

Governance for inclusive growth: Asian perspectives-Case of Mongolia

Introduction

Long, midterm and short term policy documents on Governance

National development strategy

Mongolia has moved from socialist society to democracy system by peaceful way, thus the economy system also changed into market economy in 1990. The fourth constitution of Mongolia, including describing State Great Khural which has supreme power for legislation, adopted in 1992. Before democracy system, there was only one political party which is Mongolian people's revolutionary party and deputy of people's was chosen from this party.

Therefore, the governance is new understanding for our country. However, to create good governance, some article was enregistered in long, midterm and short term policy documents such as National Development strategy based on Millennium development goals, Midterm top priorities of Mongolian economic and social development which is introduced State Great Khural, Government action plan and Economic social guidelines for every year etc.

National Development Strategy of Mongolia which is long term development policy documents for 2007 to 2021 approved by State Great Khural's resolution No.12 in 2008. According to this document, following top priorities as a basis for the development of the country:

- Achieve Millennium development goals and provide for an all-round development of Mongolian people.
- Intensively develop export-oriented, private sector-led, high technology-driven manufacturing and services, with particular focus on development of information, communication, bio and nanotechnologies, transit transportation, logistics, financial mediation services, deeper processing of agricultural products, and create a sustainable, knowledge-based economy.
- Build up national savings through exploiting natural resources fields which are significantly for strategy and develop modern manufacturing sector for providing aggressive and high growth of economy.
- Ensure intensive development of the country's regions, their infrastructure, and reduce urban-rural development disparities.

- Create a sustainable environment for development by promoting capacities and means on adaptation to climate change, terminating imbalances in the country's ecosystems and protecting them.
- Consolidate further political democracy, foster a transparent, accountable, just system free from corruption and red tape.

Sixth priority of them is aim to establish pre- requisite for approaching a “good governance”.

Within this priority, following activities were defined:

1. Legal reform
2. Development of Mongolia's state structure and public administration
3. Reform of Civil service and Public administration
4. National security policy
5. Foreign policy
6. Defensive policy

1. It defined a set of measures (4 objectives) as implementation for the legal reform, including:

- Strengthen government institutions and improve legal environment to ensure transparency and accessibility of public services
- Guarantee protection of human rights
- Improve legal framework for establishing safe environment in the society
- Deepen the development of democracy improving the political system

2. Following measures defined for development of Mongolia's state structure and public administration:

- Foster a parliamentary system and ensure stability of public policy
- Ensure transparency and citizens participation in the public administration decision-making process
- Create necessary conditions for ensuring independent and fair functioning of the judiciary
- Enlarge administrations and territories based on the economic capacity and human resources
- Reform state registration and information system, and establish an accurate and reliable system and database of electronic information

3. Five measures were defined within reform of Civil service and Public administration, including:

- Develop strategic planning and performance management capacity of the civil service
- Bring to a new level policy and analytical capacity of the civil service and leadership capacity of the civil servants

- Ensure organizational and human resource development
- Improve human resource management information system and system of wages and benefits
- Provide for an adequate size of the civil service and improve the quality and access to public services

There are also three strategies in each case for the National security policy, Foreign policy and Defensive policy.

Draft of Top priorities of Mongolian economic and social development in 2012-2016

National development and innovation committee /now Ministry of Economic development/ has introduced draft of “Top priorities of Mongolian economic and social development in 2012-2016” which is including:

- Constitute safe and comfortable environment for developing and working Mongolians
- Develop human oriented governance and regional economy
- Develop responsible mining and matter heavy industries
- Develop an intensive agriculture due to improve competitiveness of manufacturing sector
- Develop infrastructure which supports intensive growth of economy

For the second priority which is “To develop human oriented governance and regional economy”, nineteen measures were defined and some of them are:

- Clarify the function of public administration’s high, mid and low level through eliminating duplication of occupation and an optimal structure for reducing stage for civil service
- Provide transparency and openness of civil service through increasing participation of civil society while raising, formulating and implementing ability of policy making of governmental organizations
- Improve legislation and other environment of government organization, define optimal staff amount, retrain civil servants and compound the principle of civil servant management
- Develop system of associated with right, duty and responsibility of subjects which are participants of budget policy
- Increase citizens participation and control for providing budget transparency and openness etc

Government action plan

Government action plan for 2008-2012 was approved by State Great Khural on November 2008. This action plan has 5 objectives which are healthcare policy, achieving economic growth and sustainable development by implementing industrialization policy, promoting environmental

sustainability, strengthening rules of law and making governance transparent and open and national security and foreign policy. The fourth objective has five articles including:

- Legal policy (13 measures)
- Policy on fight against crime (14 measures)
- Border protection policy (8 measures)
- Creation and strengthening of the Unified National Registry System (5 measures)
- Civil Society and Public Administration Policy (13 measures)

For implementing this action plan, “Policy from government for Public Private Partnership” /PPP/ which aims to provide basic social and infrastructure service to citizens, cooperate government and PPP for implementing government projects and programs which are high significant for Mongolian development, optimize government participation on sectors and improve quality and sufficiency of basic service and upgrading budget benefit, was adopted by State Great Khural. In order to separate civil servants from corruption, Government has formulated and implemented “Prevention plan from corruption” and under the eliminating bureaucracy and increase transparency and promptness of civil service, “Transparency indicators” was adopted by Government of Mongolia.

Also, Parliamentary election was held on 28th of June, 2012 and a new government was established. New Government Action Plan for 2012-2016 was adopted in September, 2012 State Great Khural’s resolution No.37. In this action plan, governance is covered in fifth section which has 13 objectives, including:

- Provide for master measures to become open government and clarity for civils
- Change civil service into public service
- Reform political parties by coordinate with development rules
- Create mechanism of responsibility for politicians and political parties who executed against Mongolian interest and the Constitution of Mongolia.
- Implement “Electronic governance”
- Make radical reform against corruption and bureaucracy
- Reform Judicial system etc

Millennium development goals

The State Great Khural considered implementation of MDG and decided to add ninth goal which is “Strengthen human rights and foster democratic governance” in January of 2008. This goal consists of 3 targets, which are:

- Fully respect and uphold the universal declaration of human rights, ensure the freedom of media and provide the public with free access to information
- Mainstream democratic principles and practices into life
- Develop a zero tolerance environment to corruption in all spheres of society

Good practices on Governance

Mongolia has become parliamentary republic since approved new Constitution of Mongolia. Also, the president is directly-elected. Citizens also elect the State Great Khural, which chooses the prime minister and ministers. There are some works are implementing for create “good governance”.

Transparency of Government

Citizens’ hall

Main characteristic of Good Governance is transparency. So, to provide transparency of Government, Citizens’ hall which initiatives by President of Mongolia Elbegdorj.Ts was established in 2009 under President of Mongolia. Elbegdorj.Ts said that “There won’t exist citizens’ hall without citizens’ participation and there won’t exist human society without human beings”. Therefore, all activities of the Citizens’ hall are open to the public.

The objective of the Citizens’ Hall is to improve government decision-making through citizen input by providing a venue for regular public hearings on proposed legislation, regulations and decrees in order to arrive at decisions openly and transparently and to take advantage of input from the public. Any discussion held in the Citizens’ Hall shall be conducted based on a draft proposal prior-to making final decision. Modifications of each draft proposal and decisions will be made on the basis of these discussions. In Citizens’ hall, discussion of the macroeconomic sub boards, such as budget, monetary, balance of payment, exchange and economic growth and real sector development and draft of laws.

Transparency of Government Procurement

To improve control on arrangement of transparency for public of Government procurement activities, the Procurement policy Department of Ministry of Finance is working as raising the system of procurement of goods, works, and services with the capital of state or local properties to international standard, ensuring efficiency, productivity, openness and accountability in all levels of public capital spending, reducing possibilities of corruption and supporting domestic producers and service providers. Providing openness and transparency of Government procurement and tender selection, procurement policy department is operating special web site. The information on this web site shall be open for public and the announcer organization will upload an announcement and results information related to the tender selection. Professional organization will put control on information

about tender selection whether it is correct and offence less the laws. On this web site, all information about the government procurement and there will become online discussion and advise on professional related to the tender selection and other procurement.

Budget transparency

In the “Budget law”, it will be provided budget transparency during the budget planning, implementation and reporting. Every year, during the preparing and spending budget the tax which is equal with 30 percent of GDP of Mongolia is accumulated. Therefore, it is right that citizens will be provided by information about spending of budget which is accumulated from citizens. Thus, Fiscal Policy Department of Ministry of Finance is operating special web site named www.iltod.gov.mn. On this web site, there will be uploaded information related to budget such as budget law, budget amendments, budget information, legally adopted budget and budget utilization which are open for citizens.

Also, in the ninth goal of MDG which is “Strengthen human rights and foster democratic governance” there is one monitoring indicator that is “number of state organizations that regularly place reports of their budgets and expenditures on their websites”. In 2008, “number of state organizations that regularly place reports of their budgets and expenditures on their websites” was 70, but in 2010 it’s increased by 18. Thus, citizens will have information about the government organization budget spending.

Corruption

The structure of Independent authority against corruption of Mongolia was adopted by Great State Kural’s resolution number 3 in 2007. Also, State Great Khural has adopted Millennium development goals which are added by corruption indicators in 2008.

“Transparency international” global coalition against corruption calculates corruption index of world countries. In 2006, Mongolian corruption index was 2.8 which is 99th place of 163 countries but in 2008, it was 3.0 which is 102th place of 180 countries. In 2009 and 2011, Independent authority against corruption of Mongolia calculated corruption index, which was 0.63 in 2011, is 0.01 percent lower than 2009. Therefore Mongolian corruption index has increased from level of 2009 in last year.

| Indicators | 2009 | 2011 | Change |
|--|------|------|--------|
| Public/Experts’ perception on the scope of corruption | 0.75 | 0.79 | 0.04 |
| Indicator of the economic | 0.03 | 0.02 | -0.01 |

| consequences of corruption | | | |
|--|------|------|-------|
| Percentage of corruption according to Experts' perceptions | 0.10 | 0.11 | 0.01 |
| Average percentage of the bribes paid by public to civil servants | 0.15 | 0.13 | -0.02 |
| Composite indicator of the scope of corruption | 0.74 | 0.74 | 0.00 |

Source: IAAC, Result of the Mongolian corruption index

In this report, the change value of 0.11 experts' perception on the scope of corruption means that experts assumed the 11.1 percent amount of assets, which are average of exemption from tax, decision of citizens' claim and debate, participation of procurement that is implemented from government organization, is spent with bribe and corruption.

Twenty percent of citizens who were got involved in the research or their family answered that they gave bribe to civil servants in last 12 months and the amount of bribe for civil servants is 321.3 thousand tugrugs which are 12.6 percent of household yearly budget. However the share of household yearly budget was decreased, share of households who gave a bribe was increased by 6.7 percent and average amount of bribe for civil servants was also increased by 33.4 percent.

Indicators of the forms of corruption were 0.52 which is reduced by 0.02 percent compared with 2009. For the reducing forms of corruption, percentage of recurred corruption crime, percent of organized corruption crime and indicator of classification were increased by 0.03-0.21 percent was influenced.

Therefore, New Government is emphasizing civil service reform and in this framework, draft of law which is about changing civil servants to public servants is introduced in State Great Khural.

And for the reform of civil servants, State Great Khural adopted the law named "Prevention from interest confliction and arrange interest confliction and private and public interests in public service" in January 2012. In this law, civil servants will be defined as public servants and purpose of this law is to prevent public servants from confliction of private interests and official duty, which is determined by law, through arrange and control private interests, coordinate activities of public service to public interests and provide transparency of public service. By the law, public servants write their official statement of private interest every year and give it to Independent authority against corruption of Mongolia.

Election

Some reforms are being implemented for transparency of election, for instance, election of State Great Khural was held in 28 June of 2012, which has electronic system based on using the “counting vote machine” which is from “Dominion voting” LLC of USA. The purpose of this new system is providing transparency of election and eliminating manipulation. The democracy party has taken most seats and the Coalition Government which’s name is “New Government for changes” is established with Democracy party, “Justice” coalition which consists of People’s Revolutionary party and National democracy party and Civil will Green party. New Government for changes consists of 19 ministers and 16 ministries. This Government concentrates more on reform of civil service, procurement and transparency of governance.

Judicial power

Also, Mongolia emphasizes judicial reform, and within the framework of this reform package of 5 laws which are initiated by President of Mongolia was approved this year. Through these laws, some core problems which are independence of court, building proper working load, confirming principle for transparency, reducing internal independence of judges, defining indicators of judges and improving responsibility and ethics of judges are covered.

Human development index

Human development index /HDI/ is also main indicator for good governance. When the governance is developed well then HDI is high. For example: HDI of developed countries such as USA, Japan, Sweden, Republic of Korea and Germany is high when HDI of developing countries such as Mongolia, China, Thailand and Indonesia is low. Every year HDI of Mongolia was 0.65 in 2011 which was placed 110 from 187 countries. Thus Mongolia is now included in “medium human development”. Also, in the paper named “Good governance and human development: Evidence form Indian States” showed that there was relationship between good governance and human development.

Corporate governance

Defining proper corporate governance is significant for country’s economic openness and stability. In this environment, investors’ confidence improves more thus, amount of investment will increase. Thus Government of Mongolia tends to improve company governance, for instance: Government has approved “National program for improving corporate governance” by Resolution No.69 in 2011. The purpose of this program is establishing national companies, entrepreneurs which have codex, concepts for doing business, ethics, executive method of corporate governance that accepted in international. Implementation period of this program will be 2011-2016.

Also, Corporate Governance Developing Center which is non government organization is established recently. Purposes of this organization are:

1. Organize trainings on corporate governance and accept Mongolian corporate governance on international field.
2. Strengthen researches on corporate governance and give a professional advice to business organizations
3. Disseminate an experience, distribute and advertise importance to public on corporate governance

Way forward

Currently, there isn't integrated report on governance so it is hard to determine quality of governance in Mongolia. Paper mentioned above is showed the related some factors including, transparency of government, corruption, election, judicial power, human development and corporate governance with governance. Government of Mongolia is emphasizing good governance and reflecting and implementing policies on governance in long, mid and short term policy documents such as National development strategy, Millennium development goals and Government action plan.

To improve transparency of government, citizens' hall with participation of public and some ministries are operating special web site. Also, for the purpose to reduce corruption and bureaucracy of government organization "Prevention from clash of interests and arrange slash of interests and private and public interests in public service" is adopted and "Draft of Public service law" is introduced to State Great Khural. In reform of judicial power, package of 5 laws is approved by State Great Khural. In order to improve corporate governance, Government of Mongolia has formulated "National program for improving corporate governance" and implementing.

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