

**MONGOLIAN URBAN
INFORMAL SECTOR**

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I. Purpose of the EPSP Urban Informal Sector Study

The EPSP Urban Informal Sector Study, a cooperative effort with the National Statistical Office (NSO) and the Ministry of Finance (MoF) was designed to achieve the following four goals:

- a) to estimate the size of the value added of the urban informal sector in order to supplement official National Income statistics which do not capture it;
- b) to assess the social impact of this sector, by examining the number of people who work in it and who are supported by it; and
- c) to study the characteristics of informal businesses and their workers, and gain insights into the reasons for the rapid growth in the informal sector as perceived by observers
- d) to learn about the financial, legal and other obstacles faced by informal enterprises.

II. Introduction

In recent years it has become evident that Mongolia's private sector is the engine of growth for the Mongolian economy. Private sector growth was so large relative to overall growth in the second half of the 1990's that it compensated to a great degree for the abysmal performance in the faltering public sector. Between 1995 and 1999 the private sector's share of officially recorded GDP expanded from 55% to 73%. In non-agricultural sectors, private sector share of GDP grew in those years from 35% to 57%. (See Khurelbaatar, 1999).

Private sector growth has come about as a result of the structural changes begun with the transition in 1990, and accelerated in the last five years. Traditional trading patterns have changed, with large volumes of new imports from new sources entering Mongolian markets. Industries that developed during the planning era based on ability to export to Comecon markets have declined or disappeared altogether. A major transfer of assets from state ownership to private ownership has taken place, accompanied by the rise of a number of new large private businesses in mining, textiles, trade, banking, information technology and other sectors. The distribution of goods and services, formerly controlled under a rigid state planning apparatus, is now entirely market-driven. Retail prices have been almost entirely decontrolled, with the only exceptions being a few state-owned utility monopolies. These very same changes have contributed to a burgeoning and dynamic urban informal sector, particularly in Ulaanbaatar. The rapid growth of an informal sector from a relatively low level has been a notable feature of all transition economies, and Mongolia demonstrates many of the same characteristics of those countries.

The term 'informal sector' has many different definitions but generally relates to small-scale economic and business activities that are 'hidden' or 'off the books', i.e. not registered in official statistics. While informal sector businesses tend to remain relatively small-scale, the overall size of the informal sector, where captured accurately, can have a significant effect on private sector growth statistics and National Income accounts. The informal sector concept is related to but not identical to the 'shadow economy', which tends to include illegal activities such as prostitution and gambling. For the purposes of this study, the following definition was adopted:

The informal sector consists of small-scale, usually family-based economic activities that may be undercounted by official statistics and may not be subject, in practice, to the same set of regulations and taxation as formal enterprises.

This definition, almost synonymous with the term ‘microenterprise’, was put forward by Anderson (1998) who conducted the first major study of the informal sector in Ulaanbaatar in 1996/97. His work will be introduced below.

One of the main differences between the informal sector in Mongolia and elsewhere is that many businesses are, in fact, registered taxpayers. The informal sector is subject to the *Income Tax Law of the Citizens Who Individually Engage in Business Activities and Services Whose Income Cannot Be Determined Every Time*. The Law (hereafter referred to as the Informal Sector Income Tax Law) specifies 32 activities, ranging from small-scale trade at kiosks to shoe shining, for which a lack of record keeping makes precise income calculation difficult at best. These activities are all required to be registered with the tax authorities and are all subject to a flat tax.

A focus on the informal sector is a particularly important object of study in Mongolia at the moment for a number of reasons. It plays a significant role in absorbing workers shed by the formal (state) sector, and in providing means of support for large numbers of people. Many people who are recorded as unemployed in local government surveys are actually informal sector workers. The sector is home to dynamic new start-up businesses which provide useful goods and services to the population, many of which have the potential to grow into larger businesses in the future. In some sectors, such as urban transport, informal service providers have completely eclipsed the traditional state-owned enterprises whose service has been unable to keep up with the changing demands of the local population. The informal sector is a large grouping of business activities that contribute a great deal of value added, as this paper will show, that should be introduced to official statistics.

III. Related Work

The first major study of the urban informal sector in Mongolia was conducted by James Anderson in late 1996/early 1997. The study was based on a variety of sources of information, including key informant interviews, NSO data, and an original survey of 770 informals in UB. Anderson surveyed 308 taxicabs, 245 kiosks, and 217 outdoor market vendors and street informals (eg shoe shine, boot repair, outdoor billiards).

Anderson used numerous methods to gauge the size of the informal sector (i.e. value added and employment). These methods included an analysis of unemployment data; household income data (that is, the relative importance of individual income compared to that of wages and salaries); and monetary aggregates.¹ Interestingly, all three resulted in quite similar ranges, pointing to the fact that a full 23-38% of economic activity in UB resided in the informal sector.

¹ The monetary aggregates family of methods is based on the fact that cash is the medium of exchange for informal economic activity, so the population’s preference for cash over bank deposits provides an indicator of the size of the underground economy. The currency-ratio method is the most simple, where changes in the ratio of currency to demand deposits are attributed to changes in the level of informal activity.

Anderson’s study found that while there are benefits to being informal (non-wage costs of labor are lower, the system of registrations is simpler, access to facilities is easier), there remain clear disadvantages. Many take up work in the informal sector as a result of economic crisis and joblessness. They enter into business without subsidized credit, instead relying on self-financing or borrowing from family or friends. They enter into lines of work that are highly competitive and unregulated. They furthermore often have no permanent place of doing business, and income can be earned only through hard work – illness or disability can mean bankruptcy in the absence of insurance.

However, for all the difficulties the informal sector faces, Anderson finds that Ulaanbaatar’s informals have been remarkably successful. “The informal sector has absorbed much of the labor released from traditional employers during the contraction of the early to mid 1990s – roughly 30% of Ulaanbaatar’s working age population participate in the informal sector, and informal income supplements the income of half the households in the city. Ulaanbaatar’s micro-entrepreneurs have demonstrated the ability of the poor to help themselves. Informal activity allows roughly 15% of Ulaanbaatar’s households to have incomes above the official poverty line” (Anderson, 1998:25).

IV. Methodology

The idea for an updated study on the urban informal sector in Mongolia was conceived in early October 1999. Over the following weeks the sectors of interest were identified, the sampling frame was established, the scope of the survey finalized, and the individual questionnaires designed. The empirical work was carried out over one month, November 25 to December 25, 1999. A total of 44 enumerators, supervisors and researchers across the country participated in the effort. The effort went well beyond Anderson’s survey.

In the design phase, the research team identified more than 30 types of economic activity within five main sectors: retail trade, services, financial services, transport, and manufacturing. Working closely with the NSO, this list of 30 was narrowed to 17. The main selection criteria included size of the activities (based on previous studies), the number of units registered in each activity, and particular importance to the NSO in terms of gauging value added for inclusion in the national accounts. The final list was thus comprised of:

Table 1. Selected sectors of the economy and types of economic activities

1. Retail Trade:	Kiosks	4. Services:	Cobblers
	Counters		Canteens
	Chemists		Barbershops
	Containers		Games ²
			Home-cooked meals
2. Financial services:	Pawnshops		
	Money Changers	5. Manufacturing:	Baked goods
			Soft drinks
3. Transport:	Taxis		
	Trucks		
	Minibuses		
	Garages ³		

² Games are videogame arcades.

³ Garages are essentially parking spaces in a fenced area with guards or security people.

A separate survey questionnaire was developed for each economic activity, to cover the period December 1998 to December 1999. The researchers used Anderson's 1997 survey as a general guide, but improved upon and added to it, particularly in the area of measuring value added. Questions were designed to assess a) the size of the informal sector (e.g. value added and employment); b) characteristics of informal sector workers (their age, sex and education levels and the number of people they support); c) characteristics of the sector itself (e.g. seasonality, dynamics, financing); and d) the relationship between the informal sector and the government (including issues such as licensing and taxation). Pilot surveys were carried out on a few economic units in each of the 17 activities, resulting in amendments and improvements. A data-entry program was developed and modified at the same time. The questionnaire was eventually approved by the Methodology Board of the NSO. One sample questionnaire, for kiosks, can be found in Appendix 1.

Sampling was carried out in close cooperation with the NSO. The sample design used the three-stage stratified cluster technique. The primary sampling units were UB and the aimags, the secondary sampling units were UB city districts and aimag centers, and the tertiary sampling units were the individual informal economic units within the economic activities.

The individual units of the study within each economic activity were determined using NSO data on economic units under single ownership, engaged in one kind of economic activity at a fixed place of business. This resulted in an initial list of 25,282 informal economic units in Mongolia, excluding taxis.

The taxi population and sample had to be approached in a more creative manner, given the assumption that every passing privately owned vehicle on Ulaanbaatar's roads is potentially an informal taxi, at least part-time.⁴ The total number of cars owned by individuals was obtained from Annual Technical Inspection data. It is reasonable to assume that the number of vehicles registered is very close to the actual number of vehicles in operating condition. Recognizing that there are, of course, some cars owned by individuals that are never used as taxis, the total population of taxis is a subset of this total number of cars. The research team considered two ways of adjusting for cars never used as taxis. The city traffic police estimate that 5 to 7 percent of individual cars are never used as taxis.⁵ Anderson's study resulted in an upper-bound figure of 12 percent. The EPSP research team opted for Anderson's estimate, given its statistically sound methodological basis. The population of interest, 16,320 individually owned vehicles, includes both full-time taxis that work more than 25 hours per week and part-time taxis that work less than 25 hours per week (and sometimes as low as 1-2 hours per week).

In the course of conducting the survey, a new sector was added to the original list, which is referred to in our tables as "home cooked meals". This covers the work of informals who prepare simple meals at home, usually various forms of meat pies, noodles or dumplings, and then sell them to the workers at shops, counters, kiosks, etc. Surveyors asked additional

⁴ This assumption was not used for aimag centers, however. The residents of aimag centers know how many cars there are and which ones operate as taxis. Therefore, the population of taxis in aimag centers was fairly simple to ascertain accurately.

⁵ These estimates are rough but are based on vehicle inspections. The UB Tax Administration regularly cooperates with city traffic police to conduct random checks of cars that appear to be carrying passengers. Drivers are required to show proof that they have paid taxes according to the *Informal Sector Income Tax Law*.

questions to estimate the volume of this service used by the same retail businesses we were surveying. This practice is widespread, and the amount of business it generates is substantial. The total population in of the selected activities in urban Mongolia is as follows:

Table 2. Total Population of the Study

	UB Population		Aimags Population		Total Population	
	total	Share	Total	Share	Total	share
TOTAL	33 851	100,00	9 851	100,00	43 702	100,00
Retail trade	13 664	40,37	7 497	76,10	21 161	48,42
Kiosk	1 948	5,75	1 700	17,26	3 648	8,35
Counter	10 520	31,08	5 224	53,03	15 744	36,03
Container	1 097	3,24	490	4,97	1 587	3,63
Drug store	99	0,29	83	0,84	182	0,42
Financial services	481	1,42	57	0,58	538	1,23
Pawnshops	412	1,22	57	0,58	469	1,07
Money change	69	0,20	0	0,00	69	0,16
Transport	17 174	50,73	1 043	10,59	18 217	41,68
Taxi	15 624	46,16	696	7,07	16 320	37,34
Tracks	325	0,96	0	0,00	325	0,74
Minibus	1 196	3,53	347	3,52	1 543	3,53
Car parking	29	0,09	0	0,00	29	0,07
Services	2 412	7,13	1 104	11,21	3 516	8,05
Shoe repair	93	0,27	74	0,75	167	0,38
Canteen	619	1,83	267	2,71	886	2,03
Barbershop	154	0,45	116	1,18	270	0,62
Games	46	0,14	47	0,48	93	0,21
Home cooked meals	1 500	4,43	600	6,09	2 100	4,81
Manufacturing	120	0,35	150	1,52	270	0,62
Bakery	51	0,15	92	0,93	143	0,33
Soft drinks	69	0,20	58	0,59	127	0,29

Six out of a total of 22 aimags were selected as primary sampling units. Following the standard division of Mongolia into six regions, one aimag was chosen from each. The following Table presents the regions and the aimags chosen as primary sampling units:

Table 3. Region and its Representative

Region	Aimags in the region	Representative aimag
Far western	Bayan-Olgii, Uvs, Khovd	Uvs
Western	Zavkhan, Govi-Altai, Khovsgol	Zavkhan
Central-2	Arkhangai, Bulgan, Ovorkhangai, Bayankhongor	Arkhangai
Central-1	Tov, Orkhon, Darkhan-Uul, Selenge	Orkhon
Eastern	Khentii, Dornod, Sukhbaatar	Hentii
Southern	Dornogovi, Omnogovi, Dundgovi, Govisumber	Dornogobi
Capital city	Ulaanbaatar	Ulaanbaatar

The secondary sampling units were the six Ulaanbaatar districts and the aimag centers (or secondary cities). All informal economic entities within these secondary sampling units were identified from the master list above. In order to locate the tertiary sampling units in the retail trade sector, sketch maps of major markets were prepared.

The size of the final sample was 4,042 informal economic entities, or 12.4% of the population in the secondary sampling units. Within the determined samples, the individual entities to be surveyed were chosen randomly using the Microsoft Excel random number generator. The final sample was as follows:

Table 4. Sample of the study

	Population	Sample	
		Number	Share (%)
Retail trade	13,664	2,184	16.0
Kiosks	1,948	325	16.7
Counters	10,520	1,591	15.1
Containers	1,097	218	19.9
Financial services	481	300	62.4
Pawnshops	412	231	56.1
Money Changers	69	69	100.0
Transport	17,174	1,016	5.9
Taxis	15,624	448	2.9
Trucks	325	62	19.1
Minibuses	1,196	478	40.0
Garages	29	28	96.6
Services	1,152	481	41.8
Shoe repair	93	47	50.5
Chemists	99	50	50.5
Canteens	619	211	34.1
Barbershops	154	78	50.6
Games	46	23	50.0
Manufacturing	120	61	50.8
Baked Goods	51	28	54.9
Soft Drinks	69	33	47.8
TOTAL	32,591	4,042	12.4

V. Key Findings

The key findings in this section are presented under the general headings of value added, employment, socio-economic characteristics, sector highlights, and informal enterprise financing.

a) Value Added

The primary goal of this study was to assess the value added by Mongolia's urban informal sector. Rural activities were excluded from this study, because the National Statistical Office conducts careful surveys of the livestock sector, and its estimates of livestock sector output are considered to treat the exchange of animal products quite comprehensively. At the same time, as the livestock sector has become more and more commercialized in recent

years, with the emergence of a significant number of households with herds of 300 or more animals, it is quite likely that informal sector business activities are developing in rural areas which would be a useful object of future study. Rural transport, retail trade, repair or other paid labor services, and so on, are inevitable accompaniments to the shift of a significant portion of the herding population from subsistence scale of operations to a commercial scale. In addition, we wish to note that the estimates of informal activities outside of Ulaanbaatar are based only on businesses operating in the Aimag centers. No somon center informals were included in this survey.

Both because of the existence of other sectors that were not surveyed, and because of indications that informals consistently under-reported their profits, it is quite certain that actual total informal sector value-added exceeds the numbers we report.

Key findings are presented in Tables 5 and 6. The total annual value added in 1999 for the activities surveyed is estimated at 117.3 billion togrogs. At the 1999 average exchange rate of 1,022 togrogs per US dollar, the urban informal sector VA was thus over US\$ 114.7 million. This total represents approximately 13.3% of the current official estimate of 1999 GDP. The informal sector in UB contributed 94.1 billion togrogs, more than four times the value added in the aimag centers.

Table 5. Annual Value Added of Informal Sector (thousand togrogs)

	Value Added, UB		Value Added, Aimag		TOTAL VA	
	Total	Share (%)	Total	Share (%)	Total	Share (%)
TOTAL	94,049,367.66	100.00	23,205,954.70	100.00	117,255,322.36	100.00
Retail trade	53,527,963.76	56.91	19,158,630.72	82.56	72,686,594.48	61.99
Kiosks	3,298,470.24	3.51	1,585,438.57	6.83	4,883,908.81	4.17
Counters	36,086,496.60	38.37	15,491,536.20	66.76	51,578,032.81	43.99
Containers	14,142,996.92	15.04	2,081,655.95	8.97	16,224,652.86	13.84
Financial services	1,156,545.79	1.23	99,622.23	0.43	1,256,168.02	1.07
Pawnshops	951,545.39	1.01	99,553.23	0.43	1,051,098.62	0.90
Money changers	205,000.40	0.22	69.00	0.00	205,069.40	0.17
Transport	31,711,588.79	33.72	1,473,169.97	6.35	33,184,758.77	28.30
Taxis	26,479,247.95	28.15	788,914.17	3.40	27,268,162.12	23.26
Trucks	678,961.48	0.72	0.00	0.00	678,961.48	0.58
Minibus	4,454,415.46	4.74	684,255.81	2.95	5,138,671.27	4.38
Garages	98,963.90	0.11	0.00	0.00	98,963.90	0.08
Services	7,099,092.67	7.55	2,179,292.64	9.39	9,278,385.31	7.91
Shoe repair	78,359.45	0.08	119,589.60	0.52	197,949.05	0.17
Chemists	548,474.65	0.58	66,391.27	0.29	614,865.92	0.52
Canteens	3,055,947.85	3.25	738,582.29	3.18	3,794,530.14	3.24
Barbershops	463,955.74	0.49	354,885.32	1.53	818,841.06	0.70
Home cooked mea	2,833,104.80	3.01	841,242.90	3.63	3,674,347.70	3.13
Games	119,250.18	0.13	58,601.27	0.25	177,851.45	0.15
Manufacturing	554,176.65	0.59	295,239.14	1.27	849,415.79	0.72
Baked goods	343,718.71	0.37	166,213.07	0.72	509,931.78	0.43
Soft drinks	210,457.95	0.22	129,026.07	0.56	339,484.01	0.29

While there are no precise measures of GDP by region, in 1999 Ulaanbaatar's was estimated to produce 33% of national GDP. This would suggest a formal GDP of approximately 300 billion togrogs in Ulaanbaatar, to which the informal sector activities surveyed in this report add another 31%.

The lion's share of the total VA (62%) originated in the retail trading sector, particularly with the counter vendors. Transport, dominated heavily by taxis, contributed 28%.

We wish to note two unusual issues about the estimates of size of the home-cooked meal sector in our report;

a. They are produced indirectly, based on surveys of customers, not of the informals themselves. Value-added estimates were derived from surveys of a small number of individuals engaged in this work, based on which a 30% profit margin was assumed for the total amount spent on such meals by the people we interviewed.

b. By limiting our estimate to sales to informal sector businesses that we were surveying we most certainly underestimated total sales and profits. These same services are also popular with other customer groups in the population, including workers in smaller formal sector businesses. Unlike other informal activities covered in this survey, providers of home cooked meals are not registered, and therefore no attempt was made to estimate the total population of units involved in this activity. Despite this partial coverage, we found that this is quite a large-scale activity, with estimated annual value-added of 3.7 billion togrogs nationally.

Table 6. Annual value added per businesses and employee (thousand togrogs)

	Value added per businesses in UB	Value added per businesses in aimags	Value added per employee in UB	Value added per employee in aimags
TOTAL	2 778,33	2 355,69	2521,73	1752,00
Retail trade	3 957,58	2 564,36	2536,76	2175,20
Kiosk	1 693,26	932,61	1037,95	852,37
Counter	3 430,28	2 965,45	2235,80	2476,45
Container	12 892,43	4 248,28	7775,76	3329,25
Drug store	5 540,15	799,89	3045,38	681,39
Financial services	2 404,46	1 746,55	1742,43	1228,60
Pawnshops	2 309,58	1 746,55	1589,21	1228,60
Money change	2 971,02	NA	3153,85	NA
Transport	1 846,49	1 412,44	3633,51	1247,77
Taxi	1 694,78	1 133,50	3466,95	1133,50
Tracks	2 089,11	NA	1850,62	NA
Minibus	3 724,43	1 971,92	7001,21	1411,88
Car parking	3 412,55	NA	1140,23	NA
Services	2 715,84	1 913,86	1069,99	780,24
Shoe repair	842,57	1 616,08	404,01	725,16
Canteen	4 936,91	2 766,23	1271,82	931,95
Barbershop	3 012,70	3 059,36	1041,95	722,20
Games	2 592,40	1 246,84	1488,39	990,27
Home cooked meals	1 888,74	1 402,07	944,37	701,04
Manufacturing	4 618,14	1 968,26	1191,78	674,96
Bakery	6 739,58	1 806,66	1440,08	601,84
Soft drinks	3 050,12	2 224,59	931,98	800,21

The average value added per individual informal sector worker is 2.52 million togrogs per year in UB and 1.75 million togrogs per year in the aimag centers. These impressive figures go a long way toward supporting the dynamism of informal sector activities.

Estimating value added was approached as follows. Each informal unit in the survey was asked questions that were used to determine average revenues. The survey further elicited the extent of costs faced by the respondents that are excluded from VA calculations, including the cost of inventory, transportation costs, cost of heat and electricity, rent, license and fees, and other small intermediate expenses. All values were weekly or monthly, depending on the type of business. For businesses with faster turnover (such as counters, taxis, and canteens), the amounts were provided on a weekly basis.

The VA calculations required adjustment for the seasonality of revenues associated with all informal units. To capture seasonal effects the research team asked respondents to specify the months of high, medium and low revenues in addition to average revenues. Annual revenue was calculated by adding the number of reported work months. The VA was calculated by deducting the annual intermediate costs from the annual revenue.

The research team further developed a cross-checking mechanism to take into account the danger of underreporting in the informal sector survey. A price basket was established to determine what margin, in percent, each trader made from their trade. Using the cost of inventories and this margin, revenue was recalculated. The new revenue was compared to reported revenue. The new revenue replaced the reported revenue wherever a large negative discrepancy was found. Similar cross checking was done on taxis using the amount of money spent on fuel.

In some sectors the research team observed revenues and checked the observed values with reported revenues. For example, in the minibus surveys, enumerators rode the bus from one terminal to another, counting how many passengers were on board and how much they paid. This value could be used to estimate daily revenues. In the financial services sector, surveyors observed particular money changers for one week to assess the full amount of money changed by those traders.

Not surprisingly, the amount of value added by each surveyed unit in each type of activity was highly varied. There were many reasons for this, including

- a) the location of the unit and proximity to potential consumers;
- b) the number of working hours in a day;
- c) the number of months worked per year and the number of years established;
- d) the size of working capital;
- e) the experience of the owner; and
- f) the size of the enterprise and number of employees.

As a result of high variation among these factors, the standard deviation of the sample mean for the some activities was high. The sample mean was therefore not statistically significant.

To make valid references with a statistically significant mean, the sample was divided into intervals. Means were calculated for each interval. These means were statistically significant. By using weighted average of these means, the research team was able to

obtain a sample mean which is not only reliable for making statistical references about the total population, but is also an unbiased estimator of the population mean.

b) Employment

Work in the informal sector is an important source of support for many Mongolians. Informal employment in the surveyed sectors is estimated at 37,296 in UB and 50,540 nationally. Individual workers operate the great majority of informal enterprises: with 43,702 total businesses, the average number of employees is 1.16. This does not mean that the gains from informal work are limited, however.

The gains from working in over 43,700 informal enterprises accrue to over 180,500 beneficiaries. That is, income from each enterprise helps support more than 4 people, on average. The informal sector thus has significant social benefits. Over 140,000 UB residents benefit from income earned in the informal sector. With a total population of approximately 670,000, this means that roughly 20% of UB residents' livelihoods depend at least in part on informal sector activities.

Interestingly, many people who are engaged in informal activities still consider themselves to be 'unemployed' and report themselves as such to the duureg administration. Further study of this effect would undoubtedly improve Mongolian unemployment statistics. At the end of 1999, there were just under 40,000 registered unemployed people in Mongolia.

Table 7. Informal sector employees, 1999

	Employment in UB		Employment in aimags		TOTAL EMPLOYMENT	
	total	Share	Total	Share	Total	share
TOTAL	37 296	100,00	13 245	100,00	50 540	100,00
Retail trade	21 317	57,16	8 838	66,73	30 155	59,67
Kiosk	3 178	8,52	1 860	14,04	5 038	9,97
Counter	16 140	43,28	6 256	47,23	22 396	44,31
Container	1 819	4,88	625	4,72	2 444	4,84
Drug store	180	0,48	97	0,74	278	0,55
Financial services	664	1,78	81	0,61	745	1,47
Pawnshops	599	1,61	81	0,61	680	1,35
Money change	65	0,17	NA	NA	65	0,13
Transport	8 728	23,40	1 181	8,91	9 908	19,60
Taxi	7 638	20,48	696	5,25	8 334	16,49
Tracks	367	0,98	0	0,00	367	0,73
Minibus	636	1,71	485	3,66	1 121	2,22
Car parking	87	0,23	NA	NA	87	0,17
Services	6 122	16,42	2 708	20,44	8 830	17,47
Shoe repair	194	0,52	165	1,25	359	0,71
Canteen	2 403	6,44	793	5,98	3 195	6,32
Barbershop	445	1,19	491	3,71	937	1,85
Games	80	0,21	59	0,45	139	0,28
Home cooked meal	3 000	8,04	1 200	9,06	4 200	8,31
Manufacturing	465	1,25	437	3,30	902	1,78
Bakery	239	0,64	276	2,09	515	1,02
Soft drinks	226	0,61	161	1,22	387	0,77

The EPSP informal sector survey revealed that 21,655 people who work in the UB and aimag informal sectors consider themselves to be unemployed but are clearly earning an income.

The informal sector also absorbs many pensioners who are seeking additional income. Over 2,500 pensioners work in Mongolia’s urban informal sector, well over half of whom are engaged in retail trade activities.

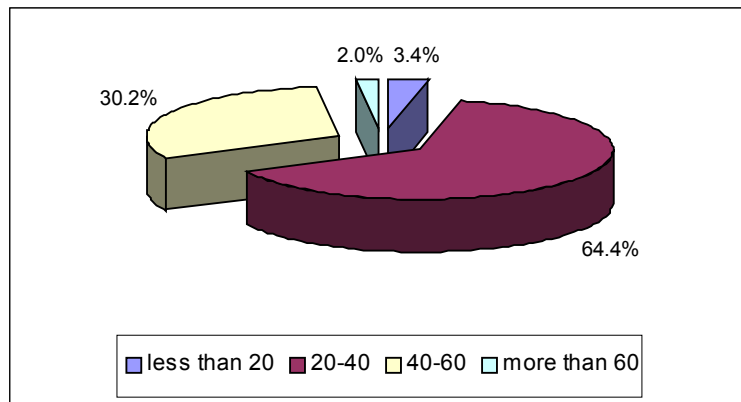
c) Socio-Economic Characteristics

The EPSP survey gathered data on age, gender, marital status and education of Mongolia’s urban informal sector workers.

1. Age

On the whole, urban informal sector workers tend to be older rather than younger. The urban informal sector is dominated by individuals in the 20 to 40 age range. Nearly two thirds (64.4%) of all respondents fall into this category. The second largest group, 30.2%, are between 40 and 60. Only 5.4% are either under 20 or over 60 (see Chart 1). These averages do not mask great sectoral or regional variations. The age distribution is in fact quite similar across sectors and between UB and the aimags.

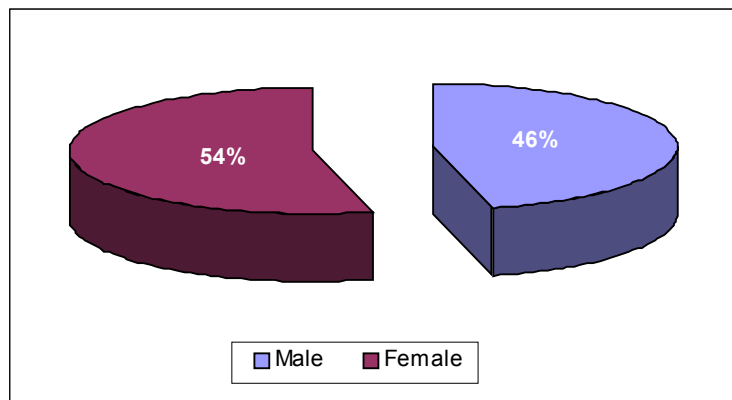
Chart 1: The Age Structure of Informal Sector Workers



2. Gender

There are important gender differences by sector that are not evident in the generally quite even split of men (46%) to women (54%) in the urban informal sector as a whole (see Chart 2).

Chart 2: Gender Distribution of Informal Sector Workers



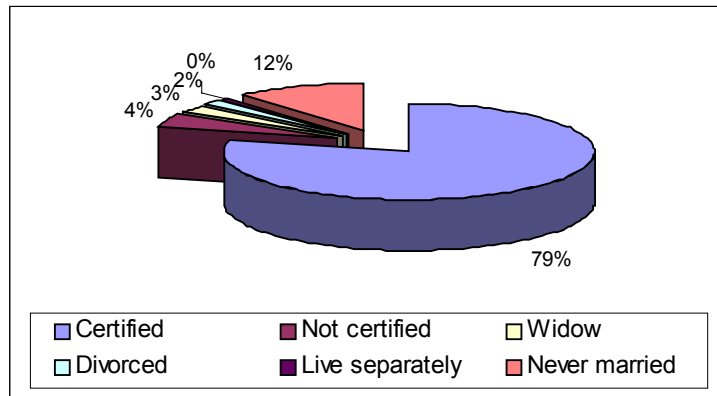
Women dominate all sectors but transport, where they are virtually unrepresented. In the retail sector, nearly 69% of the 2,836 informal retail respondents were women. In UB, the number of women in retail was twice that of men, while in the aimags it was three times that of men. Women further dominate the informal financial services sector. Of the 258 total respondents, 77% were women. The gender split in the services and manufacturing sectors are 70:30 and 62:38 (female: male), respectively.

One stark divergence from this predominance of female workers is found in the transport sector which, as mentioned above, is made up almost exclusively of men. Just 2% (or 23 out of the total 1,088) of respondents working as taxi, minibus or truck drivers were women.

3. Marital Status

Informal sector workers are overwhelmingly officially married (see Chart 3). Almost four fifths (79%) are so ‘certified’. The second largest group, 12%, are those who have never been married.

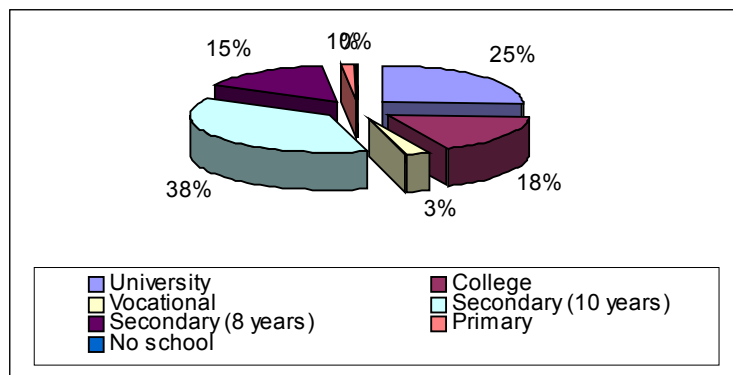
Chart 3: The Marital Status of Informal Sector Workers



4. Education

Informal sector workers are, in general, very well educated (see Chart 4). Only 1.6% have either no schooling or only primary school. On the other hand, nearly half (46%) have some form of post-secondary higher education, either vocational training, college, or university.

Chart 4: Educational Attainment of Informal Sector Workers



Of those who have only secondary education, a significantly larger share completed 10 years of school as opposed to 8.

Table 8 below compares the educational background of informal sector workers with those of the registered unemployed in Mongolia as of December, 1999. This comparison demonstrates that these are two completely different groups of the population. The lucrative nature of much informal sector work attracts individuals with strong educational background in significant numbers. It also provides an entry into entrepreneurial activities for ambitious young people, who can build up capital and a business without a need for bank loans, which are generally not available. These findings should make clear that the informal sector is not, as some might imagine, a haven for unskilled, uneducated workers.

Table 8. Education Level of Informals and Registered Unemployed

	Informals	Registered unemployed	Difference (in %)
University	25.19	4.90	414.23
College	17.96	11.57	55.23
Vocational	2.68	23.51	-88.61
Secondary (10 years)	37.33	24.18	54.38
Secondary (8 years)	15.28	25.50	-40.06
Primary	1.24	7.47	-83.36
No school	0.32	2.87	-88.98
	100.00	100.00	

e) Sector Highlights

This section looks at findings from three particularly interesting sectors of the informal study: the transport sector, the financial services sector, and the retail sector. Together, these three account for the lion's share of value added.

1. Transport Sector

Ulaanbaatar transportation is now situated overwhelmingly in the private sector, with informal taxis and minibuses the principal providers of services. Informal sector taxis in Ulaanbaatar are estimated to have generated 26.5 billion togrogs in value-added in 1999. The new private minibus services that have developed rapidly in recent years are estimated to have generated an additional 4.5 billion. In comparison, the Ulaanbaatar public bus and trolley companies generated only 1.5 billion in value-added in 1999 on total revenues of only 6.2 billion togrogs. The findings concerning the taxi industry are quite consistent with those reported by the 1997 study of the Ulaanbaatar informal sector by James Anderson. The strength of demand for transportation services can be seen from the fact that informal taxis continue to be quite profitable, despite much stronger competition from minibuses and from two new formal taxi companies that have been established in Ulaanbaatar in the last year.⁶

⁶ In order to provide a further test for the accuracy of our estimates of taxi income, EPSP staff interviewed drivers from one of the new taxi firms, City Taxi. Drivers of these companies receive a car from the company after making a down payment, and then pay 18,000 togrogs per day, every day of the year, for two years, after which they own the vehicle. All other expenses, including fuel and maintenance, are the drivers' responsibility. This lends further credence to our finding that average value-added for informal taxis, some of which operate less than full-time, is approximately 5,000 togrogs per day.

2. Financial Services Sector

The informal finance sector plays a large role in the economy, in comparison with the formal sector. Ulaanbaatar pawnshops generated 1.0 billion togrogs in value-added in 1999, with an estimated total of 11.6 billion togrogs in loans issued. Nationally, pawnshops are estimated to have issued a total of 12.4 billion togrogs in loans in the year. For purposes of comparison, the total stock of outstanding commercial bank loans to individuals was under 3.8 billion togrogs as of December 31, 1999. Money changers observed in our survey were estimated to create another 200 million togrogs in value-added per year, on trading volume of 6 billion togrogs per month. The highly competitive foreign exchange market drives trading margins to approximately 0.3% on average, or about 2 togrogs per dollar and 0.6 togrogs per Chinese Yuan. Trades in the Chinese currency made up 56% of all transactions, and U.S. dollar trading made up the remaining 44%. As the Chinese Yuan is not a convertible currency banks are not authorized to buy and sell it, leaving this very important market completely to informal traders.

3. Retail Sector

Retail commerce was found to be a major economic sector, generating 62% of total informal sector value added nationwide and 56.9% of informal sector value added in Ulaanbaatar. Total informal value-added in this sector equals 8.2% of Mongolian GDP. Kiosks, one of the simplest forms of retail outlet, were one of the two sectors studied by the 1997 Anderson paper, which allows for an analysis of trends in this type of business. Although the retail sector as a whole has been growing very rapidly, there are strong indications that kiosks are declining in importance. The number of kiosks in Ulaanbaatar actually fell by 281, or 12.6%, between 1997 and 1999. The value added per kiosk as measured in these two surveys also declined, although it is possible that methodological differences account for some of this change. Most significantly, the role of kiosks has been eclipsed by the strong growth in counter retail outlets, in which various businesses share the space in one shop or a larger market. In Ulaanbaatar these counters now account for more than ten times the value added of kiosks, and are far more profitable. Average value added per counter employee in 1999 was 2.4 million togrogs, triple that of kiosk employees.

The diminishing role of kiosks in retail trade, and the rapid growth of the more lucrative counter operations, is a strong indication of the dynamism of this sector.

f) Informal Sector Financing

Ease of entry to the informal sector is evidenced by the dominant form of financing for start-ups. (See Table 9.) Over 81% of respondents reported financing their business start-up with their own or family savings. Another 11.3% borrowed from other individuals.

The great majority of the remainder (6.0% of the total) financed their business from other unspecified sources. Exactly 0.5% of informal businesses were financed with formal bank loans. A slightly greater share of informal enterprise start-ups (0.8%) were financed using pawnshop loans.

Table 9. Source of Financing

	Family or personal savings	Borrowing from pawnshops	Borrowing from individuals	Bank loans	Other	Total
Retail trade	77.72%	0.99%	14.86%	0.73%	5.70%	100%
Ulaanbaatar	76.39%	1.45%	16.05%	0.34%	5.78%	100%
Aimag	80.17%	0.14%	12.69%	1.45%	5.57%	100%
Financial services	70.64%	17.45%	9.57%	0.00%	2.34%	100%
Ulaanbaatar	66.59%	19.85%	10.90%	0.00%	2.66%	100%
Aimag	100.00%	0.00%	0.00%	0.00%	0.00%	100%
Transport	86.08%	0.00%	7.18%	0.22%	6.52%	100%
Ulaanbaatar	85.64%	0.00%	7.18%	0.24%	6.94%	100%
Aimag	92.71%	0.00%	7.29%	0.00%	0.00%	100%
Services	85.36%	1.00%	9.00%	0.50%	4.14%	100%
Ulaanbaatar	82.78%	1.55%	10.04%	0.33%	5.30%	100%
Aimag	90.08%	0.00%	7.09%	0.81%	2.02%	100%
Manufacturing	83.00%	0.00%	11.74%	0.00%	5.26%	100%
Ulaanbaatar	86.60%	0.00%	8.25%	0.00%	5.15%	100%
Aimag	80.67%	0.00%	14.00%	0.00%	5.33%	100%
TOTAL	81.47%	0.76%	11.33%	0.49%	5.95%	100%
Ulaanbaatar	81.23%	0.95%	11.22%	0.28%	6.32%	100%
Aimag	82.27%	0.11%	11.71%	1.21%	4.70%	100%

g) Regional Differences in the Informal Sector

The informal sector in Ulaanbaatar is much larger than in other Aimag centers, as illustrated in the data above. The share of informals outside of Ulaanbaatar makes up only 19.5% of our total estimated value-added from the sector. However it is worth noting that there are significant differences between the scope and profitability of informal sector activities in the various regions of the country.

The division of the country into regions, and the choice of representative Aimags in each region, have already been described in Table 3 above.

Retail trade makes up 85.7% of total informal sector value-added in the regions, considerably higher than the comparable figure in Ulaanbaatar, which is 56.9%. Chart 5 presents the distribution of informal retail units among regions. Central region I, which includes the urban Aimags of Orkhon and Darkhan-Uul, along with Selenge and Tov Aimags, has a considerably more active informal retail sector than any other regions. This is predictable, both because of their more industrial economy, and because of their situation along the main international train route.

More interestingly, both the Far Western region, and the Southern region, also demonstrate considerably more active and profitable informal activities than the other regions. These also reflect geographical advantages; proximity to the Chinese border and easier access to international trading routes. The Western and Eastern regions show the lowest level of informal activity, and much lower profitability than other regions. Chart 6 presents the average value-added of all informal units by region. The profitability of informal units in the Far Western region is 2.5 times that of those in the Western region, and three times that

of Eastern region informal units. Central II falls in the middle range in terms of profitability of informal enterprises. For comparison purposes, as can be found from Table 6 above, the average annual value-added of an Ulaanbaatar informal is 2.8 million togrogs.

Chart 5. Informal Trade Units

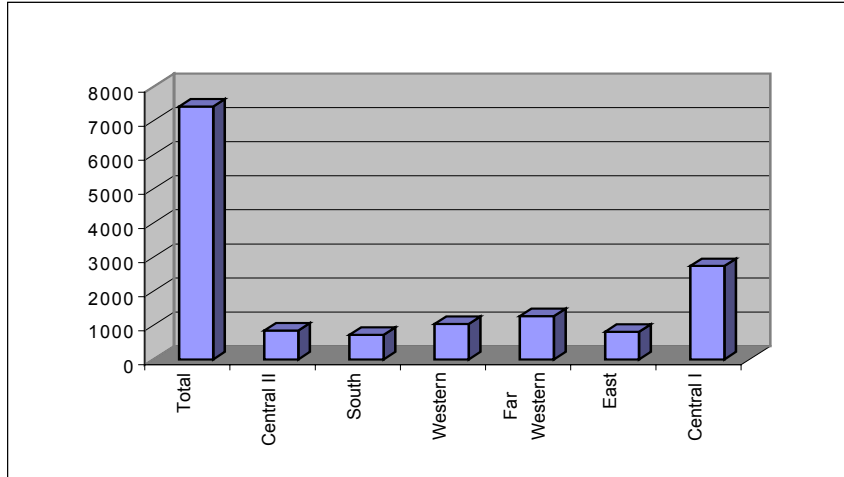
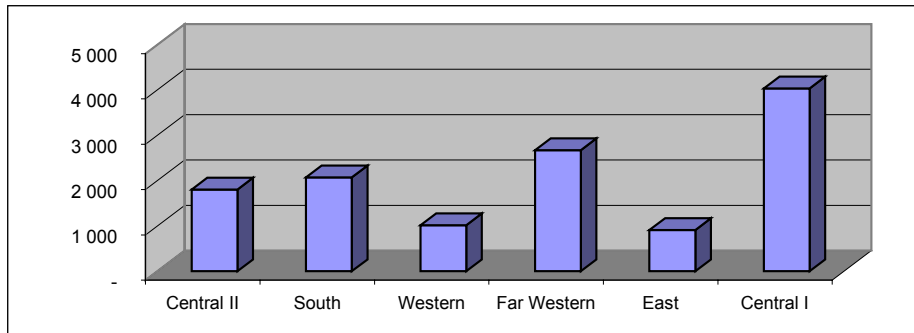


Chart 6. Average VA (thousand togrogs)



VI. Reasons for the Size of the Informal Sector

In some respects, the Mongolian informal sector displays interesting contrasts with those of most other nations. As already noted, for example, the informal sector businesses we surveyed are all registered with their local governments and are taxed. In this sense their “level of informality” is less pronounced than of similar businesses in other countries. In fact, Anderson’s 1997 study indicated that for a significant portion of informal businesses the tax burden was considerable, as the presumptive tax was high enough that less profitable businesses were hard pressed to pay it. While the growth of revenues and profits in the sector since that time has lowered the burden of fixed presumptive taxes, it does not seem likely that avoidance of profit tax is a major motivation for keeping a business informal.

At the same time, operating a small informal business does offer several advantages;

- a. Reduced labor costs due to lower personal income tax and social fees. All formal sector employers are required to pay social insurance fees equal to 19% of wages, of which 13% goes to the pension fund. Formal sector employees must pay social insurance fees equal to 10% of wages, up to a maximum of 12,000 Tg per month, of which 3% (of the total wage) goes to health insurance. On the other hand, self-employed people are permitted to choose for themselves whether they wish to pay social insurance payments. Among Ulaanbaatar counter traders, 72 % do not pay any social insurance fees, and only 46.7 % pay for health insurance. So informals can lower their labor costs by at least the amount that the 19% of wages and salaries that the formal sector employer must pay. In addition, informals do not pay personal income tax on the profits they make after paying the presumptive business tax.
- b. Ease of entry. The process of obtaining licenses is relatively straightforward. All informals surveyed were asked what problems they were facing. The full results are in Appendix 2. “Government pressure, including high fees” was cited as a problem by only 34% of all informals. Retail traders in Ulaanbaatar saw this as a somewhat more significant problem, as it was mentioned by 41%. Still, even these traders saw their biggest problem as being an economic one; low purchasing power of their customers. There is little indication in these survey results that bureaucratic barriers are a significant obstacle to operating an informal business. Other than in the transport sector, in which a vehicle must be purchased, the cost of entry into the informal sector is also low. For Ulaanbaatar counter traders the average cost of renting spaces and license fees per month is 77.1 thousand togrogs. Typical two-week inventory cost is 439.22 thousand togrogs. Therefore, after allowing for other small costs such as transport of goods, etc, the start-up cost is 550 thousand togrogs for counter traders. Home cooked meals, a classic informal sector activity with no licensing and almost no initial capital costs for anyone who already has a kitchen, has completely free entry. Only transport has significant start-up capital requirements.
- c. Weakness of the formal sector. As already mentioned, informal private businesses are now playing very significant roles in sectors in which the formal sector has not yet developed adequately. The weakness of the commercial banking system makes it necessary for small borrowers to go elsewhere for funds, and pawnshops are now the main commercial source of loans for such borrowers. In the transport sector, the formal bus and trolley service in Ulaanbaatar has failed to maintain an adequate level of service, despite heavy subsidies from the government budget and considerable external donor aid. The opportunity for more efficient competitors providing stronger service was great. As one Mongolian observer stated: “since the launching of minibus services most Ulaanbaatar people already have forgotten the fact about having to usually wait for buses for more than 30 minutes, and then squeeze into very crowded buses.”
- d. Fewer problems with corruption. A recent survey of formal sector businesses conducted by the Mongolian Chamber of Commerce and Industry indicated that 40.1% of the surveyed firms stated that corruption is now widespread, and that

another 48.9% indicated that it exists in certain spheres of their activities. 31.5% cited bribery as one of the main obstacles to the creation of a sound business environment in Mongolia. However the informals that we surveyed did not report corruption as a major problem (See Appendix 2). While a third of all informals reported that government pressures are a problem for them, these were identified as publicly set fees and registration procedures, rather than pressures for bribes. And while 30% cited “other” problems these were almost exclusively specific business questions related to their line of work; for minibus operators, for example, the need to select and obtain permission for a profitable route. These results are consistent with a recent study of the informal sector in other nations, which suggested that avoidance of corruption is a significant motive for keeping a business informal in many nations.⁷

- e. Weakness of the legal and institutional environment for formal sector businesses. Johnson et al⁸, cited above regarding the impact of corruption on the choice to keep businesses informal, make a broader point which is highly relevant to Mongolia. It is highly risky to run a medium or larger sized business in the absence of a reliable legal environment allowing proper contract enforcement, secure property rights and constraining arbitrary interference by government representatives.

The main finding of that report was quite extraordinary; econometric analysis of the 67 countries in their study indicated that the tax rate on small formal businesses was **negatively correlated with the size of the informal sector.** That is, the higher the tax rate on small businesses the stronger the small formal business sector was, and the less need was felt by small business owners to keep their businesses informal. This finding directly contradicted their expectation that tax avoidance is one leading reason for businesses to remain informal, and that therefore a higher tax rate would drive more small businesses underground. They found that countries in which tax rates were higher also tended to have stronger governments and to offer a more conducive environment for small businesses, and that this environment, rather than tax rates, is the key determinant of whether a business seeks to remain in the informal sector. Mongolia’s informal sector, thriving as it is despite the fact that it is taxed, provides an interesting case study to support these findings.

The weak legal and institutional environment for business is cited repeatedly by Mongolian business people and by observers of the Mongolian economy as a critical obstacle to growth. An additional related problem for businesses in Mongolia is the lack of a financial sector that processes payments and other transactions in a reasonably efficient way. Small informal businesses can operate entirely on a cash basis, without requiring bank services.

This points to an interesting conclusion regarding the Mongolian informal sector. As already noted, the degree of informality of our survey base is less

⁷ See E. Friedman, S. Johnson, D. Kaufmann and P. Zoido-Lobaton, “Dodging the Grabbing Hand: The Determinants of Unofficial Activity in 69 Countries” a paper presented at the fifth Nobel Symposium in Economics, Stockholm, 1999, and released in preliminary form by SITE, Stockholm School of Economics. This was a preliminary version of the paper.

⁸ Ibid.

than in many countries; these businesses are all registered, have licenses, and pay some taxes. They are informal in the sense that they are not captured in official government statistics, but they are much less “informal” than one normally expects for such activities. **In many ways, their defining characteristic is simply their size;** they are microenterprises. The lack of a supportive business environment and the lack of needed financial services are best understood as critical obstacles to their further growth, rather than being obstacles to their moving into the formal sector.

VII. Comprehensiveness of the Survey

To conclude, a note about the survey coverage. As mentioned above, this survey was designed to capture key informal sector activities, as identified a priori by the government and EPSP staff. However, only the urban economy, defined as Ulaanbaatar and other Aimag centers, was surveyed. A number of other informal activities were not captured, including construction, small-scale services (such as plumbing, carpentry, child-minding and automobile repair work), and others. Another major sector not included was the booming informal real estate market.

Survey findings indicated that firms were underreporting their profits. While the EPSP team used various cross-checking mechanisms to spot this and correct for it where it was found, it is quite likely that the results underestimate the true financial results of the informal enterprises surveyed. Lastly, we wish to emphasize that this survey does not attempt to estimate the total size of underreporting of income by small-scale private businesses that are covered by official statistics, such as bars, hotels, restaurants, and so on, or of other private sector businesses.

For all these reasons it would be a mistake to add the value-added of informal sector activities analyzed here to the current official GDP statistics and take this sum as an accurate estimate of “true GDP”. The 1998 Anderson report on the informal sector used several indirect methods to estimate the total size of non-reported economic activities, and found that they consistently suggested that these activities produced value-added equal to an additional 30-38% of reported GDP. The findings of the EPSP survey suggest that if anything this number has increased in the three years since Anderson conducted his survey. One great stimulus to small-scale private sector activity, the privatization of urban housing, has taken place since Anderson gathered his data, and its impact has been considerable.

In sum, from the EPSP survey there has emerged a clear picture of a dynamic informal sector that provides livelihoods to a substantial number of Mongolians. It is growing and evolving in some important sectors and already playing a dominant role in others.

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Appendix 1: Sample Questionnaire

Approved by the Resolution
No 181, by the Chair, SSO
on November 23, 1999

The confidentiality of survey answers will
be kept secret as per the law of Mongolia
on Individual Secret and Article 3, Chapter
22, Law of Mongolia on Statistics.

Questionnaire ABCA1

KIOSK SURVEY QUESTIONNAIRE

Survey Number:..... Name of Supervisor:
Name of Researcher: Day surveyed:
District surveyed: Hours surveyed:

I. CHARACTERISTICS OF THE KIOSK OWNER

1. What is your age? _____ years ()
2. What is your gender? M F ()
3. Are you married? Y N _____ (code)
Codes: 1) Certified; 2) Not certified; 3) Widow
4) Divorced; 5) Live separate from spouse; 6) Never married
4. What is the highest level of school that you have completed? _____ (code)
Codes: 1) No school; 2) Primary school; 3) Secondary school ;
4) Vocational; 5) College; 6) University; 7) Other
5. How many people benefit from income you earned from this type of business? _____ persons

II. OWNERSHIP

6. a) Who owns this *kiosk* ? ① ② ③ ④ ⑤
① I own it.
② A relative owns it.
③ A private person who is not a relative owns it.
④ An economic entity owns it.
⑤ A budget organization owns it.
b) If you do not own it, how are you compensated? ① ② ③ ④
① I am not paid directly, but the income from this *kiosk* goes to my family.
② I am paid a portion of the profits
③ I am paid depending on how much time I work.
④ Other _____

III. BUSINESS HISTORY

7. a) Have you ever experienced a period of higher profits than today? 1) Yes 2) No
b) IF YES: in what year did it occur? 19 _____
8. a) Are you currently facing any problems in this business? 1) Yes 2) No
b) If YES: What are the major two in order of importance? ① ② ③ ④ ⑤
1. High price for goods
2. Low purchasing ability
3. Pressure from local government (high tax)

- 4. Burglary and theft
- 5. Others

9. In your perception, how have the following changed over the last two years:
 a) The overall demand for your products? _____ (code)
 b) The amount of your revenue? _____ (code)
 Codes: 1) Much increase; 2) Little increase; 3) No change; 4) Little decrease;
 5) Much decrease; 6) Do not know

10. For how many years have you been engaged in this type of business, including this year?

11. What was the principal source of the money you used to start this business? _____ (code)
 Codes: 1) Family/personal savings; 2) Loans/gifts from friends; 3) Pawnshops;
 4) Private money lender; 5) Bank; 6) Other _____

III. VALUE ADDED

12. How much do you spend to purchase inventories per week? _____ (thous. Tog)

13. Where do you purchase inventories? _____ (code)
 Codes: 1) "Naran Tuul" Market
 2) "Bumbugur" market
 3) Wholesale centers
 4) From abroad
 5) Others _____

14. How much do you pay for electricity and heat per month?

	Average per month (thous. Tog)
Winter	
Other seasons	

15. a) What type of transport do you usually use to purchase inventories?
 b) How much does it cost to you per month? ① ② ③ ④ ⑤

Bus/minibus _____ (thous. Tog)
 Taxi _____ (thous. Tog)
 Own car _____ (thous. Tog)
 On foot _____ (thous. Tog)

16. If you rent your kiosk, how much do you pay per month (rent)? _____ (thous. Tog)

17. How much do you pay licensing fee each month? _____ (thous. Tog)

18. How much do you spend for security and guard? _____ (thous. Tog)

19. a) Do you buy any home cooked meals? 1) Yes 2) No
 b) IF YES How much do you spend for it per week? _____ (thous. Tog)

20. How much do you spend on other expenses you bear? _____ (thous. Tog)

21. On average when does this *kiosk* open and close?

	Open		Close	
	Hour	Minute	Hour	Minute

Weekday				
Saturday				
Sunday				

22. a) Do you do this business regularly during the year ? 1) Yes 2) No b)
 If NO, which months do you close the kiosk? _____ months

23. What is your net revenue per day? _____ (thous. Tog)

24. In what months of the year is your revenue high, low and average?
 What is the amount of sale during those months?

	Months	Average sale per month (thous. Tog)
1. High revenue		
2. Average revenue		
3. Low revenue		

V. REGISTRATION

25. Do you currently make Social Insurance or Health Insurance contributions from your income?
 Codes: 1) Yes 2) No a) Social Insurance ____ (code)
 b) Health Insurance ____ (code)

VI. EMPLOYMENT ISSUES

26. How many people work in this kiosk each day? _____ people

27. Do you have another job or source of income? 1) Yes 2) No

If YES:

- a) The other job/source of income is: ① ② ③ ④
- ① state, public organizations
 - ② state enterprise, private company, cooperative, partnership,
 - ③ self-or family-employment
 - ④ pension

b) What is your average monthly income from your other job? _____ (thous. Tog)

c) How many hours per week do you work at your other job? _____ hours

28. When the duureg administration asks if you are employed how do you answer? 1) Yes 2) No

If you respond that you are NOT employed:

- a) what do you give as the reason? ① ② ③ ④ ⑤ ⑥ ⑦
- ① illness
 - ② looking after a child, sick or old person
 - ③ because of seasonal work
 - ④ not finding professional work
 - ⑤ organization has gone bankrupt or doesn't work any longer
 - ⑥ pension
 - ⑦ other

b) have you actively looked for a job in the past month? 1) Yes 2) No

c) which of the following is correct? ① ② ③

- ① I am currently registered at the employment regulation office.
- ② I was registered in the past, but I am not registered now.
- ③ I've never been registered at the employment regulation office.

29. What are the goods with fast turnover?

	Description	Price	How much does the kiosk add to the purchased price?
1.	_____	_____ Tog	_____ Tog
2.	_____	_____ Tog	_____ Tog
3.	_____	_____ Tog	_____ Tog
4.	_____	_____ Tog	_____ Tog
5.	_____	_____ Tog	_____ Tog
6.	_____	_____ Tog	_____ Tog
7.	_____	_____ Tog	_____ Tog

THANK YOU FOR YOUR ASSISTANCE

Appendix 2:

Table 10. Problems of Informals

	No problems	Problems	High price, and high cost	Low purchasing power of the consumers	Pressure from government	Theft, cheating	Other
Retail trade	14.53%	85.47%	24.29%	51.48%	38.43%	15.48%	23.62%
UB	13.42%	86.58%	22.9%	49.6%	41.0%	17.1%	23.2%
Aimags	18.27%	81.73%	29.1%	57.7%	29.7%	9.9%	25.1%
Financial services	17.44%	82.56%	NA	NA	33.7%	63.2%	24.4%
UB	17.15%	82.85%	NA	NA	32.2%	63.6%	23.0%
Aimags	21.05%	78.95%	NA	NA	52.6%	57.9%	42.1%
Transport	15.59%	84.41%	60.4%	NA	22.1%	0.8%	51.8%
UB	15.26%	84.74%	59.7%	NA	22.5%	0.9%	52.4%
Aimags	19.54%	80.46%	67.8%	NA	17.2%	0.0%	44.8%
Services	24.42%	75.58%	36.8%	32.6%	34.5%	0.4%	20.6%
UB	25.91%	74.09%	34.0%	32.3%	34.0%	0.0%	19.5%
Aimags	19.83%	80.17%	45.7%	33.6%	36.2%	1.7%	24.1%
Manufacturing	8.16%	91.84%	69.4%	46.9%	33.7%	NA	17.35%
UB	6.56%	93.44%	70.5%	49.2%	36.1%	NA	16.4%
Aimags	10.81%	89.19%	67.6%	43.2%	29.7%	NA	18.9%
TOTAL	15.79%	84.21%	33.50%	34.82%	33.92%	12.00%	29.75%
UB	15.19%	84.81%	32.9%	31.9%	34.9%	13.9%	30.4%
Aimags	18.34%	81.66%	35.9%	47.3%	29.8%	8.5%	27.0%