanced development, there is a need in Mongolia to support preschool learning and primary education through improved curriculum and better facilities and to reduce the marked differences between the enrolment rates of herding families and other households. Another challenge is to reduce the drop-out rate for boys in the countryside. According to an ILO report, “This widening focus on education and training to cover quality education at all levels including secondary education and higher education, as much as vocational and technical education and training, is absolutely essential for the realization of the longer-term vision.”

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131 Sam Ian Cummings: Internal document, Bangkok, ILO Subregional Office for East Asia, 2 October 2003.
The Centre for Policy Research included suggestions for improving the quality of education services to rural people in Mongolia in its draft Rural Development Strategy. These are summarized in Box 57.134

Box 57: Recommendations for improving the quality of education services for rural people

- Enhance capacity and improve the environment for rural teachers, including a review of salaries.
- Give priority to vulnerable groups for dormitory facilities.
- Use herder groups to establish care centres for school children in soum centres.
- Consider paying for the education of vulnerable groups through social welfare funds.
- Improve the learning environment and increase enrolment rates for preschool education.
- Undertake research on providing distance education and informal education to herders and their children.
- Extend informal education to illiterate adults and school drop-outs with assistance from herder groups – formal and informal – as well as NGOs by using volunteers such as high school students and elders.


The Law on Vocational Education and Training aims to address past problems through measures outlined in Box 58. The main purpose is to prepare skilled workers for employment opportunities. The law provides for inputs from the social partners through a national council. The new system combines general education with vocational training. The content of formal education should follow the Law on Education.

The Law on Vocational Education and Training calls for development of centres to provide training and retraining, teacher training and adult education by integrating these programmes into regional development and international projects. Mongolia also developed and adopted in 1999 an Education Sector Strategy 2000–2005 to bring technical education and vocational training in line with labour market demand; establish standards and an assessment system; improve training, retraining and advancement of teachers; and upgrade facilities and equipment.135

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Promoting employment opportunities in rural Mongolia

Box 58: Law on Vocational Education and Training

The Law on Vocational Education and Training reflects the government’s concern about employment. The main purpose of the law is to prepare skilled workers for employment opportunities. Secondary education is gradually being extended from 10 to 11 years. This shift will take place over the period 2002–2005. There are major changes in the structure of education – both elementary and secondary. Graduates of Grades 8–10 can now enrol in vocational and technical schools. After one year in vocational schools the students obtain a certificate. At the end of two years they can earn a certificate for both vocational education and secondary education. It is important that the curriculum in vocational schools prepares students for the labour market.

Another aspect of the new law relates to social partnerships. There is an article that coordinates government policy with a national commission made up of the Ministry of Science, Technology, Education and Culture, the Ministry of Social Welfare and Labour, employers’ organizations, trade unions and vocational education institutions.

Among issues addressed by the new law are the current expenditures for heating and electricity in state institutions (schools and universities) as well as dormitory expenses for the first year of vocational schools. The Ministry of Social Welfare and Labour coordinates the short-term courses. Another article in the new law is a provision for tuition to be paid for one child in each family during the first year of vocational training in either state schools or private institutions. This applies to those who leave school before Grade 10. After that, students go on to higher education.

Source: Interview with State Secretary Mishigjav Buurunkhii, Ulaanbaatar, May 2002.
Within the formal education system there are vocational training schools in aimag centres and the capital city. Because the curricula and equipment developed with substantial assistance from the Soviet Union are no longer suitable for the labour market, some vocational training schools are introducing new courses for unemployed workers. An example is the Vocational Industrial Training Centre in Darkhan. With assistance from the local employment office and support from the Employment Promotion Fund, the centre has met with some success in placing graduates in jobs. A business incubator centre within the training school has been set up under an advisory council composed of the Mongolian Employers’ Federation, the Chamber of Commerce, the Central Employment Office and local companies. The Ministry of Social Welfare and Labour and the Ministry of Science, Technology, Education and Culture are also involved. There are four units within the new business training division to undertake market research, oversee the business incubator, conduct Start and Improve Your Business (SIYB) training and develop training courses for new skills. The Darkhan centre also provides training to instructors from the five surrounding aimags.\(^{136}\)

Box 59: Formal training centres

The distribution of facilities for technical education and vocational training as well as specialized vocational education and training across aimags is uneven and skewed. “Given that there are considerable fixed costs in the setting up of these training facilities, especially in respect of specialized vocational education, consideration of economies of scale would dictate a measure of geographical concentration. In fact, given the urgent need for a major modernization of training facilities, further concentration of the training facilities may well become necessary. It would be much better to have fewer, modernized training facilities than have poorly equipped institutions in all aimags,” according to an ILO issues paper written in 2000. However, given the vast distances, subsidies for travel and hostels would be justified in the interests of regional equity.

The content and quality of practical training is a key component of curriculum development. Current curricula are based on an outdated system for industrial workers in a planned economy that guaranteed employment opportunities. This classical approach with a centralized organization planning a top-down system limits flexibility needed to adapt to the changing needs of an evolving market.


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It would be useful to develop links between local economic development strategies introduced through community participation in soum centres to employment offices and training centres at the aimag centres and in regional facilities such as in Darkhan. In this way information about training needs could reach employment offices and training providers at the provincial level and in regional centres. This “bottom-up” strategy is illustrated in Figure 15.

Figure 15: Transmitting information about training needs to training providers

The Central Employment Office under the Ministry of Social Welfare and Labour provides short-term courses for training in sewing, hairdressing, shoemaking, baking, nursing, building, driving, construction, welding, computers, vegetable growing, shoe repair, carpet making and English language. There is a need to extend training in the soum centres to fill gaps relating to local needs for livestock herding and crop production.

In developing a responsive, flexible and integrated strategy for improving technical and vocational education and training to meet the needs in Mongolia, the starting point should be the target groups. Some of these are suggested in Box 60.
Box 60: Some examples of target groups for vocational education and training in Mongolia

- Out-of-school youth with little or no education
- Out-of-school youth with a level of education below secondary school
- Graduates from lower secondary school
- Graduates from upper secondary school
- Aging workers
- Workers in small, medium and large enterprises
- Public sector employees at all levels
- Small-scale entrepreneurs
- Rural herders and farmers
- Women heads of household
- Disadvantaged groups, including squatters, orphans and street children
- People with disabilities

Source: Sam Ian Cummings: Internal document, Bangkok, ILO Subregional Office for East Asia, 2 October 2003.

Mongolian herders face specific challenges in terms of skills development. Herding skills are provided by family members with some support from extension services. However, there is currently little incentive to develop additional skills for traditional tasks, such as fencing of pastures and improvement of shelters due to inadequate planning for use of land and limited protection against theft of property. Nevertheless, the need for training is indisputable. The UNDP project on grassland management identified challenges and suggested solutions for herder skills, as listed in Box 61.
Some traditional materials and more recent manuals for herders exist, but they could be improved with a greater emphasis on modern techniques. The production of training materials in this field should be given a high priority. Mongolia could standardize a national training programme for young herders and young farmers that would provide participants with an official certificate. Training programmes could be accompanied by experimentation and research for animal husbandry and pasture management.

Identification of promising possibilities for livelihood enhancement, self-employment opportunities and enterprise development are part of the ILO’s local economic development process. Feasibility studies can be undertaken to ensure market potential. Once business occupations are suitably identified, practical steps can be taken to provide the requisite skills. Upgrading the rural informal sector can be included in this component. Training should be followed by an assessment of effectiveness in providing skills for jobs that meet a demand in the market.
The ILO has developed a community-based approach to support self-employment in countries where wage employment cannot absorb an expanding labour force that is especially useful when government programmes and supporting services cannot generate local jobs. This approach, outlined in Box 62, exploits the potential of self-employment possibilities. Currently, training systems in many countries are geared toward wage employment in the formal sector rather than self-employment in informal activities. This situation is especially true for young people – school drop-outs and new graduates – who migrate to urban areas in search of work, thus adding to the growing numbers of urban unemployed. The approach is also appropriate for the majority of workers who are poor in both cities and the countryside and are unable to generate sufficient income to achieve minimum living standards. In response to these problems, the community-based training for employment creation and income generation has been developed.

**Box 62: Community-based training for employment creation and income generation**

The methodology includes a set of procedures to identify opportunities for employment and income at the local level. Appropriate training programmes are then designed and delivered, together with the necessary post-training support services, including financial services, technical assistance and market information, to launch and sustain income-generating activities. The approach differs from conventional vocational training programmes in three ways:

- By identifying potential income-generating activities and related training needs before designing the content and duration of specific training programmes;
- By involving the local community directly in each phase of the identification, design and delivery process;
- By facilitating the necessary post-training support services, including credit, to ensure that individuals or groups can initiate and sustain the income-generating activity for which training was provided.


A number of innovative programmes have been introduced to address the special challenges of the vast territory, sparse population and nomadic traditions of Mongolia. Examples are part of a project funded by the Danish International Development Administration (DANIDA) and the Government of Mongolia and implemented by the United Nations Educational, Scientific and Cultural Organization (UNESCO). The project aims to provide educational opportunities to rural women and their families and unemployed youth in urban areas. A second phase of the distance learning or open learning was planned to cover rural households and nomadic families. Given long distances to learning centres, the project included home learning. Radio programmes in addition to visiting teachers were part of the learning process. Special
booklets on local needs included income generation using local technologies and traditional knowledge. Topics included meat preservation, wool processing, use of wild plants and berries, recycling materials, traditional costume making and boot production.\footnote{Linken Nymann Berryman and Bernadette Robinson: \textit{Preparing unemployed youth for work in a market economy: The case of Mongolia}, International Council for Open and Distance Education (ICDE), No. s1a01129.}

A recent study on skills in Mongolia includes a number of recommendations for reforming education and training. It will be important to ensure that the specific needs of rural people are included in efforts to carry out any of the reforms, as outlined in Box 63.

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Box 63: Objectives for reform of vocational education and training in Mongolia
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- Vocational education must be oriented toward providing literacy, numeracy and basic learning skills together with the ability to organize work, assume responsibility, evaluate situations, make decisions, work in teams and make effective use of information technology.
- The amount of practical training in the workplace should be increased.
- A system for defining, evaluating and recognizing skills obtained from non-formal education should be developed.
- Skills for lifelong learning should be part of workplace education as well as formal schooling.
- New strategies need to be developed for providing training opportunities to disadvantaged groups such as young people who do not complete secondary school, unskilled workers, older workers, unemployed persons and workers who risk losing their jobs.
- There is a need to develop training for advanced information and communications technology, making sure that disadvantaged groups are not excluded.
- The participation of NGOs and donors should be encouraged in all activities for vocational education and training including the development and implementation of curriculum and policies.


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6.5 Creating employment through public works and community services

Employment promotion through public works and community services:

- Link job creation schemes to local economic development.
- Coordinate programmes under the Employment Promotion Fund with other development funds, such as the Local Initiatives Fund and the Local Development Fund.
- Develop an appropriate mix of direct employment, subcontracting arrangements and private enterprises for the provision of community services.

As has been explained, the economic transition to a market economy in Mongolia has been accompanied by a breakdown of basic infrastructure and public services once provided by the herding collectives, state farms and soum administration. Current gaps in infrastructure and services point to new opportunities for job creation at the local level. The Economic Growth Support and Poverty Reduction Strategy calls for the participation of local people in decisions about social services, rural infrastructure and environmental protection. As Box 64 highlights, the National Employment Promotion Programme includes the creation of jobs for protecting the environment and promoting tourism.

Box 64: National Employment Promotion Programme: Environment, tourism and infrastructure

The government has found several ways to address multiple needs as illustrated in the following ideas for creating jobs while responding to concerns about the environment, possibilities for tourism and demands for infrastructure:

- Involve local citizens in environmental projects to rehabilitate and protect nature – forests, water, animals – and provide employment on a temporary or permanent basis;
- Develop production that uses natural resources;
- Support crop production with irrigation and reservoirs through cooperatives and other entities;
- Create jobs protecting soil through anti-desertification and re-forestation, for people who are unemployed;
- Support production of fuel and stoves that are smokeless;
- Create employment through tourism and culture;
- Provide temporary employment through public works to unemployed persons and vulnerable groups;
- Create employment through the Millennium Road project planned to connect cities and regions within Mongolia to the rest of Asia;
- Create jobs through road construction, repair work and snow removal in local areas.

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In its Sustainable Grassland Management project, UNDP proposes solutions for improving social services in local communities, as outlined in Box 65. These can be a source of employment and income for rural people as well as a means to create basic infrastructure and provide essential services.

### Box 65: Proposed solutions from UNDP project: Social services

<table>
<thead>
<tr>
<th>Problem</th>
<th>Proposed solutions</th>
<th>Expected outputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Herding households lack social services because of the high cost of delivery to scattered households.</td>
<td>Assist herders in identifying cost-efficient and effective ways to obtain access to social services, such as organized social gatherings.</td>
<td>Social services for herders improved.</td>
</tr>
<tr>
<td>School drop-out rate is high because child labour is needed by herding families.</td>
<td>Organize care for school children – support boarding schools.</td>
<td>Social services delivery costs per household reduced.</td>
</tr>
<tr>
<td>Herders stay close to settlements in order to look after children during schooling with a negative impact on livestock production and the environment.</td>
<td>Improve access to medical services through contracts with county, province and city medical institutions and private hospitals.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Increase coverage, especially for children and illiterate adults, through informal and distance schooling.</td>
<td></td>
</tr>
</tbody>
</table>


Building on lessons learned from the National Poverty Alleviation Programme, the Sustainable Livelihoods Project calls for greater decentralization and participation of local communities at the soum and bagh levels. Priorities are decided through a bottom-up process for improving: basic social services for education and health; public works including feeder roads, bridge repair, water systems, rubbish collection, sanitation services and environmental projects; and local initiatives, such as production of brooms and fuel. Under the Sustainable Livelihoods Project (Box 66 and Figure 16), the Local Initiatives Fund provides financial resources to small-scale infrastructure and projects related to services for health and education in soums and baghs.

Based on discussions in representative khurals at the bagh level, projects are proposed. The bagh governors present the ideas in the Household Livelihoods Support Council at the soum level, which sets priorities among the proposals. Projects are then
reviewed by the Household Livelihoods Support Council at the aimag level, based on principles outlined by the Local Initiative Fund. The selections are sent to the Household Livelihoods Support Programme in Ulaanbaatar for approval. Projects are then selected on the basis of a number of criteria. Because funds are a loan from the World Bank, there is close attention to whether the projects represent an investment in the community. Most are for school repairs, clinic renovation, heating systems and public baths. There is a list of projects that are discouraged, including those with an adverse environmental impact or negative social consequences. The development of private assets as opposed to public goods is not accepted. Projects that benefit only a few households or could be funded by other sources are not given a high priority. The Local Initiative Fund cannot be used for the construction or rehabilitation of religious facilities. Finally, the projects must be consistent with government strategies, regional development and sector policies. Funds for approved projects are transferred directly to the soum council for disbursement.

Box 66: Sustainable Livelihoods Project: Building on experience

There are several differences between the Sustainable Livelihoods Project and the National Poverty Alleviation Programme (NPAP). One is that funds are transferred directly to the soum rather than the aimag. This provides a sense of ownership and accountability. Second, there must be a local contribution for each project. At least 10 per cent of the cost of the project must be supplied by the local community – in cash, in kind or with labour. Under the old NPAP, some of the public works were undertaken by people without the required qualifications. Now a request must be made to organizations with professional skills such as those required for heating systems and public baths. Other more labour-intensive activities, such as clearing forests or building dams, can use less specialized labour services. Projects approved at the local level must select by tender except in the case of some community services for less than a specified amount.

A number of activities that could generate employment that were identified in discussions with communities in preparation for the Sustainable Livelihoods Project\textsuperscript{138} are public works and community services for soum and bagh centres, such as feeder roads, bridge repair, public buildings, water supply, sanitation services, community forestry, fuel collection, electricity supply and services for transport and storage. Among employment-generating activities that respond to needs of herding households are otor reserves, winter shelters, irrigation systems, veterinary services, pest control and

rehabilitation of wells and reservoirs, as well as kindergarten services and teacher training. Employment opportunities also can be created for construction and repair of buildings, electricity and heating in schools and dormitories and special instruction for young drop-outs in bagh centres. In the health sector there is work in soum clinics, maternity homes, hospital transportation and health services. Other employment opportunities at the local level could be generated by making special equipment for persons with disabilities and providing other support services. Women and men with disabilities should be given opportunities to participate in programmes for employment promotion in soums and baghs. As explained in Box 67, jobs also can be created to protect and rehabilitate the environment.

**Box 67: Employment for the environment**

In an interview, Ajkhan Bolat, an official in the Ministry of Nature and Environment, talked of employment opportunities that could be generated for people in rural areas in need of work that would at the same time help to rehabilitate the environment:

“One-third of the population lives below the poverty line. The principal cause of poverty is unemployment. Promotion of employment should be the concern of everyone. The Ministry of Nature and Environment looks to combine employment promotion with environmental protection. We believe there are options and opportunities to promote employment for protection of the environment.

“One example is raising rare species of animals. Another is developing forest products such as wild berries that are rich in Vitamin C. Promoting enterprises for soil rehabilitation is another possibility. Mongolia can develop professional institutions to rehabilitate soil damaged by crop production and mining operations. A few people can be employed as wardens in protected zones. In urban areas there are opportunities for jobs in solid waste management where there is a need for classification and disposal of waste. These can be labour-intensive activities. For example, we need to classify wood, glass, paper, bones and other rubbish. So far, there are no private sector companies that deal with waste management. Another possibility is water purification. Current capacity is not sufficient to meet the demand. Processing of animal products also should offer employment opportunities. Finally, rehabilitation of forests can employ substantial numbers of people. We are currently buying seedlings from abroad. We could instead produce these in Mongolia. This is fairly easy and could be done in family gardens. It takes about two years for the seedlings to grow large enough to be transplanted.

“These are the main ideas. Of course, there are others such as a solution to the smoke in Ulaanbaatar caused by burning of wood for fuel in gers. Wood could be replaced with compressed fuels that can be produced using labour-intensive processes.”

The draft Rural Development Strategy, prepared by the Centre for Policy Research, contains logical frameworks for infrastructure development and social services. The former includes roads, power and communications. The latter highlights the role of local participation in planning social infrastructure and increasing job creation in rural areas.

ILO tools that can be drawn into local strategies for employment promotion in rural areas have been developed by the Employment Intensive Investment Programme. These maximize the use of local labour and local materials. Employment-intensive methods can be combined with community-based planning and local economic development to identify appropriate inputs and effective techniques that draw on local resources.

The ILO Employment Intensive Investment Programme develops coherent policy packages that combine investments targeted at the needs of people who are poor with appropriate social policies. Much of the technology development work is done through its Advisory Support, Information Services and Training programme. Major features of this work include local planning with tools such as Integrated Rural Accessibility Planning (Box 68), community contracting and labour-based technology using local resources. The approach builds capacity and provides support to contractors, consultants and clients as well as in sector programmes for roads, water and urban upgrading. Accessibility planning is also a voice mechanism to allow greater participation of local people.

Many countries are pursuing decentralization policies in response to global changes leading to greater responsibility of local institutions for economic development and employment creation. This calls for building local capacity for planning, implementation and monitoring resulting in a more rational allocation of scarce resources according to real priorities.

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Box 68: An ILO tool for integrated rural accessibility planning

Integrated Rural Accessibility Planning (IRAP) was designed to assist local planners in making appropriate investments with the limited funds available to them. It covers several sectors generating detailed information about the access that rural households have to water, energy, health, education, markets, agricultural inputs, crop marketing and post-harvest facilities. The objective of the ILO planning tool is to involve local communities in identifying problems and proposing solutions to reduce the time spent achieving access to services and facilities.

The accessibility planning is gender sensitive and involves both men and women in the local level planning process. In doing so, the perspective and needs of women are incorporated into the planned interventions.

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6.6 Improving information

Employment promotion through improved information:

- Disseminate information related to local development and employment opportunities.
- Share best practices for employment promotion.
- Link information from employment services and agricultural extension.
- Extend market information through print media and radio programmes.
- Establish communications centres as meeting places in soum centres.
- Provide business development services by radio.

After the break-up of the herding collectives, state farms and soum administration of the socialist era, the systems that provided information to rural populations fell apart. Telephones, radios and newspapers no longer connected herders and farmers to important information related to production, weather, policies and politics. At the time of the Participatory Living Standards Assessment in 2000, according to the government report, “information hunger was a recurring theme in rural areas, and communications services were highly valued.” Discussions revealed that rural people wanted to be kept informed about policies, laws, prices, education, training and credit. Most local newspapers in rural areas are no longer published due to lack of funding. According to the Human Development Report Mongolia 2003, “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 and 2002 and half of the 331 soums do not have libraries.” Herders depend on short wave radios for information. Increasingly, they are using mobile phones. Global experience shows that better information enhances employment opportunities in rural areas.

The GER Initiative programme provides many kinds of information, as listed in Box 69, to help its clients in the peri-urban areas of Ulaanbaatar, Erdenet and Darkhan, including the answers to questions about credit, regulations, procedures, markets and business development services asked by people who are interested in starting and expanding small enterprises.

140 NSO and World Bank: Mongolia Participatory Living Standards Assessment 2000, Ulaanbaatar, 2001, p. xii.
Box 69: GER Initiative information services

Through its biweekly newsletters, the GER Initiative provides a wealth of useful and critical information, such as the following, to employed and unemployed workers in peri-urban areas:

- Bank loan product information
- Citizen registration
- Real estate certification
- Enterprise registration
- Product technology research
- Market information
- Legal information
- Information about services from other businesses and organizations.


The draft Rural Development Strategy also recommends improved delivery of market information in rural areas. Box 70 contains suggestions made in the strategy report.

Box 70: Improved market information in the rural development strategy

The report of the draft Rural Development Strategy includes suggestions for improving the delivery of key market information to rural areas:

- Enhance accessibility of market information through mass media;
- Create and improve an environment to utilize Internet services, bagh communication and other systems for delivering market information; and
- Use herders’ groups and other cooperative organizations for delivering market information.


The report of the migration study in 2000 by the Population Teaching and Research Centre of the National University of Mongolia includes proposals for the types of practical information that would be of great benefit to job seekers and that should be standard provision in employment offices, as listed in Box 71.
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Box 71: Practical information that should be available from employment offices in rural areas

- Training opportunities
- Running a business
- Doing a job
- Acquiring new production technologies
- Advocacy about projects
- Existing programmes in local areas
- Increasing opportunities for local communities
- Providing assistance and support.


The ILO has a tool for making rapid market appraisal that includes manuals for entrepreneurs and trainers. Rapid market appraisal (Box 72) is a way for small-scale entrepreneurs to collect market information to identify and develop new products or to market products to new customers. This guide is very useful for people lacking extensive business training.143

Box 72: Rapid market appraisal and improving information about market demand

“Customers are the main source of information; they help you determine the market demand for products. The market demand is how many people are willing to buy your product and at what price. The training manual is for trainers, agencies and groups who are working with small businesses. It describes a three-day course that takes entrepreneurs through the steps of understanding market demand, developing innovative products and surveying their local market to assess the potential of the new products. Experience over five years in Kenya, Uganda and Tanzania indicates that the course is a practical approach to supporting sustainable livelihoods. The training pays for itself through increased profits to the business.”


The Gobi Regional Economic Growth Initiative organized by Mercy Corps for USAID published innovative news articles and introduced appealing radio programmes. A news magazine first called *Gobi Business News* and later changed to *Rural Business News* has been distributed in all *soums* of Mongolia. The magazine format contains: a “Lead Story,” “Business Corner,” “Herders’ Tips,” “Farmers’ Tips” and “Aimag Features.” The radio programmes include spots on “Market Watch,” “Weather Watch,” “Policy Watch” and “Animal Husbandry Management.” The project developed a serialized drama called “Herder from the Future.” The Gobi Initiative has provided herders with information about different prices for cashmere depending on quality, colour and location of the market. Another theme is policy research that is made available to project managers through handbooks, as Box 73 explains.

**Box 73: Gobi Initiative and policy information**

Results of policy research conducted through the Gobi Initiative are made available in publications such as *Rural businessman’s guide to tax law in Mongolia* and a *Handbook on goat herding.* The Gobi Initiative also has produced a book on cooperatives, which answers basic questions such as: What is a cooperative? How does a cooperative differ from a collective? The Gobi Initiative organizes studies about various factors affecting the business environment for rural products in order to assist local producers make business decisions.


A radio series is being developed through a Knight International Press Fellowship. The objective of the series is to teach potential entrepreneurs how to start and maintain a business. The ten-topic series will reach almost all of the country via Mongol Radio using interviews with businesspeople, bankers, economists, customers and others to illustrate each topic. In addition, community FM and regional stations will broadcast the series: Orkhon Radio in Darkhan, Gobi Wave in Dalanzadgad, Dornod Wave in Choibalsam, Khentii Radio in Ondorkhaan, Sukhbaatar Radio in Baruun Urt, Muron Wave in Muron and Selenge Radio in Selenge.
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Box 74: Ten points for potential entrepreneurs via Mongol Radio: Knight International Press Fellowship

Interviews with businesspeople, bankers, economists and others will discuss the following topics and air on radio stations throughout the country as a way of disseminating useful information for developing small entrepreneurs:

- What is a business?
- Identify your market share
- Getting started and developing a business plan
- Finding funding
- Getting a license
- Marketing and advertising
- Finding the right employees, managing employees and customer service
- Distinguishing your business
- Distribution
- Expansion


It would be useful to establish communications centres in rural areas where people could use postal, telephone and telegraph services. These could also serve as community computer facilities combined with public meeting places equipped with television and videos. In addition, staff could compile information about programmes and projects that are being implemented in local areas through government agencies, NGOs and donor projects. This approach has the potential to provide greater access to information for people outside of urban areas and extend outreach, establish links, improve collaboration and reduce duplication. A local development “tool kit”\textsuperscript{144} could be produced with information about successful approaches to creating jobs and generating income at the soum level.

\textsuperscript{144} See pages 78–87 for more details about local economic development.
6.7 Strengthening monitoring and evaluation

**Methods to strengthen monitoring and evaluation for employment promotion:**

- Link targets and indicators for the Millennium Development Goals to employment and labour.
- Compile and analyse labour statistics to formulate, implement, monitor and evaluate policies for labour and employment.
- Identify a set of key indicators of the labour market.
- Continue the Labour Force Survey on a regular basis.
- Prepare a set of performance indicators for employment offices.
- Raise capacity for conducting impact evaluation for programmes and projects.
- Use participatory assessment techniques to monitor and evaluate government programmes for employment promotion.

Improved information is necessary for monitoring and evaluating policies and programmes for rural employment, including Millennium Development Indicators, labour market information, management information systems, impact evaluation techniques and participatory assessment techniques.

**Millennium Development Goals**

The compiling of statistics for the targets and indicators of the Millennium Development Goals (MDGs) in Mongolia should provide a broad overview on national progress toward poverty reduction. While productive employment is a principal route to moving people out of poverty, total employment is not one of the MDGs. However, the youth unemployment rate is one of the global indicators.

**Labour market information**

The National Employment Promotion Programme (Box 75) calls for labour market information and labour market indicators to formulate, implement, monitor and evaluate policies. Observers have suggested that employment offices prepare profiles for aimags and soums that provide a picture of the employment situation.\(^{145}\)

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Box 75: National Employment Promotion Programme: Information and advocacy

The National Employment Promotion Programme outlines actions for improving data collection so that the government has better information with which to formulate, implement, monitor and evaluate policies, programmes and projects to create more and better jobs for the men and women of Mongolia. Among the priorities that were identified is the need to:

- Extend data collection for labour statistics to employed and unemployed in the informal economy;
- Improve the quality of labour market information and the number of labour market indicators; and
- Undertake advocacy with regard to legislation and laws and prepare manuals for enterprises and workers.


There are currently several sources of labour statistics in Mongolia. The traditional system of comprehensive reporting is used to collect data compiled from soums and aimags that are published at the national level in the Mongolian Statistical Yearbook. The National Statistical Office of Mongolia conducted a Labour Force Survey in 2002–2003 with funding from the ADB. National coverage provides statistics broken down by urban and rural areas for four regions and the capital city. Quarterly data shed light on seasonal patterns of employment in Mongolia. Statistics and analysis of economic activity and migration patterns are available with data from the 2000 Population and Housing Census. Because this is a census rather than a survey that covers only a fraction of households in Mongolia, it is useful to look at labour and employment in greater detail, such as statistics that are disaggregated by age group. The Living Standards Measurement Surveys provide the most comprehensive data for poverty in Mongolia. Data for 1995 and 1998 have now been supplemented by statistics in the Household Income and Expenditure Survey/Living Standards Measurement Survey covering 2002–2003.

The Labour Force Survey produced statistics that can be used to estimate the number of women and men in informal employment. The Soros Foundation has provided support for a survey of the non-observed economy that was conducted by the National Statistical Office of Mongolia at the end of 2004. The survey follows the methodology outlined in an Organization for Economic Cooperation and Development (OECD) joint publication entitled, Measuring the non-observed economy:
A handbook. The handbook draws on the 1993 System of National Accounts for definitions of terms in the non-observed economy, as defined in Box 76 – underground production, illegal production, informal sector production and production of households for their own final use.

**Box 76: Key concepts for the non-observed economy**

- **Underground production** – defined as those activities that are productive and legal but are deliberately concealed from the public authorities to avoid payment of taxes or compliance with regulations.
- **Illegal production** – defined as those productive activities that generate goods and services forbidden by law or that are unlawful when carried out by unauthorized producers.
- **Informal sector production** – defined as those productive activities conducted by unincorporated enterprises in the household sector that are unregistered and/or are less than a specified size in terms of employment and that have some market production.
- **Production of households for own final use** – defined as those productive activities that result in goods or services consumed or capitalized by the households that produced them.


Eventually, it would be useful to establish a labour market information system that compiles information on employment from government ministries, academic research and other sources, so that it is available in a central location for use by policy makers and other users. Computer files make it easier to share labour market information among different users. To make certain that such a system meets the demand for data, it should include a mechanism to link the producers and users of labour market information. This should not be limited to labour statistics but include qualitative information related to labour and employment, such as laws and regulations, documents and reports, newspaper articles and press releases, pamphlets and brochures. It should include contact information for various training providers and private employment agencies together with a list of services.

It is a good practice to disseminate information about the concepts and definitions, together with sources and applications, of labour statistics so that users can understand why measures from censuses, surveys and records may differ. Labour statistics from the Labour Force Survey and Population and Housing Census can be used to calculate some indicators for labour and employment in Mongolia. These could be modelled on the ILO Key Indicators of the Labour Market, which are listed

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in Box 77. The ILO also is developing Decent Work Indicators to measure other dimensions of employment, including rights, protection and dialogue.

**Box 77: ILO Key Indicators of the Labour Market (KILM)**

KILM 1: Labour force participation rate  
KILM 2: Employment-to-population ratio  
KILM 3: Status in employment  
KILM 4: Employment by sector  
KILM 5: Part-time workers  
KILM 6: Hours of work  
KILM 7: Employment in the informal economy  
KILM 8: Unemployment  
KILM 9: Youth unemployment  
KILM 10: Long-term unemployment  
KILM 11: Unemployment by educational attainment  
KILM 12: Time-related underemployment  
KILM 13: Inactivity rate  
KILM 14: Educational attainment and illiteracy  
KILM 15: Manufacturing wage indices  
KILM 16: Occupational wage and earnings indices  
KILM 17: Hourly compensation costs  
KILM 18: Labour productivity and unit labour costs  
KILM 19: Labour market flows  
KILM 20: Poverty and income distribution

**Management information systems**

Indicators should be developed for use within the Central Employment Office to assess performance in terms of finding job opportunities for the registered unemployed and other job seekers. There should be information from training activities, tracer studies, job placement, business development, follow-up surveys and other aspects of placing men and women into decent work. This includes monitoring and evaluation of the Employment Promotion Fund. Employment offices should collect statistics for self-employment as well as paid jobs.

**Impact evaluation techniques**

Improved statistics also are necessary for assessing progress made through government programmes and employment projects in rural areas. In order to make an assessment it is necessary to have data for the baseline situation that is later compared to changes by looking at a set of indicators that can reflect the impact that is being measured. These should be decided during the formulation of the programme or project and not afterward, including identification of objectively verifiable indicators and the means of verification for immediate objectives and development objectives.
outlined in the project document or logical framework. Thus, indicators should be closely linked to the objectives and outputs of activities to provide job opportunities and improve employment conditions of rural workers.

**Participatory assessment techniques**

While it is helpful to have statistical measures for trends and performance, it is also useful to obtain feedback directly from government officials, project staff, direct recipients, intended beneficiaries and other stakeholders regarding the policies and programmes for employment promotion in the rural sector. These might be obtained from citizens’ *khurals* at the *bagh*, *soum* and *aimag* levels, from the *soum* and *aimag* councils of the Sustainable Livelihoods Project and participants in local development programmes. Focus groups and key informants also can be used to monitor and evaluate progress in local communities.

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Promoting employment opportunities in rural Mongolia
7 Additional dimensions of decent work

The proposed strategy for employment promotion in rural Mongolia is participatory and decentralized, drawing on a methodology developed for local economic development. This includes private enterprise development and public job creation that take advantage of needs and opportunities identified by grassroots communities. It is possible to broaden local area development to include social, political, cultural and economic dimensions.

Decent work means “opportunities for women and men to obtain decent and productive work in conditions of freedom, equity, security and human dignity.” The ILO promotes the concept of decent work that encompasses rights, protection and dialogue as well as employment. While the focus of this report is on local economic development, the ILO has introduced a broader concept of local development and decent work. This section looks at recommendations based on various documents for improving some other components of decent work in rural Mongolia by promoting social protection, safety and health in the workplace, rights at work and gender equality. These might be tied to local economic development.

7.1 Improving social protection

Ways to improve social protection in the rural sector:

- Extend the coverage of existing statutory social security schemes to the rural population.
- Establish new contributory schemes tailored to the needs and capacity of the rural population.
- Introduce tax-financed universal benefit schemes.
- Ensure that improvements in health care provision accompany reforms in health care financing to address inequalities between rural and urban, poor and non-poor and migrant and sedentary populations.
- Explore new methods to improve social protection for livestock herders and the informal economy through research and pilots.
- Review restocking and insurance for livestock to address the income insecurity associated with animal losses.
- Encourage associations of herders, farmers and others to participate in discussions about ways to extend social protection to rural areas.

The Millennium Development Goal Report for Mongolia states, “Despite very low levels of pensions and benefits, poor households rely heavily on them as a source of income. The share of these transfers in household income is three times higher for the very poor than the non-poor in urban areas and twice as high in rural areas.” Appropriate mechanisms for social protection should be in place to keep families with low incomes and without gainful employment from falling deeper into poverty.

Herding populations grapple with income insecurity associated with adverse effects of weather, pests and disease. Herd size, pasture management, macroeconomic...
policies, infrastructure development and unforeseen events are also factors. While herding households rely on traditional methods of risk reduction, informal arrangements are generally not as effective as formal institutions, as explained in Box 78.

Box 78: Improving risk management through formal institutions

“In the absence of state support, households can attempt to manage increased risk in a variety of ways, for example, by diversifying sources of income within the household, by building up assets that can be liquidated during periods of crisis, by strengthening kinship ties and forming mutual aid groups, by borrowing from informal credit lenders in an emergency in the hope that it will be possible to repay the loan when conditions improve, etc. Like survival strategies, these are largely responses to a reduction in the number of risk-reducing institutions. Almost always these informal arrangements are inferior to the formal institutions they attempt to replace. Privatization of risk management seldom works well, particularly for low income groups in low income countries.”


The ILO promotes four ways to expand social protection. These include extending statutory social security schemes, encouraging micro-insurance schemes, introducing tax-financed universal benefits and providing social assistance through means testing. All are methods to extend social protection to uncovered groups.

Box 79: Extending social protection to uncovered groups

Of highest priority are policies and initiatives that can bring social security to those who are not covered by existing systems. In many countries these include employees in small workplaces, the self-employed, migrant workers and people – many of them women – active in the informal economy. Certain groups have different needs and some have very low contributory capacity. The successful extension of social security requires that these differences be taken into account. The potential of micro-insurance also should be rigorously explored: Even if it cannot be the basis of a comprehensive social security system, it could be a useful first step, particularly in responding to people’s urgent need for improved access to health care. Policies and initiatives on the extension of coverage should be considered within the context of an integrated national social security strategy.


In addition to statutory social security schemes, the ILO promotes micro-insurance as a “useful first step, particularly in responding to people’s urgent need for improved access to health care.” The term “micro-insurance” refers to the small-scale cash flows of contributions and benefits. “Where households and communities have no social protection coverage through statutory systems, they look for different ways to cover risks,” according to an ILO working paper on the role of community-based systems in social protection. Micro-insurance provides protection against specific perils in exchange for regular monetary payments proportionate to the likelihood and cost of the risk involved. To be responsive to people who are poor, micro-insurance must meet priority needs in a way that is understandable and affordable. The primary function is to provide insurance benefits to contributing members. Payments are made possible by the pooling of risks and resources. Micro-insurance schemes should follow basic insurance principles. These schemes may have the potential to increase social protection coverage substantially by collaborating with each other and by working together with statutory social insurance schemes, local and national government and other large-scale organizations. Governments can promote schemes by providing financial support and creating a legal and legislative framework within which schemes may operate. The schemes are primarily used for life, health and assets.

Two streams of social protection

The passage of a Citizens’ Health Insurance Law in 1993, a package of Social Insurance Laws in 1994 and the Social Welfare Laws in 1995 introduced a new system for social security in Mongolia. These set out two streams for social security. The first is based on the principle of social insurance financed by employers and employees with benefits based on contributions. The second is a form of social assistance financed from the government budget with benefits going to people in need. It will be important to extend both social insurance and social assistance to groups in Mongolia not currently covered by existing systems of social protection. The difference between these two streams is not quite as obvious as it seems. For example, subsidised contributions for health insurance, which come from the government budget, are a form of social assistance rather than social insurance.

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151 Ginette Forgues: “Community responses to social protection needs,” Presentation to the ILO Subregional Office for East Asia, Bangkok, 7 September 2004.

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Social insurance

Today 87 per cent of employees in the formal sector are covered by social insurance on a compulsory basis, while only small proportion of herders and the self-employed have joined social insurance on a voluntary basis. The coverage depends on the type of insurance and kind of employment. Despite a solid foundation of social security for the Mongolian population there is a clear need to improve current programmes.153

Weaknesses identified in the current scheme include limited coverage and low compliance. There is a need to build the administrative capacity of the State Social Insurance General Office (SSIGO) in terms of both staff and finances. The SSIGO manages the overall social insurance scheme and is under the Ministry of Social Welfare and Labour. The SSIGO has 30 branches in Ulaanbaatar and the aimags. Each branch has a director and eight to ten staff members.154 There is also a representative of the SSIGO at the soum level. The SSIGO administers five financially autonomous insurance funds: pension fund, health insurance fund, unemployment insurance fund, employment injury fund covering work-related injuries and diseases and a fund for maternity benefits and funeral grants.

Pensions

Mongolia’s Parliament adopted key guidelines for pension reform in 1999 as a transition to a notional defined contribution scheme. The main feature of the scheme is individual accounts. A new benefit formula calculates pension amounts as the individual account balance at retirement divided by the estimated average remaining life expectancy. Partial funding is to be achieved gradually and applied only to those born after 1960. Eligibility will be after 15 years of contribution. The standard retirement age will be the same for both men and women, at 60 years. Early retirement and supplementary benefits will be possible for certain occupations. The minimum pension is set at 20 per cent of the national average wage. This is an issue of concern since it will substantially reduce the income of many pensioners, adding to problems of poverty.155 The indexation of all pensions including those granted before the reform will be based on the consumer price index.156 The provision of supplemental benefits, level of minimum pension and indexation of pension payments are relatively new elements of the reform.157

155 Poor people rely on pensions and benefits and official transfers are important in preventing poverty as noted later in this section.
156 Jean-Claude Hennicot: Social insurance in Mongolia, Presentation on social security prepared for the seminar on social security organized by the Mongolian Employers, Federation and the ILO International Training Centre in Turin, Ulaanbaatar, 8–9 September 2004.
157 These are not included in the reforms introduced in 1999.
There are some issues of concern regarding this formula, such as whether the planned reform will ensure sufficient retirement income for all. The pension system has been operating on a pay-as-you-go basis with annual contribution income used to pay for yearly benefit payments. The fund is currently taking in less than it is paying out with projections showing that deficits are likely to grow in the future even after introduction of the reforms. The main reason for current deficits is that the pension scheme has inherited past liabilities from before the transition period; under the socialist system workers did not contribute to a scheme. Hence government subsidies are perfectly justifiable as a transition cost. It is highly unlikely that the conversion to a partially funded scheme can be achieved without government subsidies, given the fact that income from contributions is needed to pay for pensions. Another question is whether a funded scheme is desirable in the short to medium term given the current development of capital markets in Mongolia. Finally, there are questions about whether the private sector has adequate capacity to manage supplementary pension benefits.

Another challenge is to improve social security for herders and the self-employed who make up about 50 per cent of the employed persons. Although they are eligible to participate on a voluntary basis, only about 4 per cent have pension insurance. Some of these are eligible for benefits based on work prior to the economic transition. Although this is generally a minimum pension, the small amount helps make ends meet. In the future most will not qualify for any social insurance at all with social assistance as their only source of support. A sharp increase in social assistance could place a major burden on government coffers.\textsuperscript{158}

Reforms have attempted to make pensions compulsory for herders and others who are self-employed. Under the current arrangements, pension benefits for those making voluntary contributions are heavily subsidized from the contributions of other workers. Thus, a marked increase in voluntary contributions would pose financial problems for the pensions system. For this reason, a separate programme for livestock herders and other self-employed is being worked out with a flat pension benefit higher than social assistance but less than the minimum pension under the existing scheme.

The World Bank and ADB have recommended a special pension scheme for herders and the self-employed. Both contributions and benefits would be lower than for other pensions but greater than social assistance. Under the voluntary scheme, the contribution rate is 10 per cent of the minimum wage. However, benefits would not be adequate to keep pensioners out of poverty. A pilot programme for the planned scheme on herders’ pensions is scheduled for 2005 in four aimags and two districts of Ulaanbaatar with funding from the ADB.\textsuperscript{159}


\textsuperscript{159} Ginette Forgues and Sandra Yu: Mission Report to Mongolia, Bangkok, ILO Subregional Office for East Asia, 18–30 April 2004.
Health insurance

During the socialist period, health care was provided free of charge through an extensive network of government facilities. While it continued to be a state function, cost sharing mechanisms were introduced during the transition period. Under the Citizen’s Health Insurance Law as amended in 2003, all segments of the Mongolian population are to be covered by compulsory health insurance. However, health insurance premiums have been subsidised by the state budget for the most vulnerable groups. Self-employed herders currently pay a flat premium of 500 tugrugs per month to the Health Insurance Fund (HIF).

Despite the fact that insurance is “compulsory” according to the law, real coverage for health insurance decreased from 95 per cent in 1998 to 79 per cent in 2003. Part of the reason is the discontinuation of subsidized contributions for students and herders since 1998, the growth in the informal economy, an increase in internal migration and a rise in the unemployment rate.\textsuperscript{160} Some do not see health insurance as a good value due to such factors as limited benefits, inconvenient services, unequal access from remote areas, annual ceilings on individual benefits and informal payments to hospital staff.\textsuperscript{161} Solutions must ensure that health care quality and health care financing are mutually reinforcing. In 2003 there were 303 soum hospitals, 18 intersoum hospitals and 12 “fixed posts” in bagh centres. Official statistics indicate that 40 per cent of soum hospitals do not meet staffing standards and 93 per cent lack essential equipment. Bagh “feldshers” offer primary health care for remote rural populations under supervision of the soum hospital. These health workers are assigned to a fixed post or travel with livestock herders during seasonal moves. They provide curative treatment, preventive care and health education. They also help transport sick people and supervise health volunteers.\textsuperscript{162}

Another challenge is health inequality across urban and rural areas, poor and non-poor groups, and migrant and non-migrant populations.\textsuperscript{163} Currently, public health subsidies through government health spending and health insurance benefits are provided to “vulnerable groups” and not explicitly targeted at poor people. In 2002 about one-half of Mongolia’s total public health expenditure was directed at Ulaanbaatar, with wide variation across the aimags from 15,000 tugrugs per capita

\textsuperscript{160} K. Tungalag: Mongolian health sector financing and social health insurance review, Draft report, Ulaanbaatar, 5 March 2005, Table 21.
in Ovorkhangai and Khovd to 21,000 tugrugs in Govisumber and Govi-Altai. It would be useful to have more information for soums and baghs.\textsuperscript{164}

**Unemployment insurance**

There are plans to reform unemployment insurance. The current eligibility requirement that workers must contribute for at least two years including nine months immediately preceding job loss is considered to be too strict. There are also plans to increase payments to those with less than five years of coverage to 50 per cent of prior wages. Benefits will be made available for up to six months.\textsuperscript{165} The Unemployment Insurance Fund can be used to support employment promotion and skills development.\textsuperscript{166}

**Social assistance**

The State Social Welfare Agency (SSWA) established in 1997 has responsibility for the delivery of social assistance benefits and social welfare services. A Social Assistance Fund provides benefits to vulnerable groups without social insurance. Services and benefits include in-kind services, such as residential facilities, monetary benefits and special discounts. Many benefits are means tested. The SSWA structure extends from the central office in Ulaanbaatar to aimags and soums. A government officer in the soum centres is responsible for social welfare, employment programmes and poverty issues.\textsuperscript{167} According to the Law on Social Care Allowances, the following are considered vulnerable: elderly people without children or relatives who cannot survive on their own, persons with disabilities and orphaned children, the elderly who are very poor and people with disabilities or very poor people with many children.\textsuperscript{168}

**Impact of social insurance, social assistance and private transfers**

The Household Income and Expenditure Survey/Living Standards Measurement Survey, conducted in Mongolia during 2002–2003, points to the important contribution of financial transfers in diminishing economic insecurity and contributing to poverty reduction. This includes social insurance administered by the


\textsuperscript{165} Currently, Cash benefits amount to 45 per cent of average insurable earnings with a minimum benefit of 75 per cent of the minimum wage. The maximum duration of benefits is 76 days.


\textsuperscript{167} ADB: “Report and recommendation of the president to the board of directors on proposed loans and technical assistance grant to Mongolia for the Social Security Sector Development Programme,” (RRP: MON 33335), August 2001, p. 6.

\textsuperscript{168} Government of Mongolia: Poverty Reduction Strategies in Mongolia: From I-PRSP to Full PRSP, Medium-term growth policies for poverty reduction, Mongolia Consultative Group Meeting, Ulaanbaatar, 8–10 July 2002, p. 54.
government based on contributions of employers and workers to cover specific needs associated with retirement, health, unemployment, injury, illness, maternity and death. While social assistance is provided to protect vulnerable groups, transfers and remittances include support from private sources, such as friends and family, as well as those from the government. Informal networks in Mongolia have traditionally worked to transfer animal products and consumer goods as well as cash payments between cities and the countryside. More recently, these networks helped to mitigate against the adverse effects of economic slumps and harsh winters.169

Survey data presented in Table 20 indicate that four out of five households in Mongolia give or receive some kind of financial transfer. Public transfers account for about three-fourths of the total amount received. Retirement pensions are the most important component of public transfers, reaching three out of ten households in Mongolia and accounting for three-fourths of the public funds. Ninety per cent of private transfers come from family and friends with the rest from non-governmental, religious and charitable organizations. For those households that receive public transfers, the contributions are equal to a fifth of consumption, while private transfers account for only about 7 per cent of household consumption for those that receive them.170

In urban areas, the people living in households that receive public transfers are more likely to be poor than those that do not. However, in rural areas the poverty rate is higher for households that do not receive public transfers. Poverty levels in urban areas are not different for households that do or do not receive pension payments, while in rural areas households that are non-recipients are much more likely to be poor – the headcount index is 36 per cent for those that receive pension benefits compared to 45 per cent for those that do not. Altogether, the greater the net transfer received by households the less poor they are, where net transfers are defined as the difference between both private and public transfers received by the family minus all remittances given to other households.171

Table 21: Financial transfers, Mongolia, 2002–2003

<table>
<thead>
<tr>
<th></th>
<th>Households with transfers (%)</th>
<th>Population with transfers (%)</th>
<th>Average household transfer (Tugrugs per month)</th>
<th>Share of consumption (%)</th>
<th>Share of total transfers (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remittances and aid received</td>
<td>68.3</td>
<td>68.3</td>
<td>26,658</td>
<td>21.7</td>
<td>100.0</td>
</tr>
<tr>
<td>Remittances and aid</td>
<td>45.2</td>
<td>44.8</td>
<td>10,936</td>
<td>8.0</td>
<td>27.1</td>
</tr>
<tr>
<td>Family and friends</td>
<td>36.0</td>
<td>35.3</td>
<td>12,097</td>
<td>8.6</td>
<td>23.9</td>
</tr>
<tr>
<td>Others a/</td>
<td>12.7</td>
<td>12.8</td>
<td>4,632</td>
<td>4.0</td>
<td>3.2</td>
</tr>
<tr>
<td>Social welfare</td>
<td>46.1</td>
<td>46.1</td>
<td>28,735</td>
<td>24.2</td>
<td>72.9</td>
</tr>
<tr>
<td>State pension</td>
<td>29.1</td>
<td>27.7</td>
<td>33,199</td>
<td>27.4</td>
<td>53.1</td>
</tr>
<tr>
<td>Disability pension</td>
<td>8.9</td>
<td>10.1</td>
<td>17,783</td>
<td>15.7</td>
<td>8.7</td>
</tr>
<tr>
<td>Survivor pension</td>
<td>3.9</td>
<td>4.3</td>
<td>18,311</td>
<td>18.1</td>
<td>3.9</td>
</tr>
<tr>
<td>Maternity benefit</td>
<td>4.8</td>
<td>5.5</td>
<td>6,947</td>
<td>5.7</td>
<td>1.8</td>
</tr>
<tr>
<td>Child allowance</td>
<td>5.5</td>
<td>6.6</td>
<td>6,448</td>
<td>6.0</td>
<td>1.9</td>
</tr>
<tr>
<td>Others b/</td>
<td>4.2</td>
<td>4.5</td>
<td>14,948</td>
<td>11.5</td>
<td>3.4</td>
</tr>
<tr>
<td>Remittances and aid given</td>
<td>52.2</td>
<td>53.6</td>
<td>7,359</td>
<td>5.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Family and friends</td>
<td>46.5</td>
<td>47.6</td>
<td>7,220</td>
<td>4.9</td>
<td>87.3</td>
</tr>
<tr>
<td>Others c/</td>
<td>13.0</td>
<td>13.9</td>
<td>3,749</td>
<td>2.5</td>
<td>12.7</td>
</tr>
<tr>
<td>Received or given</td>
<td>79.1</td>
<td>79.4</td>
<td>18,145*</td>
<td>15.4*</td>
<td>-</td>
</tr>
</tbody>
</table>

Notes:

a/ Includes persons that are neither relatives nor friends, local or state governments, NGOs and religious organizations.
b/ Includes special pension, unemployment benefits, illness payments, funeral payments and other benefits.
c/ Includes persons that are neither relatives nor friends and religious or charitable organizations.
* Refers to net transfers – total remittances received by the household minus total transfers given.


Livestock restocking and livestock insurance

Restocking schemes and livestock insurance are also part of social protection in Mongolia as a method to protect productive assets and provide income security. The experience of Mongolia is discussed in Section 3.3: Income insecurity in livestock herding.172

172 See pages 58–66.
7.2 Improving safety and health in the workplace

Ways to improve health and safety in the workplace:

- Build capacity at the aimag and soum levels for addressing issues related to occupational safety and health (OSH).
- Introduce participatory methods to identify and correct problems of safety and health in the workplace.
- Raise awareness about dangers of informal mining, livestock herding, agricultural processing and construction sites.
- Include information about prevention and treatment of alcohol abuse and HIV/AIDS in business training, OSH programmes and community dialogue.

Another dimension of social protection is safe work. All countries encounter challenges to improve safety and health in the workplace. Mongolia is no exception. Among problems in rural areas are those related to informal mining, construction sites, livestock herding and agricultural processing. To reduce health risks, such as abuse of alcohol and the spread of HIV/AIDS, preventative measures can be tied to government programmes for employment promotion in rural areas.

Informal mining

For the most part, formal mining in Mongolia is carried out by skilled workers in conditions that are generally satisfactory. However, there are serious problems related to health and safety in the workplace in the informal mining that is a growing source of employment and income. This involves activities in and around mines for gold, coal and other minerals.

The situation in informal mining is thus a cause for concern. A survey conducted by the Population Teaching and Research Centre of the National University of Mongolia for the ILO–International Programme on the Elimination of Child Labour (IPEC) in 2002 indicated that roughly half of informal miners in gold mining have no permanent source of household income. Almost three-fourths stated that household income is not adequate to meet living expenses. Children and adolescents are involved in informal mining. In fact, gold mining is the collective labour of household members in many cases. It involves digging holes, carrying soil, transporting rocks, hauling water, handling explosives and using mercury. Gold is obtained from the soil on the surface and from rocks in tunnels.

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173 Population Teaching and Research Centre, National University of Mongolia: Assessment of the child labour situation in gold mining, Commissioned by the ILO IPEC, Ulaanbaatar, 2002.
The mining industry is governed by the 1997 Minerals Law together with resolutions and procedures exacted thereafter. A draft Law on Artisanal Mining of Minerals is still under consideration. A recent study concluded that the current situation requires a legal framework for informal mining supported by government policies. The Mongolian Employers’ Federation, with technical assistance and financial support from the ILO, aims to prevent the hazardous forms of child labour, improve the working conditions of informal miners and develop a better relationship between formal enterprises and informal miners in gold mining operations through an informal gold mining project.

Discussions during a stakeholders’ meeting in Bornuur soum in July 2004 drew attention to the fact that children are involved in most of the same tasks undertaken by adults in informal mining, even blasting and drilling inside the tunnels. Another meeting in Zaamar soum indicated that children are working during the winter as well as summer months, with many dropping out of school. Some children as young as 9 years old are working in dangerous conditions. Accidents are common and sometimes fatal.

Gold mining in rock deposits is especially hazardous because it means working with slip-shod scaffolding and explosive materials. Gold is sometimes panned in rivers. In almost all cases, the final specks are extracted using mercury. Although it is illegal in these operations, there is widespread use of mercury by large numbers of rural workers involved, directly or indirectly, in the extracting and processing of gold. While gold mining has provided employment and income, steps must be taken to improve safety procedures in digging tunnels and to raise public awareness about the hazards of using mercury.

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176 Population Teaching and Research Centre, National University of Mongolia: Assessment of the child labour situation in gold mining, Commissioned by the ILO IPEC, Ulaanbaatar, 2002.
Livestock herding

Livestock herding like other forms of agricultural production involves exposure to workplace hazards. In addition to the use of machinery and equipment, there are risks associated with the animals themselves in terms of accidents and disease. Nomadic practices bring with them risks related to water sources, fuel supplies and unsanitary conditions. “Much agricultural work is arduous by nature, involving long hours of work with few rest periods, the lifting and carrying of heavy loads, prolonged bending and stooping, and exposure to extreme temperature, wind, rain and sun.”177 The ILO has experience using an action-oriented training package with simple steps to introduce measures that improve safety, health and working conditions in agriculture: Work Improvement in Neighbourhood Development (WIND). This approach described in Box 81 could be adapted and used for livestock herding in Mongolia.

Agricultural processing

While there are some larger enterprises involved in the processing of agricultural products in Mongolia, much of the work takes place near home. To improve safety

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and health, it is useful to raise awareness about simple procedures to identify risks and hazards. This includes looking at poor lighting, unsafe tools, cramped conditions, fire risks, long hours and dangerous chemicals. Women are often vulnerable to the hazards of work at home. ILO’s Work Improvement for Safe Home (WISH) introduces participatory measures to identify and correct potential dangers (Box 81).

Construction sites

Small construction sites in both rural areas and urban centres are a potential source of workplace accidents. Mongolia has worked to improve safety at these sites. For example, the Confederation of Mongolian Trade Unions has introduced a training package entitled, “Work improvements through small construction sites (WISCON)” in collaboration with the Mongolia Construction Workers Trade Union Federation. Participatory inspections of work sites called for protection of workers against cold and wind. Areas for improvement are special protective clothing, first aid kits, work hazard signs, safe storage areas and improved work organization. Training and materials could be extended to small construction sites in aimag capitals and soum centres.

Alcohol abuse

Alcohol abuse is a serious problem for livestock herding and informal businesses in rural areas of Mongolia. The negative effects can have a detrimental impact on productivity and safety in the workplace. Violence and crime also are associated with alcohol abuse. The Mongolian Employers’ Federation reports that many businesses go bankrupt due to problems associated with alcohol. The Centre for Violence Against Women estimates that 80 per cent of women who seek assistance have been abused by family members who have been drinking.

The National Council to Combat Alcoholism launched a campaign in 2003 under the banner, “Life without alcohol and social health care” in all aimags and nine districts of Ulaanbaatar. Alcoholics Anonymous also has chapters in Mongolia. One of the ways to reduce alcohol abuse is to create productive employment. It is recommended that training programmes for enterprise development, public works, community development and life skills include information about prevention and treatment of alcoholism.

179 UNDP: “Selected project concept papers,” Ulaanbaatar, April 2002.
HIV/AIDS prevention

While patients have been screened for HIV infection at the National Research Centre for Infectious Diseases every year since 1987, only a handful have been found to be positive. Yet the World Health Organization estimates there are between 100 and 400 HIV/AIDS cases in the country.\(^1\)\(^8\)\(^1\) Although this number is not alarming, there has been an increase in rates of sexually transmitted diseases since the mid 1980s. In addition, a rise in tourism in the country has raised concern that HIV will become a problem in Mongolia and justify the public health education initiatives already taking place.\(^1\)\(^8\)\(^2\) The Human Development Report Mongolia 2003 points to a number of risk factors: “a young population with 50 per cent 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; and the rapid spread of HIV infections in recent years in neighbouring countries such as Russia, Kazakhstan and China.”\(^1\)\(^8\)\(^3\)

HIV/AIDS is a workplace issue and a development challenge. The loss of skilled and experienced workers causes productivity to fall just as business costs are rising. Tax revenue and investment plans also are undermined. Livestock herders and self-employed workers in the informal economy are particularly vulnerable to the epidemic’s impact due to the precarious nature of working conditions, low level of social protection and limited access to health services. The loss of skilled workers and managers not only undermines productivity today but threatens the capacity of nations to deliver essential goods and services for decades to come.

A workplace policy offers the framework for enterprise action to reduce the spread of HIV/AIDS and manage its impact. An ILO code of practice on HIV/AIDS and the world of work provides a checklist of steps for agreeing and implementing such a policy on HIV/AIDS. Just as important in rural areas, awareness about dangers and information on prevention can be added to training programmes for employment promotion.

Safe work

The ILO approach to safe work includes showing that it pays to prevent accidents, improve working conditions and enforce labour standards. Priorities should be given to the most hazardous occupations in sectors such as mining, construction and agriculture as well as to workplaces with particular risks, such as situations where work involves long hours, dangerous chemicals or isolated situations. A large number

of workers whose conditions are most in need of improvement are often excluded from existing legislation and protective measures. Better statistics about safety and health in the workplace can lead to improvements in polices and practices.

After ratification of ILO Occupational Safety and Health Convention, 1981 (No. 155) in 1998, Mongolia has worked to develop a coherent national action programme with priorities given to enforcement, advocacy and training. More specifically, an OSH training module has been used for labour inspectors, while the Mongolian Employers’ Federation has provided OSH training for many small enterprises using ILO’s WISE (Work Improvement in Small Enterprises) training programme. With financial and technical assistance from the Japan International Labour Federation, the Confederation of Mongolian Trade Unions has strengthened its OSH training networks.

Despite positive developments, weaknesses have been identified with regard to coordination between policy and inspection and between Ulaanbaatar and the provinces as well as the absence of reliable statistics for workplace accidents and occupational injuries. A strategy for OSH that was developed with active participation of employers’ organizations and trade unions includes a programme for preventing employment injury, occupational disease and acute toxicity. There are ongoing discussions about changing the legislation to allow for funding from social insurance against employment injury and occupational diseases. Plans for improvement are part of the Master Plan on Occupational Safety and Health and Working Environment 2005–2010.184

Three approaches described in Box 81 that could be applied at the soum level as part of local economic development are WIND (Work Improvement in Neighbourhood Development), WISE (Work Improvement in Small Enterprises) and WISH (Work Improvement for Safe Home).

Box 81: WIND, WISE and WISH: ILO good practice examples

Poverty in rural areas means that herders and farmers often lack access to basic sanitation and welfare facilities, decent housing and health care as well as information services that could help them foresee and prevent some of the serious risks to health and safety including age-old problems of extreme temperatures, natural disaster, strenuous work, manual handling of heavy materials and parasitic infections. In addition, modern technology brings with it new hazards related to agro-chemicals including herbicides and pesticides, farm machinery and environmental pollution.

Nevertheless, agricultural workers are not necessarily condemned to being passive victims. Experience shows that when provided with information, opportunity and support, farmers and herders are usually the best experts on risk reduction. The WIND (Work Improvement in Neighbourhood Development) training programme provides an appropriate and practical methodology for addressing these problems. WISE (Work Improvement in Small Enterprises) is a participatory, action-oriented training approach that aims at immediate solutions relating to safety, health and working conditions.

Work Improvement for Safe Home (WISH) is a training package that shows how to improve the environment of home workers who are part of the “invisible workforce” employed in the informal economy. Although they work in the familiar environments of their own homes, these workers face many hazards, and ILO research has shown that few are aware of the potential dangers. These include exposure to chemicals, unsafe use of machinery, poor lighting, electrical and fire risks, long hours and cramped and strenuous working positions. These factors can affect not only the health of the worker but also that of their children and other family members.

7.3 Promoting rights at work

Ways to promote people’s rights at work:

- Raise awareness in rural communities about the ILO Fundamental Principles and Rights at Work.
- Promote organizations of herders, farmers and others in the rural communities and soum centres.
- Ensure fair representation of rural communities in planning for local development and employment promotion.
- Encourage associations of informal economy workers to undertake self-help initiatives to improve business opportunities and working conditions.
- Work toward eliminating all forms of child labour and supporting public measures to restrict child labour.

International labour standards relate to almost every aspect of employment promotion in the rural sector. ILO Conventions and Recommendations are useful in identifying practical measures as well as protecting human rights. They can serve as a reference for developing various components of an employment strategy for rural areas.

It is important to note that the ILO Fundamental Principles and Rights at Work apply to the countryside as well as cities, to livestock herding and informal employment as well as to formal sector employment in private business, civil service and public enterprises. These include: freedom to defend and further work-related interests, such as the right to organize, bargain collectively and strike; freedom from coercion at work or the right to be protected against forced labour; freedom from child labour; and freedom from discrimination on the basis of race, colour, sex, religion, social origin, national extraction and political opinion.

Among the many issues of current concern in rural Mongolia is contract labour. An increasing number of herders who have lost all their livestock or households with only a few animals have begun to work for herders with large herds. Those with a thousand or more animals often hire two or three people to help them out. This is generally an informal arrangement without a written contract. Remuneration is often made in kind – with livestock or their products. Herders generally offer their labour to other herders as a last resort. The practice is having negative consequences: Growing disparities are associated with the “capitalist system” and, in some cases, herders without animals may even think of themselves as slaves to those with resources.\(^\text{185}\) These issues should be addressed in government programmes and community initiatives to create

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\(^{185}\) Ch. Erdenechimeg: Officer of the Ministry of Social Welfare and Labour, Interview, Ulaanbaatar, May 2002.
Promoting employment opportunities in rural Mongolia

jobs, raise productivity and improve incomes. In this regard, the Ministry of Social Welfare and Labour aims to improve the legal basis for labour relations in rural areas.\footnote{Ch. Erdenechimeg: “Presentation of the draft national subprogramme on improvement of employment opportunities for herders,” Officer of the Ministry of Social Welfare and Labour, Prepared for the Consultative Meeting on Rural Employment, Ulaanbaatar, 30–31 March 2004.}

Child labour is another issue to be addressed. Immediate attention should be given to children working in hazardous conditions in mining operations. Although children are encouraged to help out with family work as part of skill development in traditional herding, care is needed to make certain that they do not drop out of school to work full time in family production or for other herders. Child labour is both a cause and a symptom of poverty. It can lead to the perpetuation of poverty across generations. ILO’s Programme on the Elimination of Child Labour goes beyond trying to stop children from working and seeks to promote development by encouraging adequate educational alternatives for children and supporting access to decent work, sufficient income and economic security for their parents.

Mongolia has ratified the ILO Convention on the Worst Forms of Child Labour, 1999 (No. 182) and the Minimum Age Convention, 1973 (No. 138). The ILO National Programme on the Prevention and Elimination of Child Labour in Mongolia launched in 1999 and funded by the United States Department of Labour is currently in its second phase. This programme targets 2,700 children involved in or at risk of employment in harmful or hazardous jobs, such as in mining, scavenging, prostitution and street-based activities. It aims to raise awareness about child labour including negative consequences and proposed solutions, build institutional capacity to enforce laws and implement policies to withdraw and prevent children from entering child labour. ILO–IPEC has a wide range of partners in Mongolia, including government agencies, employers’ organizations, trade unions and NGOs. For example, IPEC is working with the Confederation of Mongolian Trade Unions to strengthen the role and capacity of trade unions in combating the worst forms of child labour. It has a project with the Mongolian Employers’ Federation to prevent and combat child labour in informal gold mining where children are at risk of mercury poisoning and underground hazards. To improve understanding in Mongolia on child labour, IPEC has undertaken a number of rapid assessments in sectors and areas where the worst forms of child labour are suspected. In addition, IPEC worked with the ADB to provide support for a child labour module in the Labour Force Survey carried out by the National Statistical Office of Mongolia during 2002–2003.
7.4 Ensuring equality

Ways to ensure equality at work:

- Encourage the participation of women and men in local economic development and employment promotion strategies.
- Ensure that girls and women as well as boys and men are included in training for employment.
- Enlist the participation and support of women’s NGOs in programmes for job creation through public works and community services.
- Ensure that women and men have equal opportunities to start and improve businesses.
- Mainstream gender in all strategies for growth and development.
- Work actively against gender stereotyping.

Despite high levels of educational attainment and a “reverse gender gap” in both secondary school and at the tertiary level, women have lost some of the opportunities available during the socialist period including jobs in the public sector that once provided maternity benefits. The closure of preschools and kindergartens during the transition period has added to difficulties faced by women seeking employment in the formal sector. Many lack access to the collateral, finance and infrastructure necessary to set up small businesses and end up in the informal economy.\(^\text{187}\) Especially hard hit are female-headed households. A gendered division of labour in herding has pushed single women from the countryside to towns and cities.\(^\text{188}\)

Women carry a double burden with responsibilities at work and at home. The Labour Force Survey conducted during 2002–2003 asked all respondents about non-economic activities, including unpaid work – regardless of whether or not they were in the labour force. The survey results show that 92 per cent of the population aged 15 years and older participates in activities such as cooking, cleaning, washing and caring for children and elders. Just over half of them are women spending, on average, 25 hours a week on these activities. However, the average hours are much longer (Figure 17) for women (32 hours) than for men (18 hours). In rural areas, women devote twice as many hours to non-economic activities than men – 37 hours compared to 19 hours. The average number of hours per week on these activities was longer in winter (30 hours) than in the other seasons – spring (25 hours), summer (22 hours) and autumn (22 hours). However, the number of persons engaged in this kind of unpaid work is greater during the summer than in the winter.

According a Time Use Survey conducted by the National Statistical Office of Mongolia and the UNDP in 2000, women in rural areas spend fewer hours per day on economic activities contributing to GDP – 5 hours for women compared to 8 hours for men. However, women spend more hours than men on unpaid work – 6


\(^{188}\) See page 53.
hours for women and 2 hours for men. Altogether, women (11 hours) toil longer hours than men (10 hours), leaving less time for personal activities.\footnote{NSO and UNDP: \textit{A Pilot Time Use survey 2000}, MON (97) 2001, Ulaanbaatar, 2000, Table 8, p. 35.}

**Figure 17: Average hours of work per week in current non-economic activities by population aged 15 and older, Mongolia, 2002–2003**

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average hours per week</td>
<td>25.0</td>
<td>17.5</td>
<td>31.8</td>
</tr>
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<td></td>
<td>28.0</td>
<td>18.7</td>
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**Box 82: Unequal responsibilities in a herding household**

Dolgor gets up at six o’clock in the morning to milk the animals, before they are sent off to graze in the hills. After the milking, she must boil and process the milk, which will take several hours. The young animals are usually kept around the ger and some need special attention during the day. In the afternoon the animals must be milked again. Horses are milked frequently for making \textit{airag}, an alcoholic drink made from fermented mare’s milk. In addition to her work with the animals, she must take care of her family and cook three meals every day. All cleaning work in and around the ger is also her responsibility.

Dolgor’s husband, Luvsan, rises around eight o’clock and is served breakfast. Between the two busy seasons of spring, when the camp is moved and the animals give birth, and late autumn, when everyone must prepare for winter, he does not have much work to do. He checks on his animals a few times a day but most of the time passes with tasting the homemade alcoholic beverages – \textit{airag} and vodka – in other households or receiving friends in his own ger. For Luvsan the leisure and socializing that a herding lifestyle can offer, especially in summer, is a major attraction as compared to regular employment in urban centres.

Close attention should be paid to gender equality in all aspects of the employment strategy for the rural sector in Mongolia in order to use and develop the human resources of women and men and create opportunities for both girls and boys to obtain education, skills and employment. The alarming rate at which boys and young men in rural areas drop out of school is a concern.190 A gendered division of labour remains strong in rural areas and particularly within herding families with implications for work, authority and leadership in local communities.

**Box 83: Division of labour among herders**

“Households are differentiated with rights and responsibilities divided by gender. Traditional nomadic herding life reflects clear distinctions between men’s and women’s work domains, but men and women tend to help each other in their own sphere of responsibilities, and boys and girls also are involved in this mix of cooperation and specialization. Moreover, seasonal work such as shearing, combing and hay-making are undertaken in conjunction with relatives and neighbours. The care of animals, for example, is also shared, with the larger cattle, horses, camels taken out to pasture and attended by men and the smaller animals, such as sheep and goats, cared for by women. Women and girls process dairy products such as milk curds, cream, butter and cheese for both home consumption and for sale in the urban centres. The provisioning for basic goods and services such as materials for housing, domestic fuel, transport, textiles, clothing and foodstuffs, is obtained through livestock processing and by-products.”


As in urban life, a number of social problems have accompanied the privatization of the rural economy. These relate to health issues, life expectancy and alcohol abuse that affect household organization as much as gender relations, particularly subsistence-oriented herder families. A survival strategy has been to increase herd size and diversify livestock holdings. This has increased the demand for labour to manage the herds. Women and children have often taken on part of the additional work. In some cases, this has resulted in children – especially boys – dropping out of school. Additional production and processing of milk often does not generate an increase in cash income, given poor access to markets and the low value of products. Much of what is produced is for a family’s consumption. Other products must be purchased through barter or with cash – flour, candles, matches, rice, sugar, tobacco and salt. Men take on manual tasks of herding and travel long distances to pastures.

Many women in soum centres are engaged in petty trade and the informal economy. They have encountered disadvantages with regard to ownership of assets and distribution of property that followed the privatization of the herding collectives.

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190 See Section 2.5: School attendance on pages 34–41.
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and state farms. Women, like men, face disadvantages in business without services once provided by the government – infrastructure, information, training and marketing. To draw on the strengths of women in local development, it will be necessary to empower women. A number of NGOs have been operating to strengthen participation and dialogue for rural development – Mongolia Women’s Federation, Liberal Women’s Brain Pool, Women Lawyers Association, Women for Social Progress, National Centre Against Violence, Women’s Council, Mongolian Federation of Professional Women and Women Farmers Association, among others. Some have received donor support. Seminars, conferences and workshops have addressed issues relating to women’s rights, family law, women’s status, family separation, domestic violence, reproductive health, education systems, local governance, public affairs, youth issues, welfare improvement, professional education, skill recognition, local budgeting, *khural* representation and business development. The activities have included awareness raising, training exercises, participatory research and information dissemination. Outputs are action plans, legal recommendations, training materials and hotline services. Progress has been made on implementation of the United Nations Convention on Elimination of All Forms of Discrimination Against Women (CEDAW).

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8 Conclusions and recommendations

8.1 Rural populations

Rural employment strategies should not be limited to herders. Many herding families have economic activities in soum centres. And some of the herders who lost their animals now have jobs in settled communities – income-generating activities and informal economy employment. With a large proportion of the rural population living below the poverty line, all forms of local development, employment creation and income generation should be promoted through government policies and local initiatives.

8.2 Integrated strategies at local level

Local economic development approaches stress the importance of first identifying opportunities and then providing support. Integrated programmes should be part of the employment strategy. Training without jobs has no value. Starting and expanding businesses without supporting services are not likely to succeed. Public works and community services should address local priorities and provide jobs and income to women and men in the community. Producing goods and services without knowledge about demand and access to inputs and markets will not be profitable. To overcome the constraints posed by the isolation of rural populations from resources and information in larger cities, there are advantages to working together in groups. While there is not a strong tradition for cooperation and association in rural Mongolia, the demonstrated value of successful cases should lead to new groups in local communities – agricultural cooperatives, community associations and NGOs. The ILO has developed a model for local economic development that should prove useful for Mongolia.

8.3 Information, coordination and harmonization

Much is already being done to promote rural employment through programmes and projects of government ministries and donor projects. These activities should be shared from top to bottom and from rural communities to the capital city. Women and men who plan for local development should be aware of approaches and tools for employment services, agricultural extension, vocational training, microfinance services, restocking programmes, infrastructure development, social insurance and so forth. There should be a place in each soum centre where herders, farmers, businesses and others can go for information and advice.

To make productive use of public resources, it is essential that there be greater coordination among government agencies and development programmes. The aim is to reduce duplication and build on lessons learned and good practices. This will require improved harmonization of activities among all actors – parliamentary committees, line ministries, business organizations, trade unions, NGOs, training institutions, international donors, community groups and many others. A challenge will be to find mechanisms for coordination that do not impose a greater burden in terms of transaction costs associated with meetings and reports, so that efforts can move from conference rooms to the rural people who are seeking better jobs and improved livelihoods.
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### Glossary of terms and abbreviations

<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
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<tbody>
<tr>
<td>ail</td>
<td>camp of herder households</td>
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<tr>
<td>aimag</td>
<td>province</td>
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<tr>
<td>bagh</td>
<td>rural settlement or administrative unit below the soum</td>
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<tr>
<td>bod</td>
<td>traditional unit for measuring livestock</td>
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<tr>
<td>deel</td>
<td>traditional garment worn by men and women</td>
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<tr>
<td>dzud</td>
<td>natural disaster caused by a harsh winter</td>
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<tr>
<td>ger</td>
<td>traditional felt tent dwelling</td>
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<tr>
<td>Ikh Khural</td>
<td>State Great Khural, or highest body of legislative power</td>
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<tr>
<td>khaγanates</td>
<td>administrative units during the Mongol empire</td>
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<tr>
<td>khoroo</td>
<td>administrative unit in the capital city</td>
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<tr>
<td>khoshuu</td>
<td>a unit or banner during the Manchu period between the aimag and soum</td>
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<tr>
<td>khot ail</td>
<td>group of households in a temporary camp of nomadic herders</td>
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<tr>
<td>khural</td>
<td>deliberative council</td>
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<tr>
<td>myangat</td>
<td>administrative unit used during the Mongol empire</td>
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<tr>
<td>Naadam</td>
<td>national day holiday celebrated with sports events such as wrestling, archery, horse racing and other activities</td>
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<tr>
<td>negdel</td>
<td>agricultural collective</td>
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<tr>
<td>otor</td>
<td>“nomadic” movements of herders from pasture to pasture</td>
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<tr>
<td>ovoljoo</td>
<td>winter pasture</td>
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<tr>
<td>soum</td>
<td>administrative unit below the aimag or province</td>
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<tr>
<td>suur</td>
<td>small production teams in an agricultural collective generally consisting of two to five families</td>
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<tr>
<td>tugrug</td>
<td>Mongolian monetary unit</td>
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</table>

ADB  | Asian Development Bank  
APLF  | Asia Pacific Leadership Forum  
APSDEP | Asia and Pacific Skill Development Programme  
CEDAW | Convention on Elimination of All Forms of Discrimination Against Women  
CIS-STAT | Interstate Statistical Committee of the Commonwealth of Independent States  
CMTU | Confederation of Mongolian Trade Unions  
DANIDA | Danish International Development Administration  
DFID | Department for International Development  
EASMAT | East Asia Multidisciplinary Advisory Team  
EGSPRS | Economic Growth Support and Poverty Reduction Strategy  
EIIIP | Employment-Intensive Investment Programme  
EURADA | European Association of Development Agencies  
FAO  | Food and Agriculture Organization  
GDP  | Gross Domestic Product  
GER  | Growing Entrepreneurship Rapidly  
GET  | Gender and Entrepreneurship Together  
GTZ  | German Technical Cooperation Agency
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HIES  Household Income and Expenditure Survey
HIF  Health Insurance Fund
HIV/AIDS  Human Immunodeficiency Virus/Acquired Immunodeficiency Syndrome
ICDE  International Council for Open and Distance Education
ICFTU  International Confederation of Free Trade Unions
ICLS  International Conference of Labour Statisticians
IDA  International Development Association
IDRC  International Development Research Centre
IFAD  International Fund for Agricultural Development
IFC  International Finance Corporation
ILO  International Labour Office/Organization
ILS-LEDA  International Liaison Services – Local Economic Development Agencies
IMF  International Monetary Fund
IPEC  International Programme on the Elimination of Child Labour
IRAP  Integrated Rural Accessibility Planning
IYB  Improve Your Business
JICA  Japan International Cooperation Agency
KAB  Know About Business
KILM  Key Indicators of the Labour Market
LED  Local Economic Development
LEDA  Local Economic Development Agency
LSMS  Living Standards Measurement Survey
MAP  Mongolian Action Plan
MBDA  Mongolian Business Development Agency
MDG  Millennium Development Goal
MONEF  Mongolian Employers’ Federation
MSE  Micro and Small Enterprise
NGO  Non-Governmental Organization
NLM  Norwegian Lutheran Mission
NPAP  National Poverty Alleviation Programme
NSO  National Statistical Office
OECD  Organization for Economic Cooperation and Development
OSH  Occupational Safety and Health
PAC  Poverty Alleviation Council
PDR  People’s Democratic Republic
PLSA  Participatory Living Standards Assessment
PRA  Participatory Rural Appraisal
PRSP  Poverty Reduction Strategy Paper
RESPECT  Rights, Equality, Solidarity, Power in Europe and Cooperation Today
SEWA  Self Employed Women’s Association
SEWU  Self Employed Women’s Union
Sida  Swedish International Development Agency
SIYB  Start and Improve Your Business
SME  Small and Medium Enterprise
SNA  System of National Accounts
SPPD  Support for Policy and Programme Development
<table>
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<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tr>
<td>SSIGO</td>
<td>State Social Insurance General Office</td>
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<td>SSWA</td>
<td>State Social Welfare Agency</td>
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<tr>
<td>SYB</td>
<td>Start Your Business</td>
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<tr>
<td>TACIS</td>
<td>Technical Assistance to the Commonwealth of Independent States</td>
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<td>UN</td>
<td>United Nations</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>UNESCO</td>
<td>United Nations Educational, Scientific and Cultural Organization</td>
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<td>UNFPA</td>
<td>United Nations Population Fund</td>
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<td>UNI</td>
<td>Union Network International</td>
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<td>UNIFEM</td>
<td>United Nations Development Fund for Women</td>
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<td>UNOPS</td>
<td>United Nations Office for Project Services</td>
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<td>UNSD</td>
<td>United Nations Statistical Division</td>
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<tr>
<td>USAID</td>
<td>United States Agency for International Development</td>
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<tr>
<td>WIEGO</td>
<td>Women in Informal Employment, Globalizing and Organizing</td>
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<td>WIND</td>
<td>Work Improvement in Neighbourhood Development</td>
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<td>WISE</td>
<td>Work Improvement in Small Enterprises</td>
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<td>WISH</td>
<td>Work Improvement for Safe Home</td>
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Annex

Definitions of urban and rural in Mongolia

This report uses the definitions of the National Statistical Office of Mongolia for the data contained in various reports prepared by that office, whereas the Human Development Report Mongolia 2003 identifies only three cities as urban: Ulaanbaatar, Darkhan and Erdenet. The following are some of the definitions used 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 khoroos.

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, the majority of which [are] 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.

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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 urbanization 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 districts into khoroo.

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 khoroo of districts.