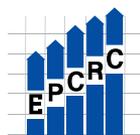


Ulaanbaatar city

DISTRICT COMPETITIVENESS
REPORT

2019



ECONOMIC POLICY AND COMPETITIVENESS
RESEARCH CENTER

ЭДИЙН ЗАСГИЙН БОДЛОГО, ӨРСӨЛДӨХ
ЧАДВАРЫН СУДАЛГААНЫ ТӨВ



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ULAANBAATAR CITY DISTRICT COMPETITIVENESS REPORT 2019

Ulaanbaatar. 2019

ECONOMIC POLICY AND COMPETITIVENESS RESEARCH CENTER

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FOREWORD



I am pleased to present you the second Ulaanbaatar District Competitiveness Report during the celebration of Lunar New Year.

The first Ulaanbaatar District Competitiveness Report played an important role in acknowledging where they are among other districts. Thus, this year's report is focused more on changes which occurred to districts since the previous report.

As of now, 45% of the population reside in Ulaanbaatar city where urbanization has been accelerating in the last years. What is urbanization?

Urbanization is the population shift from rural to urban residency, leaving the living condition of the migrants on the edge constantly. It is a complex movement which requires government regulation. Even though the city population is increasing and settlement areas are expanding every year, main competitiveness factors such as quality of life, living environment, safety and security and governance are not performing well. Critical problems such as traffic congestion, air pollution and sufficiency of children's playground, health services, schools and kindergartens have seen many different

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Khoroo and districts of the Ulaanbaatar city, a place where people go to fulfill their dreams, must be equipped with comfortable living and working environments, economic opportunities and a good governance that can be a role model.

parliament and government's faces up until now without any solutions.

The main reason that rural residents leaving their hometowns and migrating to the city is to improve their quality of life. To put it simply, they migrate to the city to make their dreams come true. However, a different reality sets in once they move to the city.

Khoroo and districts of the Ulaanbaatar city, a place where people go to fulfill their dreams, must be equipped with comfortable living and working environments, economic opportunities and a good governance that can be a

role model. District administration, efficient cooperative initiatives, planning, participation, solutions and monitoring are essential factors to develop the city. Let's build our dream city by competing together!



Tsagaan Puntsag
Chairman of the Board

GREETINGS



The Economic Policy and Competitiveness Research Center is producing some of the most important research in Mongolia today to help us better understand the nexus between governance and development. Both the Mongolia Provincial Competitiveness Report and the Ulaanbaatar District Competitiveness Report are critical contributions to our understanding of how a range of factors, including governance and policy making, are intersecting in ways that shape Mongolia's potential for economic growth.

The Asia Foundation has drawn on these reports in our work in a wide range of ways. We have consulted them when deciding where to

target our programs, analyzing governance challenges and solutions, considering the business environment being faced by entrepreneurs, and trying to design activities to support improved local governance. The availability of data collected and designed based on sound social science principles is critical to any objective analysis of complicated issues like governance and economic growth potential.

Ulaanbaatar remains a symbol of both the great potential of Mongolia and the many challenges created by the rapid changes taking root throughout the last three decades. Expanding wealth, improving services for residents, emerging pockets of innovation and creation

are visible throughout the city. At the same time inequality is rising, challenges to quality of life in the ger areas persist, and problems of traffic as well as air pollution have not yet been fully addressed.

The persistence of these great challenges remind us of the need for good governance and effective policy to make sure that Ulaanbaatar can capitalize on its advantages and opportunities. Success in doing so will depend both on the efforts of the Mayor and the Municipality level, but also the effective performance of the nine district governments. The District level of government in the city is often both underappreciated and under scrutinized. For that reason the District Competitiveness Report is helping to include districts in the conversation about governance and

promoting growth in Ulaanbaatar.

The District Competitiveness Report is structured around five areas of inquiry: quality of life, safety and security, living environment, governance and economic performance. This comprehensive approach to competitiveness will, over time, give us an important record of how the city has developed and changed, and how policies implemented have actually impacted residents. This data should be of great interest to researchers, officials, NGOs and the citizens of Ulaanbaatar. The Asia Foundation is proud to have been able to provide some support to the EPCRC to gather and present this data for all of the wide range of potential uses. I wish all you reading this report the best of luck as you turn the data into action.



Mark Koenig

Country Representative, Mongolia
The Asia Foundation

ABBREVIATIONS

EPCRC	Economic Policy and Competitiveness Research Center
GDP	Gross Domestic Product
LFS	Labour Force Survey
NGO	Non-governmental organization
NSO	National Statistical Office
PSU	Primary Sampling Units
SME	Small and Medium enterprises
UBED	Ulaanbaatar City Education Department
UBHD	Ulaanbaatar City Health Department
UBSD	Ulaanbaatar City Statistical Department
—	Not available

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PREFACE

009

The word, urbanization is understood as development, advancement and renovation. We do not see urbanization as a mere population shift from rural to urban residency. Urbanization is regarded as a higher living standard and more opportunities.

“

In Mongolia, how is this very phenomenon known as urbanization defined and what effects is it bringing? Is urbanization bettering people's lives and helping them to reach their dreams?

Urbanization is a necessary factor in the process of a country's development. In Mongolia, 67.2% of the total population lives in the urban area and 45.3% or one in every two people lives in the capital city, Ulaanbaatar. Furthermore, 95.1% of the population of Ulaanbaatar lives in the central six districts.¹

The fact that the majority of the population is concentrated in Ulaanbaatar city, which is only 0.3% of the total territory of Mongolia,

is proving that urbanization is accelerating. However, it is important to define urbanization correctly, measure it realistically and in a multifaceted way in order to evaluate the effectiveness of the urbanization. This is the main purpose of “Ulaanbaatar City District Competitiveness Report”.

Compared to two years ago when the study of district competitiveness started, the population of Ulaanbaatar city increased by 2.7%, reaching 1.4 million and 386,000 households.²

“

Ulaanbaatar city overall competitiveness index is 0.557 points, increased by 7% from the 2017 study.

The competitiveness index is graded with points 0-1, the closer it gets to 1, the better the competitiveness is.

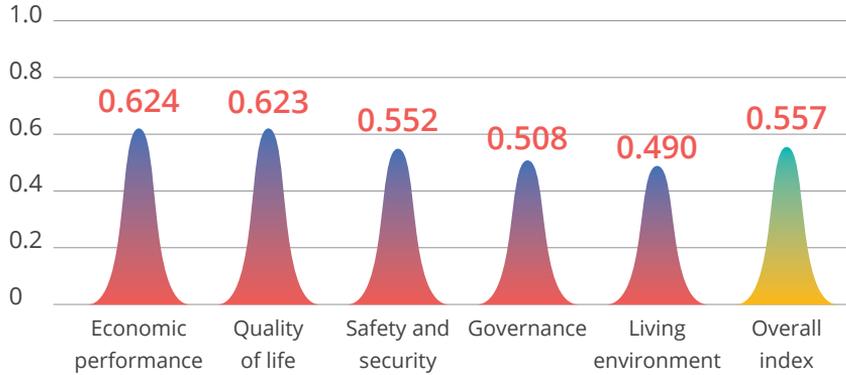
Looking at the five main factors of Ulaanbaatar city competitiveness, economic performance and quality of life indexes are showing relatively good results, getting more than 0.6 points. On the other hand,

1 Statistics on Population of Mongolia, 2017, National Statistics Office of Mongolia

2 Statistics on Population of Ulaanbaatar city, 2015, 2017, Statistics Department of Ulaanbaatar

PREFACE

ULAANBAATAR CITY OVERALL COMPETITIVENESS INDEX, 2019



safety and governance indexes are at around 0.5 points and living environment is evaluated with less than 0.5 points.

. . .

Without a doubt, the crux of the Mongolian economy is concentrated in Ulaanbaatar city. 64.2% of the total business entities operate in the capital city, constituting to the 64.7% of a total GDP.³ According to the result of district competitiveness report, even though economic concentration is high and people's expectation towards the changes in the future living standards is high in Ulaanbaatar, unemployment rate and price pressure on living standards are still high. 39% of the overall households have income

less than 500,000 MNT.

It can be seen from the report that hospital workload is still heavy regardless of the quality of health and education services, hospitals and school environment compared to those in the rural area. In addition, even though the secondary school enrollment yielded good results, the kindergarten enrollment rate was not sufficient.

As of 2017, 78% of children from 2 to 5 attend kindergartens. Also, the pupil-teacher ratio of public kindergartens is high. (The number of students per teacher is 38) Even though the availability of kindergartens and schools is increasing, it is not fast enough to catch the population growth rate.

How safe and secure city is Ulaanbaatar? In comparison to the

³ As of 2017, National Statistics Office of Mongolia

number of population, criminal offences in Ulaanbaatar city is higher than that in rural areas. Also, the criminal offences increased and the number of crimes solved decreased compared to the study two years ago. However, the youth engagement in criminal offences is in a decreasing trend. Also, respondents evaluated if the current legislative system treats everybody fairly and equally with 3.8 points which is a very poor result.

One of the conditions to live safely is to live in a healthy and clean environment. However, the residents of Ulaanbaatar city are not living in a healthy environment. It is proven by the fact that indicators such as air pollution, public littering and noise pollution received low evaluation.

One of the main advantages of urbanization is to create a convenient living environment. As of now, 44% of the total households in Ulaanbaatar city is living in apartments with centralized and independent engineering system and 27% of them lives in Mongolian traditional ger. Most interestingly, this indicator has not changed much from 10 years ago. (26% of the total households lived in Mongolian

traditional ger in 2007⁴)

Respondents provided a middle rating to an optimality of city planning. The fact that indicators such as green space, children's playground and pedestrian road yielded insufficient results influenced the evaluation.

Compared to the previous study's results, accessibility of activities from khoroo and districts has improved, following the advancement in khoroo and districts' e-governance and information transparency.

...

Thus, from one side, urbanization is accelerating as the population of the city and its density increase. However, in terms of quality of urbanization, the reality does not match how it should be as living standard should not decrease based on the population density, and opportunities to choose should not be limited.

“

It is true that urbanization opens up opportunities for people to choose better living standards.

4 Statistical Yearbook of Ulaanbaatar, 2007, Statistics Department of Ulaanbaatar

However, it is not inclusive. It concludes that the main issue is to make the positive impacts of urbanization inclusive and develop competitiveness sustainably in the long term.

...

Three levels can be developed based on differences between competitiveness of each district. These are:

- districts which have relatively high competitiveness such as Khan-Uul, Bayangol and Bayanzurkh (competitiveness indexes are more than 0.510),
- districts which have average competitiveness such as Chingeltei, Sukhbaatar, Songinokhairkhan (competitiveness indexes are between 0.46-0.51),
- remote districts such as Baganuur, Nalaikh, Bagakhangai (competitiveness indexes less than 0.46).

In other words, it can be said that the competitiveness of districts are distinct from one another.

In order to better the competitiveness of Ulaanbaatar city and eradicate the competitiveness differences of districts, it is important to measure report result

constantly and focus more on the weaknesses of indicators.

“

We want a city, full of opportunities for everyone to live satisfied, not a city with full of problems due to population concentration.



01

PRINCIPLES OF ANALYSIS AND METHODOLOGY



Purpose of the Research

The main purpose of the research is to measure the competitiveness indices of all nine districts of Ulaanbaatar according to a diverse set of criteria, to determine strengths and weaknesses as well as the most pressing challenges that each of the districts are facing.

This report aims to provide municipal and district level policy makers with reliable information, and a handbook which would be useful reference in shaping future development policies, plans and long-term development models.



MEASURING DISTRICT COMPETITIVENESS

Competitiveness is a multifaceted concept. As a field of study it is contributing to the theory of economics by including not only economic indicators, but also other 'non-economic' factors when measuring the development progress of countries and regions. In other words, when measuring national, provincial and district level competitiveness, a broad list of criteria, consisting of economics-related and also non-economics-related factors, are used.

Ulaanbaatar district competitiveness is measured based on this concept and the most relevant and inclusive indicators are chosen for the purpose of compiling a comprehensive study.

Cities and districts are rapidly developing and evolving day by day. Therefore, the study of a city's competitiveness has to keep pace as well.

Modern cities are not just defined by high-rise buildings or by being centers of industrialization and services. Countries are increasingly emphasizing the importance of prioritising human development and providing healthy, safe and convenient living environments. Additionally, an increasing number of environmentally friendly 'green city' and 'smart city' related research and studies are underway.

In order to provide citizens with opportunities to be healthy, well educated and to have a stable income, city authorities must focus on building comfortable living environments with good infrastructure. One can say that a good quality of life and living environments result from the combination of effective governance, a favorable business environment and high economic performance.



Prioritizing human
development



Convenient living
environment



Good infrastructure
and safety

Within this research, district competitiveness is measured according to quality of life, living environment, safety and security, governance and economic performance: altogether the five main factors. Each of these five main factors are divided into 15 sub-factors, and over 150 individual criteria.

There are 29 criteria under the quality of life section, including household livelihoods, and the quality and availability of health and education services.

Living environment includes a total of 49 criteria, like urban planning, image of the city, urbanization, apartments and houses, surroundings and culture.

Safety and security covers a total of 30 criteria including safe living environments and greening of the city.

There are 31 factors in "Governance" including district budget, institutional frameworks and societal frameworks.

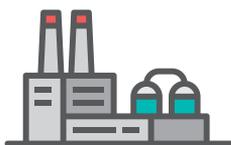
And the 11 economic factors include district economic performance, employment and the business environment.

Please refer to the Appendix for the list of criteria.

Competitiveness Criteria of District and City



Urban culture



Ease of doing business



Efficient governance



High economic performance

5 MAIN FACTORS AND 15 SUB-FACTORS OF DISTRICT COMPETITIVENESS

1 QUALITY OF LIFE 	<ul style="list-style-type: none">• Standard of living• Health• Education
2 LIVING ENVIRONMENT 	<ul style="list-style-type: none">• Urbanization• Basic infrastructure• Culture
3 SAFETY AND SECURITY 	<ul style="list-style-type: none">• Safety• Security• Healthy environment
4 GOVERNANCE 	<ul style="list-style-type: none">• Budget• Institutional framework• Societal framework
5 ECONOMIC PERFORMANCE 	<ul style="list-style-type: none">• Economy• Employment• Business activity

Please refer to the Appendix for the list of criteria.

DATA SOURCES

019

The Ulaanbaatar District Competitiveness Report utilized two kinds of data sources:

1. Official statistics (hard data)
2. Household surveys (soft data)

Around one third of the 150 criteria come from hard data and two thirds from responses to household surveys. Note that some background data in the hard data section was not included in the computation of the competitiveness rankings.

Statistical data enabled us to analyze the status of competitiveness during a given period of time (for example, during the past year) whereas survey data represented qualitative data that cannot be easily measured or compiled. Survey data validated some of the hard data results. As the survey results are more recent and better reflect the present situation, there is no time lag, which is often a problem with hard data that sometimes shows a “picture of the past”.

Please refer to the Appendix for the list of criteria.

020

SURVEY SAMPLING

The household survey was carried out among randomly selected households from all nine districts of Ulaanbaatar. Two-stage, simple random sampling was conducted. The sampling design is defined by the same principle as the previous

research. As the margin of error and design effect of the main criteria of the District Competitiveness report 2017 were at the predicted level, it was assumed that the sample size and design do not need to be changed.

**SAMPLING
FRAME**

The sampling frame consisted of Ulaanbaatar households, who are the end users of city and district level public services. The target survey

population was the population of Ulaanbaatar city as recorded at the end of 2017.

**POPULATION AND NUMBER OF HOUSEHOLD OF ULAANBAATAR, BY
DISTRICTS, 2017**

	NUMBER OF HOUSEHOLD	POPULATION
Baganuur	8,514	28,787
Bagakhangai	1,196	4,100
Bayangol	58,756	221,384
Bayanzurkh	94,971	336,932
Nalaikh	10,547	36,911
Songinokhairkhan	86,212	322,458
Sukhbaatar	38,272	138,047
Khan-Uul	47,202	169,726
Chingeltei	40,548	159,051
Ulaanbaatar	386,218	1,417,396

Source: NSO

SAMPLE SIZE

A simple random sampling methodology was used in order to determine the sample size. The following formula was used in determining

the sample size given that all households had the same level of probability of being chosen in the simple random sampling.