CHAPTER 1

INTRODUCTION

1.1. Country Background

Mongolia is a landlocked country located in northern Central Asia and bordered Russian Federation and Kazakhstan to the north, and People's Republic of China to the south. With a population of 2.3 million occupying 1.56 million square kilometers.
The country divided into 3 main geographic regions: forested mountains in the north and west, the Gobi desert in the south, and a vast midsection of long and short grass steppes.

Mongolia is one of the most sparsely populated countries in the world. Population is young, with fifty per cent under age of twenty and nearly 70 per cent under thirty. The population now is growing at the rate of 1.2 per cent per year. Fifty-five per cent of the population live in urban areas, with 25 per cent in Ulaanbaatar alone. The remaining 45 per cent are widely dispersed in rural areas. The largest ethnic group is Khalkh Mongols (81 per cent in the 1989 census), and their dialect is the national language. The most numerous minority is the Kazakhs (6.1 per cent).

Administratively, Mongolia divided into 21 provinces, and the capital city, Ulaanbaatar. Each province is under the authority of a governor, who has total responsibility for the administration of the province. (Figure 1.2.) Each province has its own administrative centre and budget. This budget is reflected separately in the consolidated state budget. Each province divided into a variable number of *sum**. Which in total number 336. Each sum subdivides into 4-6 *bags**. Ulaanbaatar divided into 12 districts, then into 119 *horoos**.

Mongolia had been, from 1922 to 1990, a centrally planned economy with one central budget which included the budgets of the state and subnational units of government, the twenty-one provinces (provincial government).
During this period, Mongolia expanded health and education coverage to all its population. By 1990 Mongolia had male and female adult literacy rates of around 96 per cent, had 62 per cent of its population completing at least primary schooling; had

---

* Rural administrative unit under the province. Each province divided into 15-22 sums. Population is from 2,500 to 8,000.
* Smallest rural administrative unit with 500-1,500 population.
* Smallest urban administrative unit, city's equivalent of the bag.
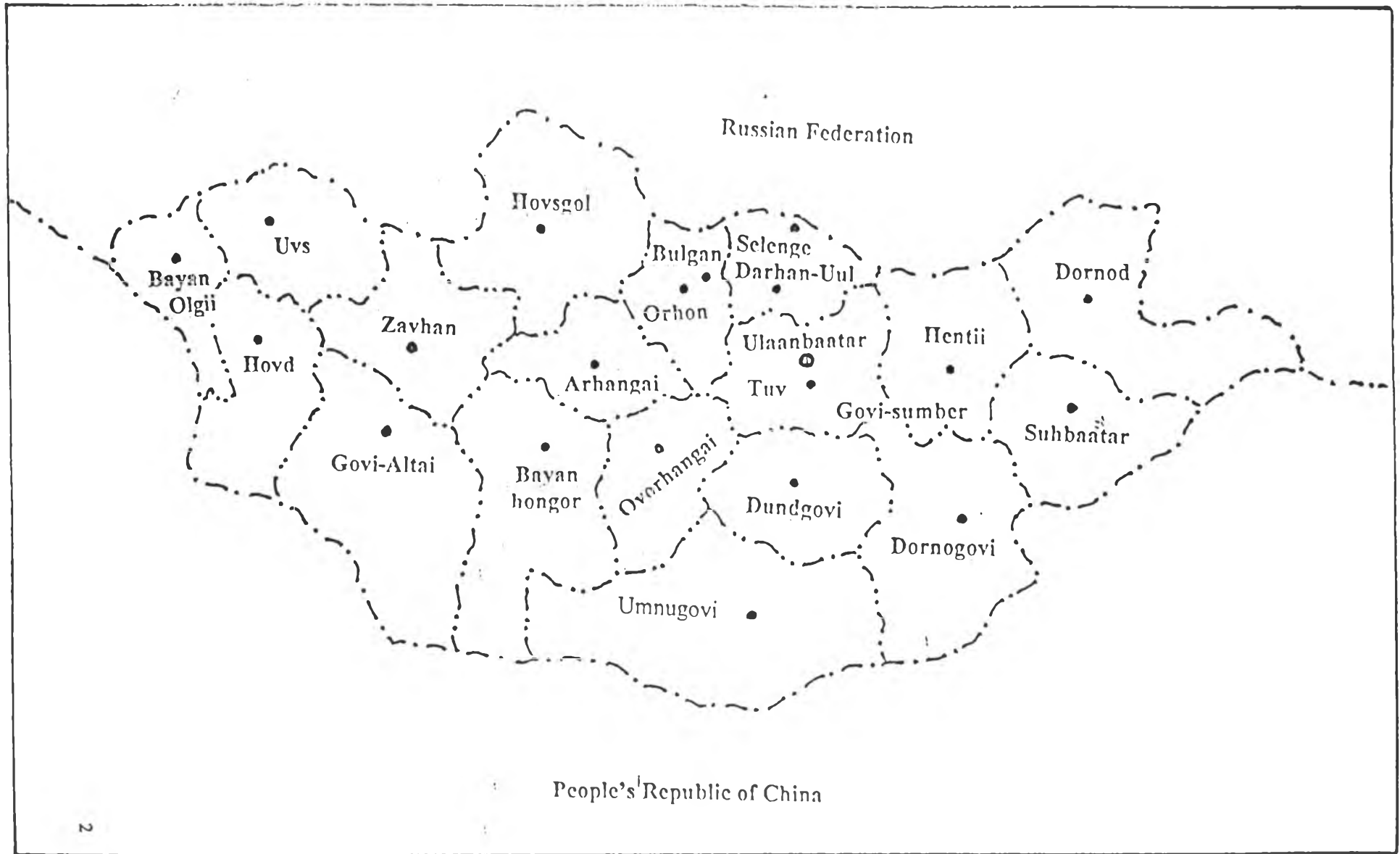
Figure 1. MAP OF MONGOLIA

Russian Federation
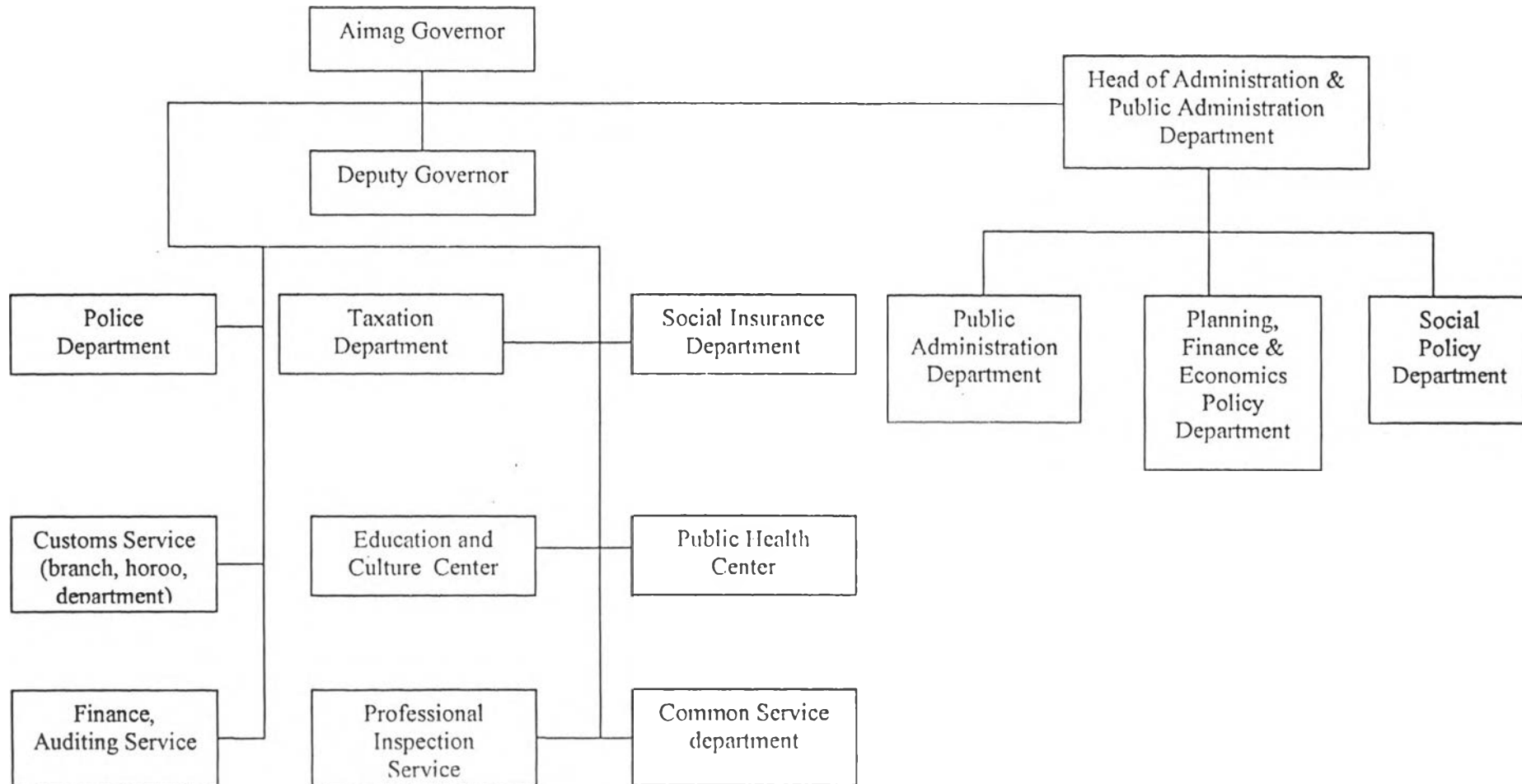
Hovsgol

Uvs

Bayan Olgii

Bulgan · Selenge
Darhan-Uul

Dornod

Zavhan

Orhon

Hovd

Ulaanbaatar

Hentii

Arhangai

Tuv

Govi-sumber

Suhbaatar

Govi-Altai

Bayan hongor

Ovorhangai

Dundgovi

Dornogovi

Umnugovi

People's Republic of China

2

Figure 1.2. Structure of Province Governors Administration

| Aimag Governor |
| Head of Administration & Public Administration Department |
| Deputy Governor |
| Police Department |
| Taxation Department |
| Social Insurance Department |
| Public Administration Department |
| Planning, Finance & Economics Policy Department |
| Social Policy Department |
| Customs Service (branch, horoo, department) |
| Education and Culture Center |
| Public Health Center |
| Finance, Auditing Service |
| Professional Inspection Service |
| Common Service department |

brought infant mortality down from extremely high levels to 42 per 1,000 live births; achieved 87 per cent immunization coverage of one year olds; and increased life expectancy at birth to 62.5 years. And yet even by 1989, GDP per capita was $2,000 (in terms of purchasing power).

Mongolia's traditional economy is agriculture in particular livestock breeding. Still the livestock sector is the economic mainstay, besides having 29 277 400 livestock registered in 1996, there were 13.5 million sheep, 9.1 million goats, 3.5 million cows, 2.8 million horses and 357 000 camels.
Eighty per cent of the total land area of Mongolia is suitable for agriculture. However, only 1.6 per cent of this used for crops, 1.1 per cent is moved for hay and 97.3 per cent is used for pasture. Crops cultivated include cereals (mostly wheat), pulses, potatoes, other vegetables and crops for animal fodder.
Industry includes wool and cashmere processing, leader goods production, food processing, construction and garments.

Since 1990, however, Mongolia has been moving from centrally planned to a market economy and it is pursuing a path towards decentralization in government. After political reforms in early 1990, broad ranging reforms were initiated in the legal and institutional framework. Under the decentralized system, province governments are more responsible for costs, resource mobilization and allocation. The legal structure governing this shift in relationship between the central and subnational units of government has been articulated in the Law on Administrative Units and Budget Law.

Most small and medium- sized public enterprises and shops in the services sector were transferred to the private sector under a voucher system, and privatization of large public enterprises under this system was initiated. By end-1993, 90 per cent of small enterprises, over 700 large enterprises, and almost all the herds were privatized. About half of GDP is now generated by the private sector. Price reforms have liberalized almost all prices and the remaining administered prices, particularly for energy and public utilities.

Reforms in Mongolia, as in other transition countries, have not been without difficulties. During this period, real GDP per capita contracted by 8.7 per cent per year between 1990-93, it has grown 1.9 per cent between 1994-96. There are a number of underlying problems. Poverty has been increasing, wage rates have been severely eroded, unemployment has emerged as a major social issue, with a registered unemployment rate of 6.5 per cent in 1996. The unemployment situation is most serious in the province centers. Province centers are most poorest areas of the country. Progressive cutbacks in public expenditure have been accompanied by a decline in the quality of health care and education. The number of school dropouts and non-enrolments has risen. The social fabric of society has also frayed, with a growing number of street children and increases in criminal behavior.

1.2. Rationale

Economic growth has a significant impact on health status. It is obvious that increased income creates more opportunity to achieve better health through better education, improved nutrition and better life standard. Better health contributes to economic growth through enhanced human capital and increased productivity.
There are always question how macroeconomic performance in terms of what socio-economic factors impact on human health, what is the interaction between them, what is the more appropriate way to improve population health status?

This study is directed to answer these questions in the case of Mongolia. Since 1990, Mongolia has moved from centrally planned system to market economy. At this historical juncture of transition, Mongolia is encountering temporary difficulties. Unemployment and poverty create not only the constant shortage of food and essential needs for the people, but the people are becoming victims of backwardness in health, education, culture and loss of opportunity to develop. Most of Mongolia's economic indicators declined dramatically during the early 1990s, only beginning to stabilize in the last two years. /see chapter 3/ But what does it mean for the Mongolian's health status? What is happening to child and maternal health? How do economic indicators in terms of poverty, education, nutrition, health expenditure affect on health, What is the interaction between these indicators? Understanding and answering these questions is crucial for further policy formulation. No studies exist in Mongolia, which look at these questions. Thus, this research study that are directed to explore the interaction between the health sector and economic indicators on the specific case of Mongolian transition period aims to serve for these purposes as a base-line study in this field.

1.3. Research questions and objectives

1.3.1. Research questions:

1. How have population health status and economic indicators been associated with each other in the economic transition period?
2. Which socio-economic factors have a greater effect on the health status of the population?
3. What is the trend of health status?
4. How should public health policy be defined at the province level ?

1.3.2. Objectives:

1. To explore the interaction between the health sector and economic indicators during the economic transition period from centrally planned to a market economy
2. To determine the trend of health status in relation to the economic growth and other socio-economic factors
3. To analyze the socio-economic factors which have greatest impact on health status at the province level

This chapter presents the background information about Mongolia, rationale of doing this study and research questions and objectives. Chapter 2 reviews the related literature dealing with interaction between economic growth, poverty, education, nutrition, public health expenditure and indicators of health status. Chapter 3 describes the present situation of Mongolia in terms of main socio-economic and health indicators. Chapter 4 presents research methodology including conceptual framework, variables and their measurement, analytical tools and data collection. Chapter 5 presents the results of regression analysis with theirs interpretation. Chapter 6 includes discussion, conclusion, and policy recommendations.