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CASE STUDY RATIONALE

In light of the shortcomings of the current Mongolian policy development process in terms of policy development and decision-making based on quality and timely policy research, the Open Society Forum supports and funds policy research in various areas so as to raise the significance and improve the quality of such research. One of such areas is the privatization of the public sector. I would like to present one of such case studies to you – “Case Study of the Educational Sector Restructuring, Reforms and Privatization”.

The general aim of this study is to reflect upon the successes, shortcomings, privatization lessons and further possibilities for privatized public sector organizations, reveal the influences affecting the privatization of the public sector and raise the public awareness of the privatization issues, thereby supporting properly conducted privatization in the public sector.

This book is primarily intended for researchers, students and decision-making level officials of donor organizations interested in this topic, but it is written in easily understandable language, and can therefore be used by anyone interested in this topic. Aside from Mongolian, we have also published the case study in English. This research offers detailed information regarding a number of conflicting questions and difficulties, which arose in the course of the restructuring, reforms and privatization in the educational sector, in particular, in the process of privatization. The book has also reflected upon the consequences and outcomes of privatization and the current status of the privatized entities.

I would like to express gratitude to the researchers of the consulting company BizMongolia headed by J. Sunjidmaa for successful completion of this project on request of the Open Society Forum, and making results thereof available to the readers. Thanks are also due to the researchers of the NGO Development Centre, headed by D. Batjargal for contributing the section on the “Results of Transformation, Restructuring and Privatization of Children’s Summer Camps”.

I would further like to thank the Head of the Mongolian Pedagogical University Professor B. Jadambaa for conducting a through review of this study, as well as the researcher of the Teachers’ Development Institute under the Mongolian Pedagogical University N. Oyut-Erdene for reviewing the section on the privatization of the children’s camps. Additional thanks are due to the language editor and translator Ts. Gombosuren and to Gautam Yadama, Associate Professor of Social Work at the University of Washington at St. Louis for making valuable comments on the English version of the book.

We will be happy to take questions or comments regarding this book through our e-mail, osf@soros.org.mn.

P. Erdenejargal
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Introduction

The Open Society Forum initiated and organized an open competition for case study research on the public sector privatization. Our organization has been selected to conduct a case study on the privatization in the sphere of education.

We would like to present four case studies, completed by the case study club of our organization, pertaining to the process of privatization in the sphere of education, its outcomes and results.

These case studies are:

1. Reform, Restructure and Privatization in Education – sector privatization and reform.
2. Pilot privatization – privatization of the Institute of Finance and Economics.
3. Transfer of State University into Private Ownership – privatization of Ulaanbaatar University.
4. Bid for Equal Competition – privatization of the University of Humanities

These cases are based on facts and documents; they do not represent views of interested parties, but have been written by the research team in accordance with their selected methodology.

The development of the educational sector, especially the process of reforms, restructuring and privatization of the Mongolian educational sector in an open and democratic society demands an in-depth study. It is very important to reflect upon the opinions of citizens, professions and policy-makers as to the further development of this sector, as well as to raise the public awareness of the issue. On behalf of the research team I would like to thank the Open Society Forum for initiating, organizing and funding this important work.

I would like to express further gratitude on behalf of our research team to all those who have shared their ideas and experiences in the educational sector in the course of this research.

The conclusions of this study are that of the members of the research team, and do not express the views of the Open Society Forum.

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REFORM, RESTRUCTURE AND PRIVATIZATION IN EDUCATION

(Case outline)

Prior to 1990, the government spent 25% of the central budget and 64% of the NGP on education. Investment in the education sector was the highest and enjoyed special government protection. By 1992, education spending dropped to 33% of NGP due to the economic crisis in the former Soviet Union, Mongolia's principal economic partner.

After the economic crisis, the Government of Mongolia (GOM) could only afford to invest in larger enterprises such as the livestock and crop sectors thus ignoring crucial issues in the social sector. This dramatically shrank social sector investment prompting a crisis in that sector as well.

Before 1992, the government spent 2,000 Tugrug annually for each secondary school student, and 13,000 Tugrug for each student enrolled in a higher education institution. 84.4% of Mongolian citizens had a secondary school education, while only 0.4% had higher education.

At that time many countries began to pay exclusive attention to educational institutions, urging reform and restructuring. Mongolia also had to produce new educational objectives, initiate fresh study curricula and programs in demand by market-economy universities, and launch qualification certification programs. Funding deficiencies made restructuring essential. The focus of the Mongolian education sector reforms was to overcome the budget burden and to improve primary and secondary education.

Under the restructuring initiative, various concepts and policies were developed, which embraced new GOM social-sector policies.

The idea of privatizing institutions on the basis of management contracts was a concept developed in 1995–1997 by the World Bank social-sector privatization team. Following the proposal, Cabinet Resolution No. 160, dated July 2, 1997, approved a list of organizations to be privatized through government spending. The Institute of Finance and Economics (IFE) was included in this list. The IFE became a non-profit organization, and was given the option of a 30-year no-cost property lease from the State Property Committee (SPC), contingent on the IFE's management performance.

In 2000, it was proposed that social sector organizations should be run as shareholding entities, but the proposal was rejected.

In August 2000 the Government adopted a policy on cost-based privatization of social sector organizations, in accordance with which social sector organizations will be privatized in 3 phases, through bidding.

Accordingly, a Member of Parliament, Ms. D. Oyunkhorol, submitted a Draft Law on Social Sector Privatization. It was designed to regulate the transfer of publicly owned social-sector organizations to private ownership. However, due to objections from the Government ministries, SPC and the World Bank, Parliament rejected the draft.

At its session on July 10, 2002, after amending the Law on the Properties of Central and Local Governments, Parliament issued Resolution No. 56 which approved the Guidelines for Social Sector Restructuring, Reform and Privatization. Cabinet Resolution No. 34 on April 9, 2003, approving the list of organizations to be privatized, and enforcing restructuring, reform and privatization legislation, followed the Guidelines.

As of December 31, 2003, two of the six listed educational institutions have been privatized under management contracts. Two were removed from the list and the privatization of the final two institutions has been postponed to a later date. Plans for the restructuring of nine educational organizations, merging three regional universities and liberating two branch universities under management contracts, have been suspended until 2004. The local government has promised consultancy to seven of its organizations, two of which are educational institutions. However, the promised service has yet to be delivered.

Officers from the SPC and the Ministry of Education, Culture and Science (MECS) have said that improvements need to be made in the educational reform procedures, taking into account the individual features of each organization.

Currently, the most important reform issue is the continuation of educational services: guaranteeing high-quality education and maintaining affordable tuition fees and social security for students.



REFORM, RESTRUCTURE AND PRIVATIZATION IN EDUCATION

Mongolia has nothing to lose by focusing on education

In the past, Mongolian citizens have been highly educated, demonstrating the success of the country's educational system.

Secondary school enrollment is a major indicator for the human resource competitiveness of any country. However, in Mongolia, this indicator has been unreliable, as the numbers have leveled off in the past several years.

By 1989, literacy and primary education among adults above 15 years of age had reached a reasonable level (Annex 1). However, after 1990 the government budget for the education and health sectors dropped by 69%, and investment into those sectors receded. The Mongolian economy was dependent on the former Soviet Union, which provided loans and government aid. After the first few years of the transition period, the Soviet assistance ceased and as a result, the Mongolian Government became solely responsible for financing the education sector. 64% of the Gross National Product was invested into the sector, a serious economic burden for the government. Eventually, due to a severe economic crisis this figure was reduced drastically. (Annex 2).

Given the economic situation, the financial condition of schools deteriorated thus perpetuating a sectoral crisis. Between 1990 and 1995, the overall school enrollment went down by 13.8% (Annex 3). In 1989, only 0.8% of students dropped out of primary and secondary schools; but by 1992 this figure had increased to over 4.1%. (Annex 4). At the time when the quality of education declines, the entry of private sector creates a more competitive environment in the sector.

There were few private institutions in Mongolia until almost 1995, when the number of professional institutions rose to 93: 52 public, and 41 private. Despite the growing number of private universities, the overall enrollment began to fall. By 1995, the enrollment in professional institutions had plunged from 64,900 in 1990 to 48,000 only 5 years later. Private universities have become very competitive, primarily in the fields of economics, business management

and social sciences. However, the sector is still not as successful as in the early years (Annex 5).

Worldwide education reform

Private sector involvement in the educational sector improves the quality of education and the minimum quality level will be better than what it is today".

M. Freedman

Addressing the educational sector reform in Mongolia was not an easy issue. The privatization of public universities is a highly complicated task, and requires knowledge, skills and proficient management. In order to ensure that recognized global approaches are used in the restructuring of the Mongolian educational sector, experts from the State Property Committee (SPC) studied the social-sector reform practices of New Zealand and many European countries. A model reform plan was developed taking into account the experiences of countries such as Brazil, Jordan, Nigeria, Chili, Vietnam, Hungary, and others. (Annex 6).

Brazil spends up to 60% of the state budget on public universities and colleges, while private colleges and universities are independent and self-financing. The federal government offers financial support only through student loans.

Nigeria has been restructuring higher education institutions since 1980. In 1985, the management of education was completely transferred to the universities. Since 1988, 37 universities have tripled their personnel as a result of successful planning, financing and accreditation.

In Chili, private college and university tuition increased in the 1970's, resulting in the implementation of a loan system for public university students. Additional reforms in the educational sector included merit scholarships for university enrollment. By the late 1990s, the enrollment in colleges, universities, and professional institutions doubled, and the government expenditure on education dropped to 27% of GNP. These reforms have led to the financial independence of the higher education system.

The restructuring of the higher education system in Vietnam took many years. Before 1987, the Vietnamese government exclusively managed higher education issues such as financing, enrollment, and human resources. In 1987, universities were allowed to charge tuition for some (and eventually all) of the students, with the exception of those receiving government scholarships. By 1989, the Government stopped guaranteeing jobs for university graduates. Now, most colleges are financially independent, and provide courses of study in foreign languages, computer science, and business management.

In Europe, public higher education institutions have aimed mainly at curriculum reform and financial independence. In addition, attempts have been made to seek funding from various sources for research, and to give students more opportunities to participate in research activities.



During the transition period in the Central and Eastern European countries, various curriculum reforms and restructuring took place, beginning with the establishment of financial committees to monitor, plan and transfer information on courses of study and curriculum regulation.

The most successful international practices highlight the privatization of the educational sector and restructuring activities designed to provide private financial sources and financial independence for higher education institutions. Thus, these practices have played an important role in Mongolia’s recent educational reforms (or set a standard of excellence for it).

The central aim of the Mongolian educational sector reforms was to overcome the budget burden and to improve primary and secondary education. In 1992 the government spent 6.37 times as much for university students as for primary and secondary school students, when 84.4% of the population was enrolled in primary and secondary schools and only 0.4% in universities and professional institutions. With the recent reforms, the Government has resolved to redistribute the budget by offering more financial assistance to primary and secondary schools and working towards the financial independence of universities and professional institutions. (Annex 7).

The Government privatization program, developed in 1999, specified that the number of privately owned and financed institutions should be increased. As of 2000, the number of professional institutions was 208, enrolling 99,100 students, while absorbing a low share of the private sector budget. (Annex 8).

Lending a hand in the education sector

Many detrimental issues in the Mongolian educational system, such as the imbalance in rural and urban education, insufficient restructuring capacity and lowered school enrollment, have been significantly improved due to the assistance of donors. (Annex 9).

The following donors provided loans or grants to the Mongolian education sector:

- US\$ 1.48 million grant by the UN Save the Children Fund between 1995–2000, to develop preschool education
- US\$ 1.3 million loan by the World Bank between 1996–1999, for primary education
- US\$ 6 million grant aid by Mongolian Open Society Institute between 1998–2001, for education sector reform
- US\$ 24 million grant by Japanese International Cooperation Agency between 2000–2002, for restructuring Ulaanbaatar secondary schools
- US\$ 9.2 million in loans by the Asian Development Bank since 2001, for a program on secondary education development (Annex 10).

Despite growing foreign aid and loans for primary education, conditions in the sector continue to be unsatisfactory.

The Donors Consultation Group, at their June 2001 meeting, pointed out that 70.4% of Mongolian children were not enrolled in pre–school education, and that 75.8% of rural children

between 8 and 15 years old had dropped out of school. Additionally, due to the low capacity of schools, enrollment of kindergarten through 9th grade was limited, despite student interest.

Where to start

Social sector privatization and the creation of a legal environment to reduce the state share in the educational sector, is a priority of Mongolia's Government.

Changes and developments in the international educational sector provided the groundwork for significant government reform and restructuring. Advancing primary education, while simultaneously improving the quality of higher education, requires that the education system be autonomous from the state. Both the government budget redistribution and the use of private financial sources are required to maintain a healthy and evenly spread education system.

Where to start the reform?

The Ministry of Education, Culture and Science (MECS), through its Department of Economics, Supervision and Evaluation, prepared a list of the social sector institutions to be privatized under management contracts in 2001-2004. This will result in cutbacks in government social-sector spending. The privatization of eight educational institutions, including the Institute of Commerce and Business, the Food Technology College, and the Zaamar Professional Training and Production Center, should ease the government budget burden by approximately 984,917,100 Tugrug. (Annex 11).

Currently, private share in the educational sector are relatively low. (Annex 12). Since the higher education system's pilot project (the privatization of the Institute of Finance and Economics) ran effectively, the Government of Mongolia has decided that it is now necessary to develop the social sector privatization laws and to create the legal environment to shrink the state's share in the educational sector.

Concepts on educational reform and restructuring

In order to improve the efficiency of the social sector privatization, and to increase the public oversight and contributions, the Government of Mongolia has decided to privatize educational institutions through cost-based management contract bidding.

Many different concepts and viewpoints have been presented for the social sector privatization and various organizations, including the Government of Mongolia (GOM), the Working Group, and many international development institutions and professional organizations, are finding it difficult to agree on one coherent strategy. Ideas for turning



educational institutions into profit-making shareholding entities, in cooperation with major international organizations, were sought from 1995 to 1997, but no single strategy gained unanimous support.

Between 1995 and 1997 a World Bank social sector privatization team, led by J. Casagrande, developed a pilot concept to privatize several institutions on a management performance basis. Cabinet Resolution No. 160, dated July 2, 1997, approved the list of institutions. This list included an approval of a project with the Institute of Finance and Economics to run pilot the “no-cost” privatization. The objective was to restructure the Institute of Finance and Economics (IFE) into a non-profit NGO, including a 30-year property lease from the government free of charge. Free privatization should assist in maintaining the cost for health and educational services at a reasonable level. The pilot project also took into account the fact that there are potential donors possibly willing to invest in the educational sector and it may be difficult to find one for each privatized institution in the future. (Annex 13).

The Government Privatization Guidelines for 1997 to 2000 included pilot projects for the privatization of educational institutions, which initiated social sector privatization. (Annex 14).

In 2000, the Working Group drafted guidelines and strategies for the restructuring of social sector organizations into private shareholding entities, and began the search for potential organizations to implement the process. In addition, complex restructuring issues, such as potential sector barriers, risk management, and performance monitoring, were addressed. Unfortunately this alternative way of restructuring social sector organizations failed to receive enough support. (Annex 15).

In August 2000, the GOM adopted a three-stage cost-based social sector privatization concept intended to improve the efficiency of social sector privatization, increase public oversight and contribute a specific amount to the state budget. The concept aims to implement the social sector privatization program in three stages on a cost basis. It provides for the organizations included in the list for the 2003 social sector privatization to be privatized at a cost based on the performance of the management contract. This cost-based privatization approach to the social institutions is targeted at improvement in management team responsibilities. The state will be responsible only for monitoring the management performance.

This three-stage privatization consists of preparatory steps, conclusion of a management contract and finally privatization. The minimum price to privatize an organization will not be determined through price competition auctions; instead the actual market rate will be applied.

During the preparatory phase, privatization must first be announced by the GOM. Then an organization must submit an accurate financial statement to be approved by government monitoring institutions. In the next phase, the management contract must be approved and concluded. The success of the contract is determined by state performance monitoring procedures. During the last phase of privatization, the property is transferred to the potential private owner (Annex 16).

Creating a legal environment conducive to privatization

After determining that an independent law on social sector privatization was unnecessary, Parliament approved the amendments to the Law on Central and Local Governments Properties.

In cooperation with the World Bank social sector privatization team, a working group to draft legislation on social sector privatization was developed between 1995 and 1996. However, the World Bank consultants suggested that a separate law is not essential and the Parliament agreed.

In 1997 the Parliament passed a law regarding Non Government Organizations designed to bridge the gap between the legislation on non-profit organizations holding community property and the NGOs. The law was timely and to some extent can be linked to the social sector privatization.

The 1999 the GOM Privatization Program proposed the privatization of the Institute of Commerce and Business, Humanitarian University and Food Manufacturing College by 2000. In 2001, a working group, which includes Parliament member D. Oyunkhorol, the SPC, the MECS, the Ministry of Health and other Members of Parliament, drafted a law on the social sector privatization. The Cabinet, as well as the Parliament Standing Committees discussed the drafted law on Economic and Social Policies.

U. Mako, Senior Private Sector Development Advisor at the World Bank in Washington, DC, commented that the social sector privatization guidelines specifying that property should not be transferred to private ownership under a service contract conflicted with the draft law, placing considerable importance on property transfer.

U. Mako further observed that the draft law focused primarily on the supervision of privatization steps, financial structure, and management performance, and did not include guidelines for monitoring educational efficiency. Therefore, he recommended the implementation of an efficient monitoring program. The World Bank expressed reluctance about Mongolian social sector privatization, saying that the country is not yet ready, and must focus on pilot projects until the current laws on privatization, public sector management and financing can be properly reviewed. In other words, the draft law failed to clearly spell out necessary steps to deal with inefficiency and poor performance of educational organizations. The final conclusion of the World Bank was to hold off the development of the draft law (Annex 17).

The draft law proposed by the Parliament and the SPC was reviewed in early May, 2001 by U. Mako and legal advisor H. Erik, who provided detailed recommendations for improving the law: the law needs to incorporate the objectives of the GOM; clear standards need to be established to measure social service quality; the privatization process must be outlined in a transparent and thorough manner; the process must be carried out with adequate independent funding sources; the duties of the SPC must be clearly outlined, and open contact must be



established between the SPC and the management team; the management team must be comprised of skilled personnel.

When creating private companies from public entities, the influence of the State must be considered, along with the responsibilities of the personnel, protection of public interest and the proper distribution of revenue. U. Mako and H. Erik concluded their review by saying that other laws related to the social sector must be revised and amended to make them compatible with the new draft law. (Annex 18).

The ultimate conclusion of the review was that privatization was not yet due. The MECS lacked sufficient economic and technical data; thus the procedures for privatization of professional schools were unclear. The Cabinet still needed to discuss strategies for privatization, and collect more relevant and conclusive surveys. The SPC needed to prepare a list of organizations to be privatized and a clear method for doing so. Because many aspects of the process were vague and unregulated, it was recommended that the draft law be delayed for at least six months. (Annex 19).

The Cabinet discussed the draft law on June 25th, 2001, and concluded that the law failed to meet the necessary standards. The law was incompatible with the Privatization Guidelines, failed to take into account the conceptual characteristics of the social sector, and was not substantially different from the existing laws on properties of central and local governments. Therefore, the Cabinet requested that the law be revised, incorporating the SPC comments and recommendations. (Annex 20).

After the Cabinet discussion, the Parliament Standing Committees on Economic and Social Policies proposed that the concept of the social sector privatization be included in the guidelines and the summary in the law. Until July 2002 the draft law and Privatization Guidelines were being revised and amended.

The Parliament approved amendments to the laws on Properties of Central and Local Governments on July 10, 2002. The amendments included new terms for social sector reform and restructuring and provided a framework for privatization.

The law aims to create the legal environment conducive to the restructuring of the educational sector. Social sector organizations are to be run under management contracts, state-owned properties are to be leased and privatized by lessening the public share through amounts equal to the contribution to the state budget. (Annex 28).

Parliament Resolution No. 56, passed on July 10, 2002, approved the guidelines for social sector reform, restructuring and privatization. The guidelines contain general provisions, a list of necessary steps for successful social sector reform, social welfare guidelines and other issues. The guidelines ensure that all levels within the fields of education, culture and science, specifically kindergartens, schools, research institutes, scientific, technological and industrial corporations and cultural organizations will be included in the reform, restructuring and privatization process. According to the guidelines, the Parliament is required to approve the list of social sector organizations, which must remain in state hands.

Reform, restructuring and privatization in the educational field

All educational institutions, with the exception of national policy-making units, will be privatized in several stages.

Cabinet Resolution No. 34, dated February 11, 2003, provided details for 11 organizations to be privatized, 16 organizations to be restructured and 7 entities to provide consultancy on the reform, restructuring and privatization process. Additionally, names, addresses, timelines for reform and restructuring and necessary steps and conditions were included.

P. Gansukh, the head of the MECS Department of Finance and Oversight, stated that "the organizations listed for privatization provide personnel in the humanities and business fields. They do not require "state" status because they are not very large; privatizing such institutions should facilitate curriculum independence and further development of curriculum activities."

In relation to the commencement of educational reform, the GOM provided a list of institutions approved by the Parliament, which will remain under state ownership. This list includes the largest state universities, secondary schools and kindergartens, the Academy of Science and the National Theatre. (Annex 21).

The GOM justified its privatization decisions by saying that state-owned national universities, such as the Medical University and the State Pedagogical University, train social-sector personnel, while others provide human resources personnel, who operate in various sectors.

Privatization in Educational Reform, Restructuring and Privatization

The final decision on which method to use in the educational sector privatization must take into account the advantages and disadvantages of each alternative method. Privatization through bidding, joint venture restructuring and maintaining state oversight of management are some of the options that have been considered. (Annex 22).

Article 3, Chapter 33 of the Amendments to the Law on Central and Local Government Properties specifies that "The period, method and means of social sector reform, restructuring and privatization, along with the list of organizations to be privatized, shall be annually approved by the Cabinet and Parliament Standing Committees on Social and Economic Policies".

The privatization methods for the Parliament-approved 2003 privatization list were based on the individual characteristics and situations of each university.

The list of 11 proposed organizations includes 6 educational institutions, 3 scientific, technological and industrial corporations and 2 cultural entities.

Three out of the above six educational institutions, namely the University of Humanities, the Institute of Commerce and Business, and the Production and Craft School, were scheduled



for privatization within the second quarter of 2003, on the basis of management performance. Ulaanbaatar University was also scheduled for privatization within the 3rd quarter on the basis of the management performance. The Technical and Technology College was to be privatized by restructuring it into a joint venture with additional domestic and foreign investment. 100% of the state's share in the Zaamar Professional Training and Production Center is to be transferred on the condition that it continues to operate in line with its original purpose. (Annex 23).

In most Western countries, the most common educational reform practices include restructuring privatized schools through management, service and lease contracts. With these long-term contracts, the institution's performance determines whether the contract is maintained or terminated.

Restructuring and Reform in the Educational Sector

In the overall reform concept, restructuring is just as important to the educational sector as the privatization process. The list of 16 educational, cultural and scientific institutions to be privatized or restructured includes 9 universities, colleges and professional training and production centers, 5 scientific, technological and industrial corporations and 2 training and research institutes.

Between the 2nd and 3rd quarters of 2003, the Uvurkhangai and Sukhbaatar branches of the Scientific and Technical University were restructured under management contracts.

Several rural educational institutions are expected to restructure during the third quarter, in the following ways:

- In the Darkhan-Uul province, Darkhan-Urguu Technical University and the Medical Colleges will merge with a branch of the Scientific and Technical University in Darkhan to form a new Darkhan University;
- In Kherlen soum, Dornod province, the Agricultural Training and Research Institute will merge with the Pedagogical College to establish a new eastern-region university;
- In the Khovd province, the Jargalan soum branch of the Mongolian National University will merge with the Altai regional branch of the Agricultural Institute to establish a new western-region university (Annex 24).

Consultancy in Educational Reform, Restructuring and Privatization

Consultants have been very helpful in providing ideas for restructuring of the educational sector. Seven government entities have been enlisted to consult on the reforms, with 2 working in the educational field and 5 in medicine, health care, and kindergarten. The consulting units provide advisory services on privatization plans based on management contracts, management performance, open bidding and joint venture restructuring. (Annex 25).

Current educational restructuring accomplishments

"Each educational organization has its own particular features. The current laws provide ample room to revise the privatization process to account for these features."

SPC officers Ts. Otgonbayar and D. Erevgiilkham have provided the following overview of the results of the 2003 restructuring and privatization processes: "Both the University of Humanities and Ulaanbaatar Institute were privatized in 2003. The privatizations of the Institute of Commerce and Business and the Technical and Technology College have been delayed until 2004. The Production and Craft School was initially listed due to the MECS oversight on the Indian investments in the school, and thus has not been privatized. The privatization of the Institute of Commerce and Business has been postponed as a consequence of disputes. Regarding the Zaamar Professional Training and Production Center, the SPC left the issue in the hands of the local government, as the Center was transferred into local government ownership in 1999 by Resolution No. 29. Restructuring attempts for regional universities have encountered difficulties, as each associated school belongs to more than one organization, so consultancy in educational reform and restructuring has been held off until 2004."

The current accomplishments of restructuring of the educational sector are: of the 6 proposed institutions to be privatized, 2 have currently been privatized on the basis of management contracts, 2 have postponed their privatization and 2 have canceled completely. The proposed plan to restructure 3 regional universities and turn over 2 associated schools to management contracts has been delayed until 2004. The restructuring plan for 9 education institutes to restructure 3 regional universities and turn over to management contracts 2 associated schools has been delayed until 2004. The consultancy services for 7 local-government owned institutions, 2 of which are educational organizations, have not been provided as planned, thus the projects failed.

Experts from the SPC and MECS have listed the following factors to explain the failed education sector privatization projects:

1. The SPC has said that the MECS has been unable to appoint personnel, departments or units to deal with the social sector privatization; the SPC implements laws, legislation and policies of the Parliament and the Cabinet, while the MECS is responsible for policy-making and implementation of social sector privatization, despite their lack of appropriate personnel. If more privatization projects are to succeed, this distribution must be improved.
2. B. Erdenesuren, the Deputy Minister of Education, Culture and Science, says that "The failures were facilitated by the privatization procedures and rules. Experience of the previously privatized organizations must be studied".
3. J. Tseveendorj, the Deputy Head, Department of Finance and Supervision, MECS, stated: "The current legal environment for social sector restructuring is not sufficient



for successful educational sector reform. The privatization legislation must be revised in accordance with the features of existing organizations operating in the sector.”

The social sector reform process has been running in three stages: preparation, contract authorization and privatization. After the privatization of the University of Humanities and the Ulaanbaatar University in December 2003, the winners of the open biddings signed two-year management contracts with the SPC to implement their proposed business plans. In the business plans, the teams promised to maintain and advance the current level of operations, to improve financial and operational quality and efficiency and to obtain financial independence in all areas of operation.

After the two-year contract period, the team’s performance will be evaluated by the SPC. Following satisfactory management reports, and a payment to the SPC State Treasury account, ownership will be transferred by the SPC.

Social duties of educational organizations

A survey of students was conducted in relation to state dominance in the educational sector. The survey was designed to compare public and private universities in the areas of competitiveness, curriculum quality, facilities and personnel. 26 randomly selected students of both public and private universities participated in the anonymous questionnaire. (Annex 29).

84.7% of the participants think that students of private universities, including the IFE, the University of Humanities and the Ulaanbaatar University, have a better chance of finding employment after graduation. Students believe that private universities have the advantage of a low student-teacher ratio, and thus more individual attention, but are disadvantaged by high tuition fees aimed solely at profit-making and relatively low-quality facilities.

Public opinion shows that the privatization of public universities may have a negative impact on their quality, however, B. Erdenesuren, the Deputy Minister of Education, Culture and Science, guarantees the education quality after the privatization and clarifies the policy in case of potential quality deterioration: “We should not be prejudiced against privatization because it may impact the quality of universities: carefully managed privatization can result in quality improvement, and several private schools now provide quality service despite their admitted flaws. The private sector is rapidly changing and growing, and the disadvantages of public universities can highlight the prospects of private universities.”

Guaranteeing education quality

The education laws revised in 2002 spell out curriculum quality standards and qualification evaluation standards for preschool, primary, secondary and higher education. The laws also specify minimum levels for instructors’ and teachers’ professional training, and basic requirements for educational institutions. Under the legislation, the government aims to reform educational content, train children and youths for labor, and prepare them for life, as well as to follow a standard quality evaluation system. A National Committee has been established to oversee these objectives, and is responsible for the evaluation and revision of pre-school,

primary and secondary education standards.

After a thorough investigation of the current curriculum plans at each educational level, a study team was set up to draft curriculum standards, teaching and learning standards, as well as standard levels for teachers and students. The main curriculum standards, which include equipment and facilities, human resources, libraries, and information, were discussed by an MECS committee.

New standard requirements for obtaining a Bachelor's Degree were also developed taking international practices into account.

The government has promised that tuition would not be dramatically increased after privatization. The Deputy Minister explains the government policy in this respect: "The payment for privatization is made gradually, not as a bulk payment, and student tuition is fixed according to market rates. The majority of universities are still public, therefore they determine the tuition rates. The Ministry has adhered to a policy of avoiding severe tuition hikes. The State Treasury provides government scholarships, up to a set maximum amount, and in addition to tuition, private universities receive funding from donations, government subsidies and other operations."

The government expenditure for higher education has not seen much change as a result of privatization and financial restructuring. The MECS no longer provides subsidies to public universities for heating, staff wages and utilities expenses, but rather affords investment-financing budget. In the 2004 central government budget, the Ministry allocated 5,468.8 million Tugrug for different education projects (Annex 30). MECS annual budget is 138,382,703.5 Tugrug. The budget includes breakdowns of current expenditures, asset and pay-back loans. (Annex 31).

Increasing public shares in the Mongolian private sector may hinder educational organizations' abilities to provide social services. Therefore it has become crucial to provide students with social guarantees. B. Erdenesuren, the Deputy Minister, argues that the scholarship funds will constantly grow in the future since providing student scholarships is a good way to support the private sector.

The social guarantee for students of higher education is outlined in Article 19, Chapter 8 of Mongolia's Education Law: the legislation states that the Government will provide scholarships and capital incentives to talented students of national colleges, institutions and universities. In 1999, Cabinet Resolution No. 179 approved "A procedure on discounted loans and full scholarships for students of undergraduate universities, institutions and colleges". Revisions were introduced by the Government Resolution No. 96 in 2000, and in the 2002-03 academic year, the Government provided 70.1 million Tugrug in scholarships to 255 students.

If a poor or herder's family has two children simultaneously in higher education, the Government's objective is to fully cover the tuition for one. In 2000, Cabinet Resolution No. 158 approved the procedures for Government scholarships. The procedures give full scholarships to one of three or more children from a poor or herder family studying at an accredited college, institution or university. During the 2002-03 academic year, the Government provided 6,770.2 million Tugrug in scholarships to 26,403 students and discounted 1875.0



million Tugrug in discounted loans to 8,406 students. These amounts have grown in the last 3 years.

Since the 2000–2001 academic year, the government has provided free study books and stationery to students from vulnerable group families or from families sending several children to school. As of 2002, there were 53,846 secondary school students from the vulnerable group families or from families sending 4 or more children to school. Accordingly, these students received study books and stationery worth 861.5 million Tugrug from the government.

Conclusion

Author's Notes

Quality improvement is needed in the educational sector.

The educational sector's achievements are not measured by profits, but by the output of skilled personnel and researchers, international acceptance of curriculum standards and degree programs and the efficiency of training and research production. Therefore, the income of educational organizations should be spent on the development of these capacities. If this policy is adopted, it will attract more students, both domestic and foreign, increase participation in nation-wide projects and programs, further the institutional reputation, increase teaching values and generate more business opportunities. If not, the educational sector may have a very negative impact on the country's growth.

After an institution is privatized, it has the right to restructure, sell out or close down in accordance with the business logic of profit-making. In a central economic system, funding for educational, cultural and scientific achievements accumulates, and education can be guaranteed. It will require a lot of time and effort for the private schools to build up what the public schools already have, and in the near future private schools will hardly increase the quality of their services by a drastic margin. Because of this, new laws and legislation must address the potential actions of privatized organizations.

The future of the Mongolian educational system should be carefully considered. The need to privatize educational institutions arose as a result of the financial burden of education on the state budget. Restructuring attempts made since 2002 have lowered the state expenditure by only 0.8%, and it is likely that this figure will drop in the future. The need for educational privatization should be reviewed, taking into account the current growth in the field and successful international practices for creating fair competition. (Annex 26).

The educational reform guidelines include all educational levels, from kindergarten to higher education. It has been observed that any institution can be privatized, even in the face of adverse political conditions. Thus, the background and justification for organizations of national importance that are not to be privatized must be clearly identified and legalized, rather than simply approved by the Parliament.

The governing boards of various political parties, along with the Parliament Standing Committee, have discussed the alternatives and methods for privatizing approved organizations. However, it would be more desirable for the privatization process to be more open and transparent.

Experts have pointed out that the vagueness of government privatization policies could have something to do with the poor implementation of recent projects. The policies do not clearly outline prospects and objectives, and do not really consider the steps necessary to create a legal environment conducive to privatization. If the privatization policy vision is clarified, better results can be expected in the future.

Due to the inefficient legal environment, the current policies on educational reform, restructuring, and privatization cannot yet be implemented. The development of clearer action plans for initiating reform may become compulsory at all levels of government. The policies would have a greater chance of being implemented if each level of government took responsibility for actions within their respective areas, and set up departments and personnel to carry out the process. Each unit should maintain privatization lists addressing individual characteristics and conduct comprehensive studies of each organization. After a careful evaluation of the service and operations of the organization an appropriate method for privatization can be chosen and implemented.

The World Bank evaluation of the Mongolian educational system noted huge differences between rural and urban quality and efficiency. Developing a consistent means for evaluating performance, and a policy which takes these differences into account and tries to amend them, is a necessary step in raising educational standards.



CHRONOLOGY OF THE EDUCATIONAL SECTOR PRIVATIZATION AND RESTRUCTURING

January 18, 1991

The Privatization Committee and Stock Exchange is established.

May 31, 1991

The Privatization Law is passed, and the transfer of state property to private ownership commences.

May 27, 1996

The new Law on State and Local Government Property is approved.

July 31, 1996

The State Property Committee (SPC) is set up.

July 2, 1997

Privatization Guidelines for 1997–2000 are passed, including a privatization list of nearly 1,000 state owned enterprises and facilities.

July 2, 1997

Government Resolution No. 160 approves the social sector privatization list, and nonprofit pilot projects begin.

September 22, 1997

The SPC receives applications from bidders for the management contract for the privatization of the Institute of Finance and Economics.

September 25, 1997

The MECS, in cooperation with the SPC, appoints a team of analysts to evaluate the bidders. The winning team is selected, headed by D. Batjargal, Dean of the Institute of Finance and Economics.

December 31, 1997

The management contract is finalized and signed.

May 29, 1999

Under the Privatization Guidelines and the Central and Local Government Property Laws, Parliament issues a resolution to transfer properties to local government ownership.

June 2, 1999

Amendments are made to the Privatization Guidelines, including the addition of a list of entities to be privatized by auction, and other means. The government announces the privatization of its most highly valued state enterprises.

March 13, 2001

The World Bank submits its comments on the Social Sector Privatization draft law.

May 1–7, 2001

The World Bank advisors, in conjunction with the SPC, review each article of the draft law.

June 25, 2001

Cabinet discusses the draft law on the Social Sector Privatization.

July 10, 2002

Parliament passes a law amending the Central and Local Government Property Laws, adding new chapters regarding social sector reform, restructuring, and privatization.

July 10, 2002

Parliament Resolution No. 56 approves the guidelines for social sector reform, restructuring and privatization.

February 11, 2003

Cabinet Resolution No. 34 approves a privatization and reform list, beginning in the social sector.

August 15, 2003

Bidding for the management contract to privatize the University of Humanities is officially announced to the media.

November 2003

The University of Humanities team wins the bidding and signs a two-year contract with the SPC and the MECS.

December 8, 2003

The Ulaanbaatar University is privatized under a management contract.

December 9, 2003

The management team of the Ulaanbaatar University signs the two-year management contract with the SPC.



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Annex 1

Indices of human factors,1989

-literacy rate of active population from the age of 15 within working age	96%
-graduation from higher educational institutions	7.5%
-enrollment in primary schools	98%
-enrollment in secondary schools	85%
-enrollment in vocational schools	15%
-dropout rate from primary and secondary schools	0.8%

Source: Sheila Smith, *Sustainability of human resources within large shortage of resources. – "Reflection of Poverty Alleviation issue into Development Strategy" National seminar, Ulaanbaatar, 2001, 2nd book, p.51-53*

Annex 2

Budget Variation in educational sector

1990	64%
1991	58%
1992	33%

Source: Sheila Smith, *Sustainability of human resources within large shortage of resources. – "Reflection of poverty Alleviation issue into Development Strategy" National seminar, Ulaanbaatar, 2001, 2nd book, p. 52*

Annex 3

Changes in schools' enrollment level (%)

8-15 aged	97.8	81.5	-16.3
16-17 aged	44.1	40.3	-3.8
Total	87.8	74.0	-13.8

Source: *The Year Statistical booklet 2000. Ulaanbaatar, "National Statistical Office", 2001, p.206*

Annex 4

Changes in dropout rate (%)

School dropouts	0.8	4.9	+4.1
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Source: Sheila Smith, *Sustainability of human resources within large shortage of resources. – "Reflection of poverty Alleviation issue into Development Strategy" National seminar, Ulaanbaatar, 2001, 2nd book, p. 53*

Annex 5

Variation in the Professional Institutes and Enrollment

Type of school	Vocational schools			Students thous. people		
	1990	1995	Difference	1990	1995	Difference
Total	84	93	+9	64.9	48.0	-16.9
Public	84	52	-32	57.9	37.5	-20.4
-Vocational: primary, secondary stages school	44	26	-18	26.4	8.0	-18.4
-Institutes, colleges	31	20	-11	17.6	12.7	-4.9
-Universities	9	6	-3	13.8	16.8	+3
Private	-	41	+41	-	8.9	+8.9
- Vocational: primary, secondary stages school	-	-	-	-	-	-
-Institutes, colleges	-	41	+41	-	8.9	+8.9
-Universities	-	-	-	-	-	-
-Students studying abroad				7.0	1.5	-5.5

Source: The Year Statistical booklet 2000. Ulaanbaatar, "National Statistical Office", 2001, p.207

Annex 6

Experience of foreign countries

	Ownership type of the school	Funding	Monitoring	Accreditation
Brazil	Public and state-owned schools	-School's own financing. -support provided by the government in loans.	-Educational Council monitors number of enrolled students, education level, tuition fees	Educational Council is responsible for accreditation of organizations
Jordan	Public and state-owned schools	-Private school's own financing. -Public schools receive funding from the state budget	-Council of higher education has a financial committee on monitoring of schools' budgets. It also controls the quality of universities.	Council of higher education is responsible for registration and accreditation of schools.
Nigeria	Public universities	-School's own capital and financing -loans from the World Bank	-The Federal Government performs monitoring.	-Due to development of good curricula in 37 universities, planning, financing and accreditation activities are can be carried out.
Chile	Public and private institutions.	- Own capital and financing of private schools. -Loan scheme for state-owned schools' students. -Government scholarship	The government has conducted educational and financial restructuring.	The government has implemented reforms in the educational sector

Vietnam	Public and independent schools.	-state budget financing. -tuition fees -government scholarships. -self-finance	Government and Ministry of Enlightenment had conducted financial restructuring.	Ministry of Enlightenment is in charge of higher education system.
Hungary	Public, social and private schools, church schools	Various sources of financing, different forms of scholarships, government and foundations' scholarships	New law on higher education has been adopted. Reconstruction has been conducted.	New law on higher education has adopted. Reconstruction has conducted.

Source: Reforms of higher educational system. – Recommendations on policy.

Annex 7

Budget Allocation in the Educational Sector, 1992

Kindergarten	21%	12,9%	5,094
Primary and secondary school	55%	84,4%	2,035
Technical and vocational education	7%	2,3%	9,333
Higher education	16%	0,4%	12,954

Source: Sheila Smith, Sustainability of human resources within large shortage of resources. – "Reflection of Poverty Alleviation issue into Development Strategy" National seminar, Ulaanbaatar, 2001, 2nd book, p. 55

Annex 8

Professional schools and enrollment figures, 1995 – 2000

Total	93	157	208	48,0	87,1	99,1
Public	52	70	70	37,5	62,1	68,8
-Vocational primary and secondary schools	26	35	32	8,0	10,9	11,9
-Institutes and colleges	20	27	30	12,7	16,3	18,2
-Universities	6	8	8	16,8	34,9	38,7
Private	41	87	138	8,9	23,2	28,3
- Vocational primary and secondary schools		4	4	-	0,2	0,3
-Institutes and colleges	41	82	131	8,9	22,1	24,5
-Universities		1	3	-	0,9	3,5

Source: The Year Statistical booklet 2000. Ulaanbaatar, "National Statistical Office", 2001, p. 207

Annex 9

Emerging issues of the educational sector

Enrollment	Percentage of unenrolled children			
	preschool education for 3-7 year olds	8-11 year olds	12-15 year olds	8-15 year olds
	70.4%	9.1%	18.3%	13.5%
Unequity in sex	Percentage of male students			
	Primary grades	Secondary grades	Upper-secondary grades	Unenrolled children
	49.9%	46.6%	40.6%	16.6%-male 10.4%-female
Inequality of local educational service	Unenrollment of soums' children in preschool education		Percentage of school dropouts for rural children of overall dropouts	
	3-7 year olds – 84.1%		8-15 year olds - 75.8%	
Shortage of school capacity	Setting numeral limitation for children aged 6, 7 interested to learn and 9th grade students		- 11.8% of 6,7 aged children attend school.	

Source: Education of Mongolia. Meeting of the World Bank and donor organizations. Ulaanbaatar. 2001

Annex 10

Assistance of donor organizations to the educational sector

Donor organization	Type of assistance	Name of project	Total amount	Term
1. Assistance of donor organizations for schools				
ADB	Loan	Program on development of secondary education	\$9.2 million	2001-2005
Danida	Assistance	Development of rural schools	\$0.88 million	2000-2003
JICA	Assistance	Restructuring of Ulaanbaatar's schools	\$24 million	2000-2002
Mongolian Open Society Institute	Assistance	Program of educational sector	\$6 million	1998-2001
UNICEF	Assistance	Development of preschool education	\$1.48 million	1995-2000
World Bank	Loan	Basic education (Foundation for rural development under National Program on Poverty Alleviation)	\$1.3 million	1996-1999

2. Assistance of donor organizations for vocational education				
ADB	Loan	Program on development of vocational education	\$6.9 mln	2001-2005
German Technical Co-operation	Assistance	Support of technical education and vocational training	\$1.7 mln	1999-2001
European Union, TASIC	Assistance	Development of Mongolian national universities	1 mln euro	1999-2001
European Union, TASIC	Assistance	Development of the State Administration and Management Development Institute	1 mln euro	1999-2001
Mongolian Open Society Institute	Assistance	-Support of higher education, 1998-2001 -National scholarship, 1997-2004 - Educational Advisory Center, 1997-2001	\$665000	1997-2004
3. Assistance of donor organizations for informal and distant education				
Danida, UNESCO	Assistance	Informal and distant education	\$1.7 mln	1997-2001
UNICEF	Assistance	Informal education	\$1.32 mln	1997-2000
KOICA	Assistance	Distant education	\$340000	1998-2001
4. Assistance of volunteer organizations and small donors in the educational sector				
Peace Corps, the USA	-volunteers have been working in cooperation with secondary schools, universities, educational centers and NGOs -currently 82 volunteers work in Mongolia teaching English and linguistic methodology. -in 1999 Ministry of Enlightenment and Peace Corps signed Memorandum on improvement of English instructors' qualifications. -volunteer organizations undertook training for the management of small business.			
VSO	-over 20 volunteers work in secondary schools, colleges and universities. -within program on English teaching volunteers work to improve quality of rural education. -provide preschool education in three aimags. -volunteers conduct most of activities for children from vulnerable groups in Ulaanbaatar.			
World Vision	-work with children in need through the management of 8 children centers involving approximately 160 children. -provide children who have dropped out of school and children from vulnerable groups with informal education. This project includes the technological school providing special skills training to 800 students .			

Source: Donor Support for the Education Sector in Mongolia.
World Bank Mission of May/June 2001, p.1-7

Annex 11

Estimated Effect of Management Contract Privatization of Education, Cultural and Scientific Institutions on the State Budget /thousand Tugrug/

№	Name of organization	Number of employees	Annual average budget	Including		
				Total salary and additions	Electricity, heating and water expenses	Other expenses
1	Institute of Trade and Industry	160	524873,4	180696,7	146148	198028,7
2	Ulaanbaatar Institute of Food Technology	82	173696,9	65753,4	54825,3	53118,2
3	"Leather Center" corporation of the University of Science and Technology	18	12466,6	10162,7	0	2160
4	"Monenzyme" corporation of the University of Science and Technology	33	54644,3	19620,7	11653,3	23370,3
5	"Khunstech" corporation of the University of Science and Technology	64	29301,4	25901,4	0	3400
6	Selenge-Sant soum's MCIT	24	32746,7	9987,6	14078	8681,1
7	Tuv-Zaamar soum's MCIT	44	81515,4	26598,1	19965,1	34952,2
8	National Theatre and cinema of Children and Youth	93	75672,4	43119,1	14834,1	17719,2
	Total	518	984917,1	381839,7	261503,8	341429,7

Source: Guidelines for privatization in educational, cultural and scientific sector in 2001-2004

Annex 12

The Public Share in the Education System and Its Variation

Year	Complete Secondary Education		Kindergartens		Universities and colleges		Vocational education and industrial centers	
	Total number	Non-public ownership	Total number	Non-public ownership	Total number	Non-public ownership	Total number	Non-public ownership
1999	Over 630	Over 40 or 6.3%	660	12 or 1.8%	111	78 or 70.2%	38	4 or 10.5%
2001	Over 600	Over 40 or 6.3%	Over 660	12 or 1.8%	150	78 or 70.2%	38	4 or 10.5%

Source: 1. Proposal on issues of enlightenment sector to be included in the privatization program of the government 2. Guidelines for privatization in educational, cultural and scientific sector in 2001-2004

Annex 13

Concept on the Restructuring the Institute of Finance and Economics (IFE) into a Non-Governmental Organization

Implementation Process of Restructuring
1. IFE' restructuring into a non-profit organization
2. Organization and identification of management team in competition for IFE
3. Definition of terms for free asset leasing by the winner in the competition and running the institute according to the agreement concluded with the Minsitry of Education, Culture and Science during a fixed term
4. In case if the management team achieves the preliminary agreed standards in the management of the Institute in the course of the fixed period of time stipulated in the agreement, the IFE's assets will be trasferred to the common property of NGO for a long term
5. After ransferring property some limitations shall be set on the IFE's assets utilization for a period of 30 years.
6. Through privatization restructuring conducted in case of IFE, improve the government system of universities' accreditation and, if required, develop a program aimed at supporting students.

Source: J. Casagrande, *Blueprints for future steps in the Mongolian Health and Education Privatization Programs*, December 2, 1997

Annex 14

Privatization Indicators from Educational Institutions Implementing the Pilot Projects

Some indicators of privatization in the educational sector		Outcome of privatization in 1997-2000		
		Annual revenue	Annual expenditure	Profit
-Name of privatized organization -Form of privatization -Date of issuing assessment by Expert Commission -Date of signing Management agreement	-Institute of Finance and Economics -Selection of team capable to conduct effective governance 1997.9.25 1997.12.31	578 mln MNT	554 mln MNT	26.9 mln MNT

Source: *Frequently asked questions and real answers, Ulaanbaatar 2000*, pp. 110-111

Annex 15

Guidelines for the Working Group to Develop Social Sector Restructuring and Strategy

Objective	Brief introduction to the issue
1. Relevance of activities for the social sector 2. Legal environment	-Establish a number of indicators for social services and quality estimation -Research modern laws regulating private social organizations and their relations
3. Tendency to change forms of organizations in the social sector	-Research possibilities of transferring social service organizations into companies or joint-stock companies
4. Formation of the Board of Directors	-research and establish grounds for appointment of Board of Directors of social sector's organizations for transition period and define public participation
5. Protection of assessment, service quality and community interests	-Research issues pertaining to the definition of assessment for private ownership in the sector, protection of community interests in terms of service quality, establishing regulation for supporting competition regime
6. Provision of Education law	-Study articles of the Law on Education related to the operation of profit-making organizations
7. Type of organizations	-Research the appropriateness of NGO or non-profit organizations in public and private sectors
8. Establish control	-Establish strict standards for formulating proper service level for public and private sector and set in place control procedures. Research conditions for complete public monitoring.
9. Public fulfillment and regulation	-Research ways of state participation in the public sector, which can be realized indirectly, through regulations, monitoring, discounts and, if required, financing -Determine the appropriate allocation of resources and possibilities while conducting inter-sector reforms
10. Allocation of resources	-Importance of putting key emphasis on secondary education. Thus conduct research of improving higher education through undertaking such measures.
11. The State has the tendency to direct its attention to the educational sector	-Research issues of significance of medical equipment and prevention issues.
12. The State has tendency to direct its attention to the health sector	-Social sector has financial and investment risks, thus, consider the issue of establishing favorable investment environment
13. Investment risk	-Research the question of introducing service networking for vulnerable groups in educational, health and social insurance
14. Pay attention to vulnerable groups	-Study the possibilities for establishing education, protection foundation and networking in order to address possible resource shortage during restructuring
15. Eliminate resource shortage	-Take a flexible attitude on the issuing of licenses for education and medical purpose and control; the state participation is to be conducted through centralized control under access and quality.
16. Access to services and quality	-Conduct detailed identification of methods, instruments and mechanism for introducing complex of reforms, prepare detailed plan and program
17. Planning and scheduling	

Source: *Guidelines for working group on restructuring of social sector and its strategy development, 1997*

Annex 16

Concept of three-stage social-sector privatization

Stages of privatization		
Preparation stage	Contract effective stage	Privatization stage
<ul style="list-style-type: none"> -Preparation of own real assessment report -Report is revised by the State Property Committee, financial monitoring body, audit and its legibility is verified. -Announcement by the government, indicating whether or not privatization is to be conducted. -Conduct selection of investment and business plans 	<ul style="list-style-type: none"> -Set up management contract for the duration of 2 years. -Control contract fulfillment on the annual basis and draw appropriate conclusions. -Resolve issues of contract postponement, cancellation and fulfillment of obligations -In case of contract cancellation, 1st and 2nd stages are to be conducted again -In case if upon completion of the contract term, contract outcomes are positive, the next stage shall go ahead. 	<ul style="list-style-type: none"> -Resolution of the State Property Committee on the transfer of ownership rights over the organization to the Buyer within 14 days upon completion of full payment and the transfer of payment to the SPC account in the state fund
Principles of privatization in the social sector		
<ul style="list-style-type: none"> -Conduct gradual privatization; each stage shall be transparent, fair and competitive. Privatization of the object shall be conducted on the basis of equality, <i>privatization for payment</i>. Have a mechanism for imposing responsibility on a contractor at the first stage. Have a system of optimal public or independent community monitoring, retaining of aims and operational trend of privatized object, unified interests of concerned groups. Link privatization with the social protection aims, provide employees with social guarantees, true and fair information on privatization 		

Source: "About privatization in social sector" policy for development of law draft

Annex 17

Summary of recommendations by the World Bank regarding the draft law on the social sector privatization

Issue	Brief introduction of suggestion
Contradictions between project and Key directives	<p><i>-In the frameworks of</i> Key directives, contract implies support of international schools, retaining of universities in public ownership, allowing management team to govern vocational and professional educational institutions through management agreement. However contract will not serve as a ground for transferring the organization's asset and capital into private ownership.</p> <p>-According to the project, more significance is given to the transfer of the property than to joint ventures, management contracts or execution of contracts.</p> <p>-Government shall concentrate its efforts on introducing sustainable structure for management agreement.</p>
Measures to be undertaken within the policy followed in the sector before privatization in order to overcome existing constrains	<p><u>Monitoring</u> Monitoring and control shall be strengthened. Lack of evaluation results in the educational sector. Importance of under-estimation of difficulties in introducing effective monitoring system. It has been agreed to implement a pilot program on effective monitoring.</p> <p><u>Restructuring</u> This sector had faced the necessity to undertake restructuring in service complex, equipment and establishment. In the educational sector this restructuring involves also new curriculum. Restructuring of the service sector is defined as a long-term process.</p> <p><u>Financial structure and organization</u> Financial support directed to the students was misused and utilised by the institutions of the educational sector. There were a few incentives directed to support sustainable functioning of financial structure and organization; implementation through private institutions was impossible. Development of the relevant information system was a time-consuming process.</p>
The necessity to adopt a law on privatization in the social sector	<p>One doubts Mongolia's readiness to introduce privatization in the social sector except for pilot privatization. Idle state-owned property could be privatized through management contracts within existing legislation. Upon consideration of legal ground and applicability of privatization of the social sector with current law on privatization and law on management and financing of the public sector, decision to postpone the project was made.</p>
Objectives to be reached in terms of privatization in the nearest future	<p>Privatization of the bulk of institutions is in question. Medications producers, resorts and sanatories shall be privatized in the nearest future.</p>
Some uncertain issues in the project	<p>The following questions have remained unclear: "What measures should be undertaken in case of inefficiency of the educational institutions, or when performance is not up to the level and does not meet requirements? What is the ground for establishing three years period for management contracts? How can one properly arrange fundraising to be able to conduct continuous, secured service and to be selected at the third stage of the privatization?"</p>
Suggestions for further measures	<p>-Recommendation to withdraw the draft law has been given. Policy making issue shall be considered as a priority issue. Significance of research to identify role of private sector in the health and educational sector was stressed. Consideration of the law on privatization in this sector shall be postponed until the emergence of the research results.</p>

Source: About law draft on privatization of social sector. World Bank. 2001.3.13

Annex 18

Recommendations by the World Bank consultants, worked at the SPC, on the draft law on Social Sector Privatization

Suggested objectives	Brief content of the suggestions
Objectives and policy of the government	- Law on Privatisation of the Social Sector shall precisely reflect the objectives and the policy of the government
Obligations of the State property Committee	-To define credentials of the SPC including the right to privatize, independence, less bureaucracy, direct access to the decision-makers, limited structure consisting of qualified staff. -in order to decrease redtape the committee shall be authorized to conduct structural adjustment in consulting and financial structure, identify time and methods, monitor, set requirements and give price recommendations.
Obligations of other organizations	-Law does not reflect relations between ministers, SPC and other concerned bodies.
About the sale of state-owned institution to the private sector	-Definition that state-owned institution can be transferred to company or private sector possession . -In case if employees have priority right to privatize state-owned organization, it shall be stated. -Authority retained by the state should be taken into account. -Program aimed at monopoly organizations shall be designed. -Community interests in terms of quality of health and educational institutions' service shall be protected. -Article on distribution of trading income shall be included. -Limitation of price suggestions, prediction on privatization of Mongolian hospitals and schools by foreigners for obtaining profit, attitude of Mongolians to this should be considered.
About privatization methods	-Conditions applied to certain method, preliminary preparation of participants, requirements set for information, preliminary monitoring, privatization method, conditions for its implementation, controlling tools, post-privatization monitoring, conditions, frames of responsibilities shall be defined.
Other laws	-Other laws related to social sector should be adjusted and altered in connection with this law.

Source: Suggestions and conclusions submitted to the government by the SPC about privatization of social sector.

Annex 19

Comments and recommendations by the World Bank consultants to the MECS, Ministry of Finance and Economics, Ministry of Health and SPC

Minister	Brief introduction of suggestions and conclusions
MECS	-Feasibility study on privatization was not conducted. Method of privatization of vocational schools was unclear as presented. Privatization of professional schools has been considered untimely due to the lack of students.
MFE	-No strategy research. No research on privatization and budget changes. -Government shall consider draft of law on privatization in the social sector, its strategy and plans.
MH	-There is no visible strategy in the sector. Hospital for wealthy people currently treated in foreign countries shall be established.
SPC	-The law shall be postponed at least for 6 months' period. Research on privatization and strategic planning shall be carried out; the list of organizations to be privatized and privatization methods shall be identified. Besides, privatization preparation work was considered insufficient -Management methodology and financing of the Bayanzurkh hospital privatized for a pilot period has faced constant difficulties. -It is required for concerned Ministers and the SPC to collaborate within the framework of privatization. -The SPC was obliged to take responsibility for privatization. -Detailed analysis on privatization shall be done and proper decision-making shall be facilitated. -Pilot experience of the IFE's privatization was deemed successful. -Although privatization of the social sector requires appropriate legal environment, strategy on each sector privatization should be developed. -Law shall be developed after proper preparatory work.

Source: Suggestions and conclusions submitted to the government by the SPC about privatization of the social sector.- Suggestions and conclusions given by experts after meeting with ministers.

Annex 20

Joint proposals of the Cabinet meeting on the draft law on the Social sector privatization

Supported suggestions	Suggestions to be considered during revision
-Let the Parliament of Mongolia develop a law aimed at regulation of privatization of the social sector -Require to regulate issues related to specific features of the social sector within the framework of the law	-Key issue raised: the draft is not different in principle from the Law on State and Local property -Contradictions of draft with Guidelines for privatization of state-owned property -The draft law doesn't reflect upon the peculiarities of the social sector -The draft law doesn't meet methodological requirements of draft law development in general -Insufficiency in meeting requirements on development of draft of the law

Source: About privatization in social sector" suggestion of the government submitted as a draft of the law. Ulaanbaatar. June, 2001

Annex 21

Guidelines and Framework in the social sector reform, restructuring and privatization

Key directions	Provisions of key directions
Guideline 1.5: "framework for restructuring, reforms and privatization"	1.5 the following state-owned institutions shall be engaged in restructuring, reforms and privatization in the social sector:
Guideline 1.5.1: In the educational, cultural and scientific sector	1.5.1 1/ kindergartens and schools of all levels 2/ Scientific institutes, scientific corporations, technology and production 3/cultural organizations
Guideline 1.5.4:	1.5.4 the list of state-owned organizations, services and emergency services providers in the social sector, which shall not be privatized, will be approved by the parliament of Mongolia

Source: State information. Ulaanbaatar. 2002, #28(265), p. 940-941

Annex 22

Evaluation of alternatives for final decision on privatization method

Version	Advantage	Disadvantage
<i>Auction method is executed through price bargain.</i> The participant with the highest bid shall take possession of the auctioned property.	Transparent. All auction regulations are transparent. All information related to company is transparent. Open. The auction is open to all interesting participants Fast. Privatization can be conducted very quickly in a short period of time.	Since there are no specific requirements for the future use of the privatized property, the future thereof fully depends on the property owner. Maintenance of the operations of the privatized institution is in question; therefore, there is risk for employees.
Privatization by tenders is the privatization on the basis of project selection meeting certain requirements and the competition basis. This method can be applied domestically and internationally. International privatization by tenders shall be open or limited.	-Participants of the tender are informed of the base price accompanied by specific requirements. The most appropriate competitor meeting requirements will be selected. -The initial price is high. -The state has possibility to monitor how the tender winner follows the imposed requirements. The exact procedure for such monitoring is reflected in the tender regulations.	-There is tendency towards the lowering of prices and the dropout of participants because of the imposed additional requirements and regulations. -In case the tender is not well organized, risk of corruption and lobbying goes up.
Privatization of the state owned shares of the relevant organization and the transfer of its ownership to other persons.	Ownership is open to the public. During the Grant privatization state-owned entities were privatized through the sale of blue vouchers to all citizens.	Property ownership is divided.

<p>Privatization may be done through the establishment of a joint venture by joining the property of the state owned legal person as a whole or part with the property of the foreign or domestic investors. The outcomes will be estimated upon selling of legal person's property as sample shares or stocks to the investors.</p>	<p>Industrial marketing and management can be improved on the basis of joining with experienced foreign company using progressive technology.</p>	<p>There is a difficulty in finding a legal person willing to share property and revenue with the state and conduct profitable operations.</p>
<p>Method of retaining state control over state property is used during the process of privatization, while some of the industrial operations remain under state control for a certain period of time. The state doesn't receive dividends, it exercises rights on certain issues and participates in the ownership through its stock.</p>	<p>Privatization shall be conducted in such a way as to have property fully privatized, while some of the industrial operations remain under the state control for a certain period of time. The state doesn't receive dividends, it exercises rights on certain issues and participates in the ownership through its stock.</p>	<p>The state makes decision regarding the buyer. The procedure is open for everyone. Estimation regulation is established by the state. It can be directly related to a certain object. It implies that the state makes decisions on selling and privatization.</p>
<p>Privatization upon the evaluation of the managing team's performance. The management of the state owned legal person may be undertaken by a legal and non-legal person in private ownership and with a high management professional experience and skills to manage the enterprise effectively on the basis of the contract.</p>	<p>The management of the state owned property might be undertaken by a legal person in private ownership with a high management professional experience and skills to manage the enterprise effectively on the basis of a contract.</p>	<p>It is not real privatization, it is an intermediary stage. The state budget will not gain benefit directly, but rather indirectly.</p>

*Source: Frequently asked questions and real answers. Ulaanbaatar. 2000, p.94-113
 -Narantsetseg P. Mongolian Management. Ulaanbaatar. 2003, p.60-81*

Annex 23

List of organizations to be privatized in the social sector in 2003

№	Name of institution	Date of announcement of privatization	Privatization method, form and conditions
1	University of Humanities	2 nd quarter	Privatization based on the evaluation of the management's activities on condition of making investments
2	Ulaanbaatar University	3 rd quarter	Privatization based on the evaluation of the management's activities
3	ITI	2 nd quarter	Privatization based on the evaluation of the management's activities
4	School of Industry and Arts	2 nd quarter	Privatization based on the evaluation of the management's activities
5	Mongol cinema corporation	4 th quarter	Open Tendering (Selection of proposed projects)
6	Zaamar MCI Center	2 nd quarter	Open Tendering with condition to operate without changing its profile
7	Agricultural Technician corporation	2 nd quarter	Open Tendering with condition to operate without changing its profile
8	College of technique and technology	3 rd quarter	Privatization through the foundation of a joint venture by joining the property of the foreign or domestic investors
9	Armono corporation	3 rd quarter	Open Tendering after resolving debt issue
10	Renewable energy corporation	3 rd quarter	Open Tendering with condition to operate without changing its profile
11	State circus	4 th quarter	Restructure into a joint-stock company and privatize 51% through Open bidding with condition to operate without changing its profile

Source: State information. Ulaanbaatar, 2003, №16(301), p.394-401

Annex 24

List of organizations for the social sector reform and restructuring in 2003

Nº	Name of organization	Duration of restructuring process	Measures, volume and conditions of restructuring
1	Corporation on research of electronic technique and vehicles	2nd-3rd quarter	Management shall be performed through management contract
2	Construction and architecture corporation	2nd-3rd quarter	Management shall be performed through management contract
3	Corporation of traditional medicine, science and technology	2nd-3rd quarter	Management shall be performed through management contract
4	Corporation of Science and TI	1st quarter	Reorganizing into Information and Technology Park
5	Darkhan Urgoo college	3rd quarter	These institutions shall be combined with the School of Technology and the MUST and establish the Darkhan University
6	Technical college		
7	Medical college		
8	Educational and Scientific Institute of Plants and Agriculture	1st quarter	Conduct restructuring into Scientific, Educational and Production Complex
9	Institute of Agriculture Training and Science	3rd quarter	These institutions are to be combined into the Dornod Regional Institute
10	Pedagogical College		
11	Branch of NUM /Khovd/	3rd quarter	These institutions are to be combined into the Western Regional university
12	Altain regional Branch of AgUniversity /Khovd/		
13	Branch of MUST		
14	Branch of MUST	2nd-3rd quarter	Management shall be performed through management contract
15	Erdeniin MNCC	3rd quarter	Shall be combined with soum's complete secondary school and restructured into general school with vocational training
16	Khunstech corporation	3rd quarter	Management shall be performed through management contract

Source: State information. Ulaanbaatar, 2003, №16(301), p.397-398

Annex 25

Social sector institutes to provide consultancy on the social sector reform, restructuring and privatization in 2003

№	Name of organization	Location	Measures, volume and conditions of restructuring
1	Mongolian Children's Palace	Ulaanbaatar city	Management shall be performed through a management contract
2	Traditional Medical Center on Liver Research	Ulaanbaatar city	Privatization based on the evaluation of the management's activities with condition to make additional investments
3	Traditional Medicines and Medical Plants Company	Ulaanbaatar city	Privatization based on the evaluation of the management's activities with condition to make additional investments
4	Darkhan's Professional Educational and Industrial Center	Darkhan Uul aimag	Privatization through foundation of the joint venture by joining the property of the foreign or domestic investors
5	Umnugobi Professional Educational and Industrial Center	Umnugobi aimag	Privatization through the foundation of a joint venture by joining the property of the foreign or domestic investors
6	Local resorts, sanatoriums, children's camp, aimags' central hospital, medical units of the capital and districts	All aimags, capital	Management shall be performed through management contract on the basis of consortium of SPC, MH, MSPL
7	Caring Homes	Bayan-Ulgii, Bayankhongor, Dornogobi, Dornod, Selenge, Khubsgul, Khentii, Khovd	Management shall be performed through management contract on the basis of consortium of SPC, MH, MSPL

Source: State information. Ulaanbaatar, 2003, ^o16(301), p. 401

Annex 26

Change of educational share in the expenditure

Indicators	1995	1999	2000	2001	2002
Total expenses, mln Tugrug	149349,9	364693,9	412926,6		
Educational operations, mln Tugrug	23525,3	64811,4	78814,7		
Percentage of educational sector in the total expenses	15,7%	17,8%	19,1%	20,6%	19,8%

Source: The Year Mongolian Statistical book. 2000. Ulaanbaatar. 2001, p. 103

Source: Promotion of Economic and Financial Sustainability. World Bank

Annex 27

Preliminary estimated expenses, thousand \$

Direction	2003	2004	2005	2006
1. Reconstruction, expansion and maintainance of kindergartens, schools, dormitories	5000	6500	7000	7500
2. Reviewing of academic curriculum	40	50	60	60
3. Preparation, re-training and improving the qualifications of faculty and staff	250	250	280	280
4. Revision of books	200	220	230	240
5. Computer technology, Internet access, equipment	200	220	220	220
6. Training equipment, tools and other technical instruments	150	150	180	180
7. Distant education, informal education	50	50	60	60
8. Assessment and monitoring of academic performance	30	40	40	40
Total	5920	7480	8070	8580
Including – foreign resources	4950	6430	6870	7260
- domestic resources	970	1050	1200	1350

Source: *Overview of Economic and Social Development. World Bank*

Annex 28

Amendments to the Law on Properties of Central and Local Governments

Article 1. To add Chapter seven with the title of “Changes, reform and privatization in the social sector”, provision 3 of the article 33 and paragraph 8, provision 1 of the article 34 to the Law on State and Local Property:

1) Chapter 7: Changes, reform and privatization in the social sector

Article 65.1: Changes, reform and privatization in the social sector

1. The services and management provided by legal persons with state owned property in the social sector, provided by individuals and legal persons without state owned property and renting state property used for social care and services shall be included within the framework of reform, changes and privatization.
2. On the basis of the contract/agreement prescribed in the articles 65.2, 65.3 and 65.4, rights to state property and property rights shall not be transferred to others when the management and the services, provided by legal persons with state owned property, are provided by others in accordance with the management and execution contracts and the state properties used on the basis of rental contracts.
3. Privatization methods prescribed in the chapter 6 of this law may be used in the privatization of the social sectors.

4. The following principles should be pursued in the process of reform, changes and privatization in the social sectors:
 - 1) One must not change direction of the activities and property use;
 - 2) One must not decrease the existing level of services and activities/operations,
 - 3) One must broaden the provision of services;
 - 4) One must be transparent;
 - 5) One must minimize risks to employees.

Article 65.2: Performing the management by a legal person with state owned property in the social sector on the basis of management agreement

1. The management task in the social sector may be performed by an individual or legal person without state owned property, who has been selected through selection criteria and examination, on the basis of the management contract.
2. Person or individual that is going to work under the management contract should be selected on the basis of the selection criteria and examination.
3. The State Property Committee with cooperation of the State Central Administrative Organ relevant to the legal person shall organize and conduct examinations, make contract with the selected legal person or individual and evaluate the contract performance.
4. Government shall adopt a list of selected legal persons that will work under the management contract.
5. The State Property Committee with cooperation of the State Central Administrative Organ relevant to the legal person shall organize and conduct examinations, make contract with the selected legal person or individual and evaluate the contract performance.
6. The Government shall adopt a list of selected legal persons that will work under management contracts.

3/ property rate for investment is to be calculated on the basis of the operational revenues of the legal person.

Article 65.3: Provision of social cares services on the basis of the execution contract

1. State social care and services may be provided by the legal person and individual without state property on the basis of the execution contract.
2. A legal person and individual to work under execution contract should be selected on the basis of selection criteria and examination.
3. The State Property Committee with cooperation of the State Central Administrative Organ relevant with the legal person shall organize and conduct examinations, make contract with the selected legal person or individual and evaluate the contract performance..

4. Government shall adopt a list of selected legal persons that will work under the execution contract.
5. The following conditions must be fulfilled besides the provisions of the Civil Code and contract conditions in order to make execution contract:
 - 1) conditions prescribed in the provision 4.1, 4.2 and 4.4 of the article 58 of this law.
 - 2) to perform meeting professional standards, norms and requirements of care and services.
6. Special contract on the use of state owned property and property rights should be made between the State Property Committee and the contractor if it is required to use the state owned properties and property rights during the implementation of the execution contract.

Article 65:4: Renting state owned property used for social care and services

1. The state owned property in the social sector may be rented to a legal person and individual without state owned property on the basis of a rental contract.
2. A legal person and individual who shall use state owned property under a rental contract should be selected on the basis of selection criteria and examination.
3. The State Property Committee with cooperation of the State Central Administrative Organ in charge of the utilization of the property for specific use shall organize and conduct examinations prescribed in the paragraph 2, make contract with the selected legal person or individual and evaluate the contract performance.
4. Provisions 1, 2, 3 and 5 of the article 28 of this law are also relevant for the renting of the state owned property for social care and services.

Article 65:5: Decreasing state ownership by amounts by reducing state budget allocations.

1. The activities of a legal person with state owned property or with participation of the state owned property shall be performed on the basis of the contract, and the percentage of the state owned property may be rapidly decreased and privatized by reducing state budget allocations.
2. Government shall adopt a list of the legal persons that are involved in the privatization performed in accordance with the method prescribed in paragraph 1.
3. A legal person and individual that participate in the privatization prescribed in paragraph 1 should be selected through selection criteria and examinations.
4. The State Property Committee with cooperation of the State Central Administrative Organ relevant with the legal person with state owned property or with participation of the state owned property shall organize and conduct examinations prescribed in paragraph 3, make a contract with the selected legal person or individual and evaluate the contract performance.
5. Percentage of decreasing state ownership prescribed in paragraph 1 of the article



must be reflected in the contract made with the legal person and individual.

2) Provision 3 of the article 33:

"3. Times and methods of reform, changes and privatization of the social sector and the list of the organizations shall be annually approved by the Government after discussion with the Social Policy and Economic Standing Committees of the State Great Hural."

3) Provision 1.8 of the article 34:

"1.8. to privatize state owned property by decreasing state ownership by a certain percentage by reducing budgetary allocations."

Article 2. To change and amend the provision 2 of the article 12 of the Law on State and Local Property in accordance with the following:

"2. In order to provide for and protect state security, full power of management and property of the legal person with state property involved in the production shall be implemented by the State Central Administrative organ in charge of that matter."

Article 3. To change numbers of the chapter 7 as "8", chapter 8 as "9" and chapter 9 as "10" of the Law on State and Local Property.

Chairman of the State Great Hural

S. Tumur-Ochir

This is a correct copy of original document.

Certified by the First Secretary of the Secretariat,
State Great Hural

J. Narantuya

Annex 29

Research on the contemporary situation in private higher education (Questionnaire)

Purpose: to define the competitive capabilities of modern private and public higher educational institutions of Mongolia from the consumers' perspective

This study involved students

1. If you were simultaneously accepted to the following institutions, which one would you prefer to attend?

Name of institution	Number of students	Percentage
NUM	9	34.6%
IFE	15	57.7%
AgU	2	7.6%
MBI	0	0
Other	0	0

57.7 percent of respondents selected the IFE, 34,6 % - the NUM, 0.07 % - the AgroU. The research has shown that many respondents are willing to study at the privatised IFE.

2. Upon clarifying reasons for selecting the IFE, NUM and AgriU the following responses were received:

IFE	NUM	AgriU
-Prestigious, -Has experience in the field, -High teaching quality, -Not too large, -Employers require that students graduate from the IFE, - Quality training programs, -Good quality of instructors, -Provide with necessary knowledge, -Train good cadres, -Graduates have an opportunity to quickly find good jobs, -Graduates have a good knowledge of foreign languages	-Since the university is recognized at the international level, there is opportunity to continue education abroad, -Graduates have easy job placements, -Public university, -Respected, -Has accreditation, -Has good training facilities, -Has enough classrooms and auditoriums, -Well provided with books and library facilities, -Quality training	-Provides with excellent theoretical and practical knowledge, -High quality training, -Well-established high quality education, -Student-oriented services, -Teaching methodology encourages learning

3. Which institution is in highest demand?

Name of institution	Number of selected students	Percentage
Public	22	84.7%
Private	0	0%
No idea	2	7.6%
Didn't answer	2	7.6%

84.7% of respondents consider that public schools are in highest demand.

4. In the way of explaining why they selected this or that institution, respondents gave the following answers: (Starting with the most common answer. 1 implies the most common answer and 13 – the rarest one).

[Redacted text]

-By incident
 -More prestig
 -Had relative
 -It is an accre
 -Since busin
 administratio
 -I was disapp
 -Because my
 admitted at p
 -I transferred
 my home
 -In order to s
 -In order to s
 -The universi
 -The universi

The majority of respondents chose currently attending institutions by incident.

5. What is the educational level of your institution?

Academic level	Number of responses	Percentage
Very good	0	0%
Good	4	15.4%
Satisfactory	17	65.4%
Poor	4	15.4%
Very poor	1	3.8%

Interviewed respondents consider that the educational standard of private institutions involved in the research is satisfactory - 65.4%, good - 15.4%, poor - 15.4%, very good - 0.04%.

6. Can the university provide you with knowledge to the extent of your expectations?

+	Number of answers	Percentage
Yes	4	15.4%
No	17	65.4%
Have no idea	1	3.8%
Depends on student's willingness to study	2	7.6%
Didn't answer	2	7.6%

65.4% of respondents consider that private institutions can not provide them with appropriate knowledge.

7. What is the opportunity for graduates of private institutions to find work placement in comparison with graduates of public universities?

Probability of finding employment after for graduates from private institutions	Number of answers	Percentage
Very good	1	3.8%
Good	1	3.8%
Average	11	42.3%
Bad	13	50.0%

50% of respondents consider that graduates of private institutions have few opportunities to for employment, while 42.3% estimate these opportunities as average.

8. Are you satisfied with the institution attended?

Satisfied to study at the private institution	Number of answers	Percentage
Yes	4	15.4%
No	21	80.8%
Didn't answer	1	3.8%

80.8% of respondents were dissatisfied with the private institution they were attending.

9. What are the advantages and disadvantages of private institutions in comparison with public universities?

advantages of private institutions	disadvantages of private institutions
<ul style="list-style-type: none"> -due to a low number of students, students have closer communication, -more possibilities for desired educational activities, -creativity in the introduction of innovations, -faculty and staff are not corrupt, -the trained cadres are few in number but well-trained, -training in highly demanded majors, -training in some private institutions is better than in public universities, -education is similar with that of public universities 	<ul style="list-style-type: none"> -education quality is bad, although such institutions cannot satisfy the needs of students, their tuition fees are high -they are profit-oriented -any activities come with additional fees -lack of sufficient finance -do not have their own premises -bad library service or shortage thereof -one must keep in mind family relations -faculty is insufficiently competent -institution's internal council or management team suffer from lack of management skills -there are no advantages -school management doesn't pay sufficient attention to resolving outstanding issues -bad communication between departments and students -students are valued not for their knowledge but for their social position -students of private institutions attend schools to obtain diplomas, not to get knowledge; thus, schools do not pay sufficient attention to them -schools do not take into account students' opinions -schools do not cater to students' needs -faculty and staff are in shortage -students' allowances and supply are limited -management conducts strict policy with regard to clients and doesn't take into account their opinion -poor possibility to be involved in different projects -doesn't provide graduates with publicity -cannot provide with broad knowledge -faculty and staff are drawn from the pool of their own graduates whose knowledge is insufficient -there is possibility to purchase Red (excellent) diploma by a fixed payment

The main advantage of private institutions is in the few number of students and their capability to work with all students. The main disadvantages are high tuition fees and profit orientation of the institutions, as well as their inability to deliver quality education.

10. What are obstacles to being a student of a private institution?

Obstacles faced by students of a private institution
<ul style="list-style-type: none"> -high tuition fees -permanent payments under different excuses -library supply and service is insufficient -limited finance and material assets -education level is low -dormitories are either unavailable or very expensive -public speaking skills of some faculty staff is low -there is no employment placement upon graduation -although faculty and staff have degrees or ranks, they do not meet requirements -limited access to government grants and allowances -no opportunity to transfer to other schools -no option to select facultative subject -no possibility to select speciality by own choice -low management skills and suspicious attitude towards students -departments are incompetent -management skills are low -shortage of classrooms -grading is not based on knowledge -in case of non-accredited universities, there is no possibility to get scholarships

The main obstacle to attending private institutions is high tuition fees, permanent additional payments demand, bad library service and supply.

11. Are you satisfied with faculty staff knowledge and teaching skills of private institutions?

Satisfaction by faculty and staff's knowledge and teaching skills	Number of answers	Percentage
Very bad	0	0%
Satisfactory	7	26.9%
Unsatisfactory	6	23.1%
Some are satisfactory, some are not	11	42.3%
Very insufficient	1	3.8%
Didn't answer	1	3.8%

42.3% of the respondents answered that some faculty and staff have satisfactory knowledge and teaching skills, while others are not as qualified. 26.9% of respondents considered that these skills are sufficient, 23.1% - insufficient, 3.8% - very insufficient. This demonstrates that some faculty and staff have sufficient knowledge and teaching skills.

Annex 30

Attachment to the Resolution No. 3, dated January 5, 2004, by the Minister of Finance and Economics, million Tugrug

Ministry	Term	Overall Budget	Budget allocation in 2004
MECS		13,424.7	5,468.8
1. School construction, 928 chairs, Dornogobi, Saishand	2002-2005	956.9	300.0
2. School construction, 960 chairs, Khovd, Jargalant	2003-2005	1,080.0	443.9
3. School construction, 320 chair, Uvs, Umnugobi	2003-2004	285.2	255.2
4. School construction, 240 chairs, Umnugobi, Manlai	2003-2004	205.0	175.0
5. School construction, 240 chairs, Khentii, Bayanmunkh	2003-2004	240.0	190.0
6. School sports premises, cultural center, 5x30 m, Gobi-Altai, Tonkhil	2004-2005	145.0	45.0
7. School expansion, 320 chairs, Arkhangai, Khairkhan	2003-2004	346.0	296.0
8. School expansion, 640 chairs, Dornod, Kherlen	2004-2005	486.0	40.0
9. School construction, 640 chairs, Bayankhongor aimag center	2004-2006	675.0	50.0
10. School construction, 640 chairs, Uvurkhangai, Arvaikheer	2004-2005	380.0	80.0
11. School expansion, 640 chairs, Khuvsgul, Murun	2004-2005	490.0	100.0
12. Completion of construction of the University of Arta and Culture's academic building, 704 chairs, Ulaanbaatar	2004-2005	510.0	120.0
13. School, 640 chairs, Ulaanbaatar, SK District	2004-2005	620.0	40.0
14. Completion of dormitory, Khuvsgul, Ulaan-Uul	2004-2004	20.0	20.0
15. School expansion, 240 chairs, Bulgan, Rashaant	2003-2004	277.5	177.5
16. School dormitory, 65 beds, Tuv, Bayan-Unjuul	2003-2004	189.7	129.7
17. Kindergarten, 50 beds, Arkhangai, Tsenkher	2004-2004	58.0	58.0
18. Completion of kindergarten, Dundgobi, Delgerkhangai	2003-2004	108.0	28.0
	2004-2005	245.0	45.0
	2004-2005	173.0	73.0
	2004-2005	128.0	20.0

19. Kindergarten, 240 beds, Ulaanbaatar, SKDistrict	2004-2005	128.0	20.0
20. Kindergarten, 100 beds, Uvurkhangai, Uyanga	2004-2005	230.0	40.0
21. School sports premises, Bulgan, Bayan-Agt, general education school No. 2, 240 chairs	2004-2005	220.0	40.0
22. Uliastai, school expansion, 240 chairs	2004-2005	145.0	50.0
23. School expansion, Sukhbaatar, Erdenetsagaan	2003-2004	180.0	110.0
24. Completion of School sports premises, Gobi-Altai, Khukh Morit	2003-2004	83.6	18.6
25. Completion of Cultural Palace, Khovd, Mankhan	2003-2004	127.9	78.0
26. Completion of kindergarten and Cultural Palace. Dundgobi, Deren	2004-2005	95.0	30.0
27. Building of Cultural Palace, 150 chairs, Dornod, Bayan-Uul	2004-2005	140.0	30.0
28. Completion of Cultural Palace, Bulgan, Saikhan	2004-2005	225.0	40.0
29. Cultural Palace, 150 chairs, Dundgobi, Saikhan Ovoo	2004-2005	150.0	150.0
30. Cultural Palace, Uvs, Zavkhan soum	2004-2004	130.0	30.0
31. Cultural Palace, 200 chairs, Khodv, Darvi	2004-2004	30.0	30.0
32. Completion of Cultural Palace, Sukhbaatar, Baruun-Urt soum	2003-2006	2,080.0	600.0
33. Cultural Palace, 200 chairs, Uvs, Davst	2003-2007	216.0	38.0
34. Reconstruction of building of National Park of IT, Ulaanbaatar	2004-2005	350.0	204.0
35. Mongolian party investment into ADB project "PDES-2"	2004-2004	427.5	427.5
18. Domestic resources in implementation of JICA project	2004-2004	500.0	500.0
19. Domestic financial resources for implementation of "School building expansion-2" supported by government of Japan, Darkhan, Orkhon			
20. Capital maintenance			
21. Equipment			

Source: Appendix 6 to resolution 03 of Minister for Finance and Economy. January 5, 2004

Annex 31

2004 draft budget for the Minister of Education, Culture and Science

Minister for ECS	138,382,703.5
Total expenses	129,738,353.5
Current expenditure	122,369,553.5
-goods and services	122,002,109.4
-salary fund and other allowances	44,988,597.6
-social insurance fee paid by employer	11,876,991.8
-other expenses for goods and services	
-subsidiaries and other remittances	65,136,520.0
Asset expenditure	367,444.1
Domestic investment	7,368,800.0
Asset transferring	4,704,900.0
Repayable loans	2,663,900.0
	8,644,350.0

Source: Appendix 3, resolution 51, Draft of budget for 2004. Minister of ECS

Case study club

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ACRONYMS

IFE	Institute of Finance and Economics
SPC	State Property Committee
NGO	Non–Government Organizations
MECS	Ministry of Education, Culture and Science
GOM	Government of Mongolia
LCLGP	Law on Central and Local Government Properties
HU	University of Humanities
TU	Technical University
MI	Military Institute
IBC	Institute of Business and Commerce
UA	University of Agriculture
MNU	National University of Mongolia
SPU	State Pedagogical University
MFE	Ministry of Finance and Economics
ADB	Asian Development Bank
ES of MNU	Economics School, National University of Mongolia
EBS of UA	Economics and Business School, University of Agriculture



PILOT PRIVATIZATION

Ever since the democratic movements of the early 90s, many changes have been taking place in the social sector of Mongolia, not least in education. Throughout its 70-year history, the College of Finance and Economics has endured financial deficit and instability of personnel; both common struggles for the country’s educational system. The government in 1991 restructured the college, which has a long history of excellence. The newly renamed College of Finance and Economics, one of Mongolia’s first Western-style institutions, was to be the first to train “contemporary” personnel. However, conditions in the college were not dramatically improved after the restructuring. Adjustments in curriculum, new training facilities, additional benefits to instructors, and other promised support programs, have largely been put aside due to the shortage of capital. So far, solutions to these problems have not been found.

When “the third tide of social sector privatization” began in 1994–1995, the Government of Mongolia (GOM) expressed a desire for the independence of educational institutions, as an attempt to improve their service while lessening their burden on the government budget. Most institutions agreed that independence would improve their financial situation. Thus after a thorough study of the practices of well-known independent western universities, privatization was requested.

In 1995, the Privatization Committee (as it was formerly known) approached the World Bank (WB) to request assistance in the social sector privatization. The WB consultants arrived in Mongolia in late 1996. After thorough research, they concluded that privatization should begin with one organization each from the sectors of health and education. The national higher education institutes would then study these organizations in attempt to learn from their experiences.

The College of Finance and Economics, turned into the Institute of Finance and Economics (IFE) in 1997, was selected as the first candidate for privatization for several reasons. The IFE had a positive, long-standing reputation, and was the first to approach the GOM with a solid understanding of the ramifications of privatization. As of 1996, only 15% of the IFE account was supported by the government, while other universities relied on the central budget for nearly 70% of their funding.

The WB consultants offered to assist in the preparatory actions, in cooperation with the State Property Committee (SPC), the Ministry of Education, Culture and Science (MECS), and the GOM. The original management contract (the contract differed somewhat from the contracts later used for Ulaanbaatar University, the University of Humanities, and the Institute of Commerce and Industry) was to be annually evaluated by an auditing committee.

The winner of the bidding was the IFE team led by D. Batjargal. In October of 1997, the

winner signed the management and property lease contracts with the SPC and the MECS.

As specified in the 2000 contract, the capital was transferred to the IFE after the final performance evaluation at the end of a three-year management contract, with limited conditions for 30 years.

During the final assessment, the auditing committee concluded that the stable operations and accurate long-term policy of the management team proved the advantages of privatization through a management contract.

However, July 2003 amendments to the Law on Central and Local Government Properties have brought a threat of doubt to the IFE’s smooth operations. The 30-year property lease was provided under limited conditions. In accordance with the amendments and the current practice for privatizing educational institutions, the IFE must pay over 1 billion Tugrug for the initial capital or risk the annulment of their privatization contract. Otherwise, the existing law must be changed.

The IFE applied to the Ministry of Justice (MOJ) for non-governmental organization status, but was refused, since educational institutions are the concern of the MECS. Thus, the IFE is called a NGO without legal registration, which may imply an “illegal” status.

The “experimental” privatization was designed both to lessen the government budget burden, and to gain experience for further social sector privatization projects. The original initiators, the WB, GOM, SPC and MECS now need to analyze the results of the pilot project, taking into consideration the project’s original objectives.

PILOT PRIVATIZATION

The Need for Educational Reform

There was no way to either predict or avoid the crisis, which arose in the 1990s.

The economic, political, and social structures of Mongolia were completely changed by the democratic revolution in the 1990s. Following the breakup of single-party rule, the new Coalition Government initiated decisive social sector changes. The Government determined that reforms, starting with decentralization, should start with the educational system. Prior to 1990, there were 26 public schools, which received 70% of their funding from the government. When privatization was first suggested, the country lacked the experience to know where to start, and even who should be responsible for the process. It was eventually decided that universities training personnel for other sectors, as opposed to those training social sector personnel (such as the State Pedagogical University and the Medical University), were the most appropriate candidates for privatization.¹

¹ Interview with R. Amarjargal, a Member of the Governing Board and former Prime Minister



Since then, steps have been taken to reform the higher education system, focusing on plans to improve the educational standards to meet international criteria. A number of professional training units have been restructured into colleges, and a standardized credit system was introduced. New private secondary and higher education institutions opened to compete against the state’s education monopoly.

With the increase in private educational institutions, a market-based way of thinking about education arose sharply. Previously, the government provided education for its citizens; now, universities “provide educational services,” students are treated as consumers, and the teachers as service providers. These reforms created a demand for effective university management and higher educational standards. The government did not have the resources to improve the social service quality. After the collapse of the USSR, Soviet military bases in Mongolia were either abandoned or transferred to the government. The facilities, including schools, which were owned by the Russian army, were largely privatized, although many of the new owners did not use the school buildings for their original purpose.² After these initial efforts, the GOM decided that a much more careful approach must be taken in the social sector privatization.

Due to severe budget deficit, the social sector suffered in 1991. School facilities needed to be renovated and repaired, doctors and nurses were poorly paid, and patients of public hospitals were forced to pay for meals and some medicines. University professors were paid 30,000 Tugrug per month, after taxes. Because of the meager salary, many teachers left to open private businesses. Those that remained were not paid for months at a time, and often went on strikes.

With the support of the ADB, the government provided a one-time benefit to teachers and doctors equal to three year’s wages. This provided an opportunity for workers to leave the sector, thus lowering the budget expenditure by reducing the number of employees. The ADB also provided consultation on social sector reforms, specifically advising the implementation of pilot higher education privatization projects.³

During this time, many international organizations opened branches in Mongolia hiring local representatives to coordinate and implement projects. Many instructors from national higher education institutions left their jobs for the higher salaries and guaranteed future provided by these international organizations and projects.

Between 1996 and 1997, there were 46 private universities, with 11,000 enrolled students, and 18 public universities, with nearly 27,000 enrolled students. Most private schools lacked the facilities and skilled personnel necessary to provide a high-quality education, yet the tuition fees charged were still determined by market rates. Public schools, which received government subsidies for 70% of their operational costs, could meet their funding requirements with nominal tuition fees. Higher education institutions started charging tuition in 1991, and through 1997 the government determined the average rates. After the 1997 price liberalization, tuition fees rose by almost 200%. In September of that year, student demonstrations demanded that the government act to decrease tuition fees, and after 1997 the fees were decreased by 150%.

²Interview with R. Amarjargal, a Member of the Governing Board, IFE and former Prime Minister

³Blueprints for Future Steps in the Mongolian Health and Education Privatization Program

In October 1991, the Mongolian social sector privatization process began. The end of 1993 saw 2,440 smaller companies and 797 government institutions sold to private owners.⁴ As people gained a basic understanding of privatization, the number of private schools rapidly increased, particularly those offering programs in foreign language, legal or economic studies, thus creating a very competitive and lucrative sector in those fields. Public university tuition was paid directly into the school’s government bank account, and was therefore not readily available to the institution. It took a long time to transfer government funding to the school, so these institutions did not have the flexibility to manage their own financial sources.

In 1995, the World Bank consultants, in cooperation with the GOM, developed a concept for pilot social sector privatization projects, commencing in May of 1996. When the World Bank was first invited to consult on the social sector reforms, the Mongolian People’s Republic Party was in power in the government. Both the Party and the Privatization Committee were keen to initiate social sector restructuring and privatization.⁵

In 1997, one medical institution and one educational institution were selected as pilot privatization projects. The projects, which were based on research of similar situations in other countries, were designed to lessen the state burden, as well as gain experience to aid in future privatizations in the social sector.

The projects were to be implemented through management contracts, after the selection of a “competent team to efficiently manage” the privatization.

Under the pilot project, the institution in question was to be transferred to a management team with NGO status One with thorough experience in the sector, for a set period of time. (The contract differed somewhat from the “management contract” used in the privatization of the UH and Ulaanbaatar University in 2003.) The pilot project was described as “the free-of-charge transfer of a social service entity to a nonprofit organization, with limited terms and conditions. The UH and Ulaanbaatar University, on the other hand, were privatized on two–year management contracts, with an initial deposit at the contract signing, and a final payment after the performance evaluation.

In 1996, shortly after the first pilot project was put into action, the Coalition Government came into office winning 50 out of 76 Parliament seats.

Each government had different strategies for privatization, but the social sector remained at the center of attention.

The list of pilot projects included Bayanzurkh District Hospital, the IFE and the Children and Youth Theater, which were enlisted later (Annex 1).

⁴ *National Seminar on Development Strategies to Reduce Poverty*

⁵ *Blueprint for Future Steps in the Mongolian Health and Education Privatization Program*



IFE – a leader in restructuring

The IFE was the first to bring reform to the Mongolian economics education.

The IFE was first established in 1924. In July 1923, the Grand Session of the Mongolian People’s Republic decided to establish a temporary Customs School in order to improve the functions of the Mongolian Customs Office, particularly in the area of human resources. The school was set up on June 1, 1924, with 40 students and 2 instructors operating under the Ministry of Finance. Between 1925 and 1931, the temporary Customs School developed into a temporary Accounting School, advancing the curriculum plan and gaining national status. Between 1924 and 1935, the school had 420 graduates. The Accounting School became the Finance Technology School in August 1935, keeping this new title until 1946. Between 1946 and 1991 the re-named School of Finance and Economics was a successful contributor to national accounting, banking, and financial systems.

In 1991, the structure and curriculum of the School of Finance and Economics was reorganized. Now the Economics College, the school set out to train skilled, professional, and ethical personnel, capable of working in the competitive private sector of a democratic society.

In 1997, the College matured into the Institute of Finance and Economics. A pilot project was implemented to allow the Institute to operate autonomously and to aid in the development of Mongolian social sector reforms. The IFE has contributed extensively to human resource development in the fields of accounting, finance, banking, customs, taxation, insurance, securities, administration, management, sales, advertising, and marketing. For several generations, it has been known for training the most qualified personnel. The GOM paid special attention to its development, appointing Yu. Tsedenbal, who later became the Mongolian People’s Republic Party’s Central Committee Secretary, as the Institute’s dean and banking / balance analysis instructor after his graduation in the former Soviet Union in 1938.⁶

IFE Historical Titles:

June 1, 1924	Temporary Customs School
1935 – 1946	Finance Technology School
1946-1991	School of Finance and Economics
1991 –1997	Economics College
1997 till present	Institute of Finance and Economics

⁶ www.ife.edu.mn

The Time is Right

... Reorganizing the school into an independent institute, similar to many Western schools, is the best way to implement necessary reforms...

At the end of the 90s, at the initiative of Prime Minister D. Byambasuren and Vice Prime Minister D. Ganbold, a social science instructor was appointed as Dean of the School of Finance and Economics. Mr. R. Amarjargal from the Defense Institute was to lead a management team to prepare the school for training modern economists. The team consisted of Vice Dean of Studies D. Batjargal, a social science instructor from the Institute of Foreign Languages, and Deputy Dean of Research J. Batkhuyag, a social science instructor from the Polytechnic Institute.

On February 14, 1991, R. Amarjargal commenced extensive restructuring plans. The two-year school was to be reformed into an Economics College, preparing modern accountants according to Western standards. At the time, the College had nearly 800 students, and a library of 50,000 books, the third largest in the nation.

The restructuring had the following major outcomes:

- A qualification test for instructors was held, those who failed to pass were released from work.
- Despite the library's size, most of the books did not relate to economics. Therefore, all but 16,000 were sent to the recycling unit.

The College arranged two months of guest lectures by master's degree students from Harvard University (USA), coinciding with the establishment of the Mongolian Stock Exchange for graduates of the two-year program. The first stock exchange brokers and dealers came from this program and subsequently most of the graduates joined the stock exchange. In March and April of 1991, Mr. R. Amarjargal traveled to Korea and Japan to acquire the latest economics study books, showing the Institute's zeal to meet modern social demands.

After the status change, a Master's Degree curriculum was developed and many new instructors were hired. In September 1991, the first Bachelor's Degree students were enrolled.

Unfortunately, higher education institutions of this time, including the Economics College, lacked qualified instructors for the theory and practice of market economics. Therefore, the College offered majors in English, mathematics, statistics, logic, and economics, and minors in banking and accounting, designed to provide basic fundamental knowledge.

A need arose for skilled instructors for professional study programs. Three Peace Corps experts who had just started operating in Mongolia were invited to work at the College, training instructors in the English, business, banking, and finance departments. In addition to professional instructors, the institution also attracted highly qualified students, drawn by the very new designation – "college".⁷

⁷ Interview with D. Batjargal, a Member of the Governing Board, IFE



In 1992 accounting, banking, and finance and business management were added as possible majors to meet the social demand in these fields.

In 1993, the College established the country's first computer laboratories, with the help of the Japanese government. Access to 33 computers gave students the chance to gain a solid understanding of computer skills.

From the experiences of the first three-year Bachelor's program, the college management was able to define a long-term integrated policy for the future.

In 1994 during the 70th Anniversary of the Economics College, a new plan to implement a Western curriculum structure was recognized. To this end, a thorough study of the experiences and lessons learned from Western universities began.

In 1995-96 the government subsidized 15% of the IFE's finances. Despite these official subsidies, the funding did not always arrive promptly or in full.⁸

Prior to 1991, the government funded nearly 70% of higher education institutions' budget. The subsidies gradually shrank to 26% in 1996, and 10% in 1997-98. After 2002, government subsidies were no longer available, and at present, only the State Pedagogical University, the Medical University, Defense University and Police Academy receive modest government funding.

After searching for the best way to implement reforms, R. Amarjargal, D. Batjargal and J. Batkhuyag decided that transforming public universities into financially independent institutions, modeled after Western higher education practices, was the most effective method. Many prestigious Western universities, such as Harvard, Stanford, and Oxford, are publicly owned. The team agreed that institutions should not be transferred to the private sector, but also should not be owned by the state.

In 1995-96, meetings were held with IFE instructors about the privatization of the social sector, and the following questions and concerns were raised:

- Is it a good idea to privatize a prominent institution with a 70-year history? If so, how should it be done?
- Will the IFE be capable of independent financing? How will it generate funds? Will the wages go down, and will the staff still be paid on time?
- Who will own the institution? Will private owners maintain or change the current activities?
- Upon privatization, how will the facilities be purchased?⁹

Vice Dean D. Batjargal made a concerted effort to respond to all of the stated questions at

⁸ *Dean's Report, IFE, 2001*

⁹ *Interviews with instructors from the International Studies, Accounting, and Business Management Departments.*

the beginning of the privatization process. A series of discussions and introductory meetings were held, highlighting the importance of the selected privatization alternative: "The IFE will not be private property, but will be owned and managed by a team. The changing of management with every new government has a negative impact on the continuity of activities; under the new structure, this kind of change can be avoided, giving the management team the chance to run the institution with a long-term vision." Giving the institution financial independence would also ease the state budget burden.

After considering experiences of the Western universities, most staff members were ready to implement privatization.¹⁰

Given their work during the period of reforms in the 1990s, R. Amarjargal, D. Batjargal and J. Batkhuyag were anxious about the difficulties the educational sector was experiencing. The privatization efforts of a few Russian schools had failed, as the schools changed their operation and the school staff went down to Erlian to run small businesses with the funds collected from students' tuition fees. Because of the lessons learned, the IFE management paid particular attention to the reform, restructuring and privatization actions. It became critical to keep the IFE away from both private and state ownership. The best alternative was public ownership, though whether the Institute was privatized under a management contract or restructured as an NGO was largely inconsequential.¹¹

The Privatization Process

The Institute of Finance and Economics was chosen as the first education sector privatization pilot project.

As a way to alleviate the state budget crisis, and further institutional development, the IFE submitted a privatization proposal to the SPC. The IFE's proposed goals were similar to the GOM's objectives in the social sector:

1. Improving management efficiency
2. Improving educational service quality
3. Formation and replacement of capital

In early 1996 the chair of the Privatization Committee, L. Enebish, along with several SPC representatives, attended a conference in Islamabad on the "Third Wave privatization of pension funds, and the education and health sectors." At the conference, the delegation met Mr. Gerver Torres, a senior World Bank privatization and development advisor. Following the conference, at the GOM's request, World Bank consultants conducted studies on health and education sector reform in Mongolia, beginning in May 1996. They cautioned that social sector privatization needed to be carried out very carefully if the objectives were to be

¹⁰ Interviews with IFE instructors, Mr. Tsolgtsaikh and N. Erdene

¹¹ Interview with R. Amarjargal, Member of the Governing Board, IFE and former Prime Minister



accomplished. They also emphasized that privatization did not just mean transferring public properties, but also making sure they were appropriately managed and financed. The GOM and WB consultants selected one organization each from the health and education sectors to implement pilot projects. The World Bank believed that this would help the GOM learn about privatization and develop an effective model to be used in the future. The pilot projects emphasized the following features:

- Repeatability
- Rapid implementation
- Working towards a long-term vision

In October 1996, World Bank consultant Jerry Casagrande arrived in Ulaanbaatar to lead the privatization project team. In cooperation with the head of the MECS, R. Bat-Erdene, the team discussed financing, accreditation standards and the pilot project requirements. A seminar on the Social Sector Privatization was held on November 16-19, 1996 based on preliminary WB research. The Ministry of Health and Social Welfare, the MECS, the SPC, the MFE, and Members of Parliament were given an opportunity to exchange opinions about the pilot projects. The seminar participants ultimately decided to run the first complete privatization project with the IFE.

The pilot projects were geared towards improvement of service quality and efficiency, as well as the facilitation of long-term operating conditions. By testing a “selected” privatization method in controlled circumstances, general lessons could be learned about social sector privatization.

The GOM and the SPC selected the IFE for the following reasons:


- The IFE was almost financially autonomous in the academic year of 1996–1997, using tuition payments and other sources to finance a large percentage of the school’s operating costs.
- Economics, business and finance study programs (as opposed to subjects such as philosophy and literature) could compete on the market.
- The IFE’s management and personnel were prepared for the restructuring and privatization process.

After a study to identify an appropriate privatization method, the World Bank chose the following privatization options:

1. Decentralizing the institution
2. Converting the organization into a corporation
3. Management contract privatization
4. Service contract privatization
5. Leasing the institution to private owners
6. Full privatization

The possible business risks are outlined in Table 1.

Table 1: Privatization methods to be applied at the organizational level

<ul style="list-style-type: none"> • Less risk for private sectors. • Government exercises tight controls over the organizational decision-making, expenditure and income collection processes • More risk for the private sector. • Government exercises less controls over the organizational decision-making, expenditure and income collection processes 		<ul style="list-style-type: none"> • Decentralization • Corporatization • Management contract • Contracting out services • Leasing • Full privatization
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It was finally decided that Management Contract privatization was the most effective for accomplishing the set objectives.

Decentralizing: Higher learning institutions needed to develop programs to accommodate the growing demands from students and personnel. MFE involvement in the sector should therefore be reduced, allowing public universities to function without tight financial control. Universities such as the TU, the NUM, and the UA could set up independent Boards of Directors (BOD), consisting of both university management personnel and private sector representatives. Autonomous BODs would have the authority to distribute appropriate funding, approved by the MFE and transferred to the MECS.

The decentralization method could, however, cause delays in government funding, and disagreements could arise between the government and the BODs. For these reasons, the method was rejected.

Full privatization: The government would not be involved in the privatization process at all. This method therefore provides no guarantees that the privatized institution would successfully operate.

Conversion to a corporation: This method was based on the merging of two entities, with the intention of cutting operational costs. However, an attempt to merge two management teams could cause difficulties.

Proposals were also made to privatize the IFE by issuing shares, or to merge it into a joint venture with an international organization, such as the Soros Foundation. However, the following conclusions were eventually reached¹²:

- The IFE should be owned by a community nonprofit organization.
- A management team should be selected in open bidding.
- The winner will operate under a management contract with the MECS.

¹² *Blueprints for Future Steps in the Mongolian Health and Education Privatization Program*



- The winner will lease the IFE either for a nominal fee or free of charge.
- At the successful conclusion of the management contract, the IFE will be transferred directly to private ownership.
- For 30 years following the privatization, the SPC will have the right to supervise activities and exercise limited controls, to prevent misuse of properties. Throughout that period, the IFE must be financially stable and independent, and must not require any further restructuring.

After a careful comparison, Management Contract privatization was selected as the most appropriate option.

The management contract will be for a period of three years, with an annual performance evaluation. If the management team performs successfully then they will be given a 30-year property lease. If the institution flourishes in this time and the team does not break any contractual obligations, the property will be permanently transferred to private ownership. Although the process begins with a management contract, full privatization will follow in case of successful implementation of the project.

The next step in the process was the development of the management contract itself. A World Bank study entitled “The Management Contract: A Review of International Experience, 1995” was used as the basic guideline. The contract between the IFE and the MECS was to be annually evaluated by an auditing committee. The property transfer would depend on the evaluation results and the management team’s performance. (Annex 2)

The final evaluation will be based on a percentage system, with 20% for the first two years and 60% for the third year. The contract conditions pointed out that the final result of 1–2.5 points should transfer the property to the IFE; 2.5–4.0 points to lease the property and 4.0 or above points will cause the MECS to reissue a bidding to select another management team to run the IFE.

After the management contract was written, preparation began for the bidding process. The privatization project team held two open discussions to facilitate the bidding process, with the aim of providing all potential bidders with equal information. The application package had two parts: records of skills and experience, along with NGO certification and a financial guarantee, and the direct required government subsidy.

In July 1997, the World Bank consultants delivered a draft plan to the Prime Minister’s Office (PMO), MECS and SPC for review and comments, along with a proposal to commence the project in the academic year of 1997–1998. An approval was issued later in July, followed by the finalization of the bidding documents and contract on July 22.

“A bidding to select a skilled and efficient management team” was announced on July 23. (Annex 3) The applications were to be submitted within two months of the announcement. The winner of the bidding was a team led by IFE Dean D. Batjargal, which also included R. Amarjargal, then a Member of Parliament and a former Dean.

NGO Status

The World Bank consultants advised that the Mongolian higher education laws giving higher education institutions nonprofit organization status should be amended (Article 1, Chapter 6 of the Law on Higher Education). International research has shown that most countries have both public and private educational institutions. Private owners are generally not concerned with the type of organization they are running, as long as they yield profits, while an NGO should invest all capital back into the organization.

Following the existing Law on Higher Education, public entities would be transferred into private ownership as nonprofit NGOs, whose objective should not be profit-making. The objectives of the organization should be to provide a good quality education, and to invest all income into organizational activities. This decision was made for several reasons. First, there were no legal bodies capable of purchasing the IFE at market rates and still maintain its higher education learning activities. Secondly, a large investment was required to maintain the IFE's operations. Privatization through shares or a merger would require that capital is redistributed; thus, it would not be possible to accomplish goals such as increasing wages, or updating equipment. Third, MPs were convinced that privatization to profit-seeking groups or individuals would necessitate the government's involvement to protect student rights.

Therefore, a plan was supported to privatize the IFE into an NGO.

Property Transfer

The GOM's next decision was to transfer the IFE's assets free of charge. First of all, no domestic legal bodies were found to purchase the property at market rates. With the original pilot project, it would have been possible for the GOM to find a donor organization to aid in the purchase of the institution. However, donors could not be found for every organization to be privatized.

Secondly, despite the free transfer of facilities, significant economic returns were expected. The country would benefit from well-trained IFE graduates, who would help bring the Mongolian economy onto the world market. Finally, the purchaser was expected to repair facilities, finance operations, improve personnel skills and purchase books, equipment, and computers. An initial property payment could severely limit the purchaser's abilities to finance the institution's operations.

Legislation

In March of 1997, the Privatization working group drafted Legislation on the Social Sector Privatization. The draft law was reviewed by WB consultants who concluded that its focus was not sufficiently different from the Law on Central and Local Government Properties; thus, it did not need to be written as a separate law. After discussion by the MECS, SPC, and PMO, amendments to Article 6 of the Properties law were submitted to Parliament, which ultimately rejected the draft for the following reasons:

- The changes mainly targeted higher learning institutions, neglecting the rest of the social sector.



- The amendments were vague and inaccurate.
- It was hinted that assets should be transferred free of charge.
- The amendments lacked sufficient understanding of the functions of an NGO.¹³

After the failure of the draft amendments, MPs, PMO and MECS officers decided to proceed with the pilot project in accordance with the existing laws. The bidding documents and contract for the IFE bidding were developed, and were introduced to the Prime Minister and the SPC in late June.¹⁴

The IFE was transferred free of charge and became a private nonprofit organization, in accordance with Articles 30, 46–54 and 58 of the Law on Central and Local Government Properties, and Article 277 of the Civil Code of Mongolia. (Annex 4)

Pilot Project Implementation

*The three year trial period was necessary
to assure the school's future.*

The implementation of the IFE pilot project began when the IFE team won the bidding on the 21st of September 1997. The IFE Governing Board consisted of 11 members. 7 members represented the founding team, 2 were from the MECS and the SPC, 1 from the Faculty Senate and 1 from the alumni. The Board consisted of the following members: R. Amarjargal (former IFE Director), D. Batjargal (the IFE Director), Ts. Davaadorj (*IFE advisor*), L. Bayasgalan (former ADB officer), H. Battulga (Director of JENCO Group), T. Enkhbold (Director of the Chono Company), D. Nanzadorj (an SPC Department Head), S. Altangerel (an MECS Department Head), D. Dorjpurev, and D. Dugerjav.

Currently, the board composition has been altered slightly: J. Batkhuyag is the new IFE Director, and Ts. Otgonbayar has replaced D. Nanzadorj as the SPC representative. The MECS representative has withdrawn from the Board, as agreed in the contract. However, all other members have remained the same, and have been guiding the institutional strategy and activities since the beginning.¹⁵

On 1 October 1997, the team signed the Management Contract with the MECS and the Rent Contract with the SPC.

When the pilot project was first introduced, the Association of Private Universities and Colleges representing 40 private higher education institutions expressed strong disagreements with the planned procedure. When private institutions first appeared on the market, they had a hard time competing financially with the larger and more established state owned universities. It was unfair, they said, for a public university to get all the same advantages of private

¹³ *Blueprints for Future Steps in the Mongolian Health and Education Privatization Program*

¹⁴ *Blueprints for Future Steps in the Mongolian Health and Education Privatization Program*

¹⁵ *D. Batjargal, a Member of the Governing Board, IFE*

institutions free of charge. Since private universities already existed, this method of privatization would give the state university a competitive edge. In response to these arguments, the World Bank and the State Property Committee explained that the social sector privatization is a very delicate issue, and must be done by careful, gradual steps. Privatization based on the purchase of property could result in an increase of tuition fees, which would put the university at a disadvantage.

In the management team's report it was stated that "During the three year contract period a Master's Degree training program was implemented based on cooperation with Handong University (Republic of Korea). The Institute's webpage has been developed, and the skills of the faculty have been upgraded. 4 faculty members were trained in the United States and 4 in Korea. During this period, an average of 1280 thousand Tugrug was spent annually for student financial aid and 40 students were awarded scholarships by various organizations or individuals. The campus facilities have been refurbished, and a reading room with 100 seats was added to the library. 4 computer laboratories have been developed and maintained, with a total of 44 PCs, plus 24 PCs in a specialized laboratory designed for independent study programs. As a result of student employment programs, 18 jobs have been created for students. A campus doctor has been hired, a clinic opened for school staff and students, and funding for student activities has been allocated." (Annex 5)

In 1998, a Consulting Centre was set up based on market demands and the needs of IFE graduates. The Centre employs business and entrepreneurship consultants, and has provided service to the APU, Makh Impex, Bayangol, and City Taxi, as well as to the Trade and Development Bank and the Golomt Bank. The Centre also assists the staff in providing real-world knowledge of business theory. The university encourages faculty to seek practical experience, and to gain knowledge of an industry firsthand. An accounting lecturer, for example, should have real-world accounting experience; many of the faculty have jobs outside the Institute, and the Institute does not deduct taxes from this added income. During evening and part-time training courses, students are provided with textbooks and handbooks, the cost of which is included in tuition. Most of these textbooks are written by faculty members, which encourages the staff to take an interest in textbook quality.¹⁶

IFE is different from other higher education institutions for the following reasons:

40% of the institution's total income is spent on staff and personnel costs and social security, while the remaining funds are spent on the enhancement of the institution's facilities.

In May of 2000, the institution received official accreditation, and proceeded to renovate the curriculum and student assessment standards.

The management contract stated "In the privatization pilot project, the performance of the management team shall be annually evaluated for the first three years. If the team scores between 1 and 2.5 points, the performance will be considered satisfactory." The final assessment, made in June 2000, was summarized as follows:

¹⁶ D. Batjargal, a Member of the Governing Board, IFE



In 1998	-	Score 1.31
In 1999	-	Score 1.25
In 2000	-	Score 1.4

Based on this assessment, the IFE Management team was determined to have successfully carried out the IFE pilot privatization.¹⁷

After the final assessment, it was decided that the next step in the agreement should be implemented. Negotiations commenced between the IFE and the SPC on 31 July, 2000. Based on the Article 58 of the Law on Central and Local Government Properties, Government Decree 160, and Parliament Resolution 275 and 457, the IFE properties were assessed at 1,029,473,752 Tugrug. All properties were transferred to the management team, and Property Certificate No. 00270 was issued.¹⁸

The SPC reserves the right to supervise and monitor the use of properties under limited conditions for the first 30 years. Following this period, the state involvement will end.

The limitations state that the IFE does not have the right to:

1. Use the property for any activities other than providing higher education, research, survey, and consulting services.
2. Sell the property or move it to another organization
3. Amend or modify the IFE bylaws, alter the IFE's non-profit status, merge with any other organization or voluntarily dissolve the IFE.

It is also stated that IFE shall endorse and follow the Mongolian NGO laws.

The successful transfer of properties shows that the IFE (IFE-NGO), which has a long tradition of excellence, will continue to train the best specialists in Mongolia, and will work towards becoming the most successful institution in its field.

Transfer of Property

With the support of the community, the IFE property is transferred to the management team for long-term administration.

After the property transfer, the management team did not reduce the scope of its activities.

In the year 2000, the management team raised the question of whether the IFE developed its full potential by offering only a standard Bachelor's Degree program. The team decided to offer evening and weekend training programs in accounting, business administration and banking management. The team has also implemented a Master's Degree program in

¹⁷ Excerpts from a report by J. Batkhuyag, IFE Director

cooperation with Handong University. These programs were implemented for the following reasons:

- They made possible an increase in staff and faculty salaries
- A demand arose for advanced training in terms of market economic development; due to industry sector depression, numerous engineers expressed interest in obtaining further qualifications in business administration.

The total enrolment of the IFE is about 2100, with 800 in the core program, and the remainder in evening, weekend or Master's Degree programs. The implementation of these programs was the right step to take in forecasting the demands of education.¹⁹

Since 2001, the Management Team has been considering the possibility of opening a travel and tourism school. Based on feasibility studies of tourism and education in the private sector, the Centre on Non-Government Schools (NGO Schools) and the Travel and Tourism Education Centre have been launched.

In 2001-2002, there were 622 students enrolled in the Accounting, Banking Finance and Business Studies day training programs, 298 students in evening training courses, 380 students in extramural classes and 358 students in Saturday training programmes. In total, there were 1658 registered students.

Privatisation Results...

What lessons can be learned from the pilot project?

To help determine the privatization results and consequences, interviews were conducted with various stakeholders and interested parties, such as service personnel and students of IFE. The summaries of the conversations are described below.

The members of the Governing Board: "The pilot privatization project has been successful, and can be used as an example for further social sector privatization. The main achievement is financial independence for the realization of the team's long-term mission and goals. Unlike other public universities, where the management's position can change depending on who is elected Minister of Education, and where it is almost impossible to implement long-term policies, the IFE can maintain a favourable learning environment, as well as refurbish the facilities autonomously. Achievements have already been made in training programs, and many new projects are planned for the future."

They continued: "There are, however, still some constraints. After the bidding, the IFE expected to officially become an NGO. The Ministry of Law now claims that educational institutions are the concern of the MECS, while the MECS claims that the Ministry of Law is responsible for NGO registration. Thus, an official NGO status has not been acquired to date.

¹⁹ D. Batjargal, a Member of the Governing Board, IFE.



In addition, in accordance with an amendment to the Law on Central and Local Government Properties in July 2003, the management contract will have to pay a privatization fee.”

Based on this amendment, the University of Humanities was privatized for 1.5 billion Tugrug, Ulaanbaatar University for 0.5 billion Tugrug, and the Institute of Trade and Industry is planned for privatization at 1 billion Tugrug.

If this law is enforced with regard to the IFE, a crippling payment of over 1 billion Tugrug will be expected or the privatization may be annulled.

It is not right to privatise education sector for money. If the management team has to pay for privatization, then they will need to focus the activities of the university on profit generation, rather than on the quality of education.²⁰

IFE staff members, the driving force of the institution, argued that “we were not psychologically prepared for the privatization of the Institute, and thus the community did not resist or support the idea. The management told us that privatization would enable us to improve our activities and that all prestigious Western universities had been privatized in this way. We were hesitant until the first annual report, when it was stated that privatization had produced positive results, such as the enhancement of campus facilities, classroom refurbishment and necessary construction and repairs. Essential training facilities have definitely been improved, particularly in acquiring hodoscopes and LCD projectors. Moreover, the social welfare of the academic staff has been considered, and improvements are being made. Also, the quality of textbooks has been improved.

However, there are some drawbacks as well: after privatisation, the number of programs for training staff members overseas have been reduced; salaries are lower than in similar institutions, and can only be increased by teaching evening and extramural courses. The transition to a credit-based system has lessened student motivation, as students are now interested in earning credits, rather than learning. Also, some essential subjects have been eliminated, thus decreasing specialist training programs.”

Previously, the IFE effectively combined theoretical and practical study programs. Currently, however, the situation is getting worse, and the Institute’s reputation and prestige is based on its 80-year history. If the Institute does not take strong restructuring steps, they will not be able to compete in the current market.

Students, as the Institute’s main customers, pointed out, “We are proud of our Institute’s rich history and traditions. The IFE has a reputation for training the best specialists in the country, so we have many job opportunities after graduation. With regard to privatization, it is clear that cultural and pedagogic activities have received less support than in other educational institutions. No budget has been allocated for setting up student clubs or events even though there was no real resistance to the idea.”

A survey was conducted to compare the competitive capabilities of the IFE presently in comparison to pre-privatization period. The survey included 100 students from public

⁹ From interview with J. Batkhuyag, Director of IFE

institutions (50 from the School of Economics at the National University of Mongolia and 50 from the School of Economy and Business at the Mongolian Agricultural University), and 26 students of the Mongol Business Institute, a prestigious private institution. All the participants were randomly selected, and have completed an open questionnaire.

When asked which school they think is the best, and why, 32 out of 50 NUM School of Economics students (or 63%) selected their own school, because of its prestige and program quality, and because it provides many opportunities for study abroad. One student (or 2%) selected the Institute of Trade and Commerce, while 7 students (14%) selected the Mongolian Agricultural University's School of Economy and Business. 10 students (20%) chose the IFE, because of its good training facilities and quality-training program.

20% of Mongolian Agriculture University's School of Economy and Business students selected the NUM School of Economics; 35% selected the IFE, and 45% selected their own school.

At the Mongolian Business Institute, 9 students (or 45%) selected the NUM School of Economics, 15 students (75%) selected the IFE, and 2 students (10%) chose the MAU School of Economy and Business. None chose their own institution.

All the respondents, with the exception of its own students, consider the National University of Mongolia to be a respectable institution, although its reputation has declined in recent years. The University implements numerous local and international projects and provides many opportunities for studying abroad. Nevertheless, the IFE is perceived as a good institution, offering high-quality and creative training programs, as well as excellent library and computer facilities. All of the students surveyed believe that the IFE accepts only the best secondary school graduates. Entrance exams are very traditional and difficult; thus, only the most intelligent students qualify for acceptance. They also believe that IFE students can easily find jobs after graduation.

The IFE is one of Mongolia's largest institutions with a long and rich history. With the acquisition of public properties, the institution's reputation was further increased; the numbers of applicants are high, and students are proud to obtain IFE diplomas.

As previously mentioned, the experience gained from the IFE pilot privatization will aid in the privatization of other educational institutions. The lessons learned have been numerous and varied.

Some have said that "the pilot project was successful, and should be taken as an example for future privatization processes. The project decreased the government budget burden and proved that the institution is capable of taking on independent responsibility. The project was carried out with significant help from the World Bank as well as the support of the Institute's community, a major factor in its success. Independence has greatly contributed to the organization's activities." Other private higher education institutions support this opinion.

Although good lessons have been learned, the World Bank should review the results of the pilot project to make sure that their advice has been taken into account. The project leaves us with the lesson that changing political and economic conditions can make it difficult to



implement some of the original decisions.

Author's Notes

The final project goal has been defined as "...accumulating experience and learning lessons which can be used to perfect this method of privatization." The 2001 three-year management contract has been evaluated, and it is believed that this method can be implemented elsewhere with equal success." However, more recent privatization contracts are set for a shorter period of time (2-3 years), with a return payment as a condition to the contract completion.

The current method of social sector privatization is based on articles 65.2 and 65.5 of the Law on Central and Local Government Properties, and Article 1.4 of Parliament Decree 56, which states: "*Along with the privatisation methods stated in the Article 34 of the of Law on Central and Local Government Properties, management contract, performance contract, and privatisation by payments of budget revenues with accordance with a certain percentage of state-owned property, the privatization of state owned property shall be conducted by sole or combined methods*". The institution in question shall be purchased from the government at the conclusion of the contract. For example, the University of Humanities has been purchased for 1.5 billion Tugrug and Ulaanbaatar University has been purchased for 0.5 billion Tugrug. In the draft of the Law on Social Sector Privatisation, it was stated that "privatisation shall be performed in return for payment".

In the Law on Central and Local Government Properties, point 9 of Article 62 states that privatization is considered illegal if "conditions of this law and other laws are violated". Thus, the IFE Privatization may now be considered illegal.

Because the IFE privatization was carried out free of charge, the IFE does not conform to the current legal standards. As the IFE is not significantly different from other privatized higher education institutions, a reimbursement of the privatization costs may be expected, or another tender will be held to equalise the situation.

The "experimental" privatization was designed both to lessen the government budget burden and to gain experience for further social sector privatization projects. The original initiators, the WB, GOM, SPC, and MECS, now need to analyze the results of the pilot project, taking into consideration the project's original objectives.

Chronology of the Institute of Finance and Economy

1990, the Democratic revolution takes place in Mongolia

14 February, 1991, the School of Finance and Economy is expanded into the College of Finance and Economy

1994, the College of Finance and Economy celebrates its 70th anniversary, and redefines its mission statement.

May 1996, World Bank consultants arrive, on request by the State Property Committee.

June 1996, the Mongolian Parliamentary Election is held. The Democratic Coalition captures 50 seats out of 76. R. Amarjargal, IFE Director of IFE, is elected a Member of Parliament.

October 1996, Mr. Jerry Casagrande, a World Bank expert, joins the pilot project team.

October-November 1996, pilot project requirements are discussed with R. Bat-Erdene, the head of the MECS department on social sector privatization.

16-19 November 1996, the WB organizes a seminar on Social Sector Privatization. Over 100 participants attend, including representatives from the SPC, MECS, Ministry of Finance, and members of Parliament. The IFE is selected as an implementation agency for the project.

1997, the College of Finance and Economy is reorganised as the Institute of Finance and Economics.

March 1997, a working group is established to develop a Law on Social Sector Privatization. The submitted draft law is rejected by the Parliament.

23 July 1997, the IFE privatisation plan is announced.

21 September 1997, the Team lead by D. Batjargal wins the tender

1 October 1997, the management contract is signed with the SPC and the MECS.

1998-2000, an auditing committee is appointed to conduct an annual performance evaluation of the management team.

June 2000, the team is declared successful, with a total score of 1.352.

31 July 2000, the property is transferred to the new NGO, and a Certificate of Ownership is issued.

2000, IFE begins to hold evening and Saturday classes.

2001, the Centre for NGO School and the Travel and Tourism Education Centre are launched.



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Annex 4

LAW ON CENTRAL AND LOCAL GOVERNMENT PROPERTIES

Article 46. Privatisation by tenders

1. Privatisation by tenders is the privatisation on the basis of project selection.
2. Property shall be privatised by the following tenders:
 - I) To increase efficiency and technology of the privatization party, without changing the institution's profile;
 - II) To change the profile of the privatising legal person in order to meet country, local and population needs.
3. Privatisation by tenders shall be open or limited.
4. Tender among certain professional legal persons and individuals in order to meet professional, investment and technological requirements is considered as "limited"; with free public participation as "open";
5. Limited tenders (legal persons) shall be indicated in a Government-approved list, which is to be published by the SPC.

Article 58. Privatisation by Management Performance Evaluation

1. A legal and natural person, in private ownership and with high managerial experience and the skills necessary to effectively manage the enterprise, may undertake the management of the institution.
2. The person employed on the basis of the contract may found his or her own team, if the contract does not stipulate otherwise.
3. If the law does not stipulate otherwise, the 3-year management contract shall be concluded on the basis of the tender offer.
4. Besides Civil Law provisions related to contracts, the following conditions shall be included into a contract:
 - 1) Measures will be taken by the manager to improve organizational structures and technology, to increase the institution's efficiency, and to set time-tables, stages, criteria and procedures for implementing these measures;
 - 2) Wage and bonus for a contractor;
 - 3) Portion, form and price for state property which will be privatised in the case of full implementation of contract duties;
 - 4) Responsibility, compensation form and amount, and the security in case of failure.
5. Privatisation by management contract may be implemented by selling state shares of mainly state-owned enterprises or joint ventures. In this case, the shareholders and



managing representatives shall agree on the conditions of the sale.

Article 59. Privatisation by golden shares

1. Golden shares with voting rights but without dividends can be used if there is a necessity for state control over a specific activity for a set period of time.
2. The State Property Committee shall give notice of the issuance of golden shares, authorized state representative and timing, when a legal entity will be privatised.

Article 62. Substantiation for privatisation illegality

9) Violations of this law and other laws.

Article 277. Sale of rented property or transfer free of charge.

The stakeholders have the right to negotiate about the transfer of properties upon completion of renting period by a new estimation of property's value or free transfer of property.

Annex 5

Performance of obligations under management contract in brief

Maintenance

For a period of three years following the establishment of the management contract, the IFE has spent 154.9 million Tugrug and has accomplished the following repairs and refurbishments of facilities and premises:

In 1997 pipes in the institute premises were repaired.

1998: 7 rooms, library, lecture hall, consulting room and offices have been reconstructed. Tiled floors were installed on the first and second floors of the dormatory building; restrooms, showers and halls were repaired and 70 meters of central heating facilities were completely replaced; the dormatory phone lines and a new boiler were repaired.

1999: reconstruction of the sports center, Master's Degree program hall, instructors' library, and 11 restrooms. Three central staircases were covered in granite, and marble columns were designed. The academic building roof was recovered, and the outer facade of a central building was repaired; central parking lot was expanded.

Educational changes

In 1997-1999, a new lab with 10 "486"-processor based computers was established, as well as an internal network connection for 20 users. The Institute was equipped with 10-11 Pentium and 486 PCs, and had 4 computer laboratories for internet and other training. The Institute's library was equipped with 20 "386"-processor based computers meeting the

requirements of independent study programs, preparation of class assignments, and printing.

1998, the Institute's reading hall was reconstructed and refurnished. For the enrichment of library facilities and the purchase of new books and handouts, the Institute spent 2245,9 Tugrug in 1997, 4502,0 Tugrug in 1998; and 7417,5 Tugrug in 1999.

- State financing stopped in 1997
- Surplus revenue obtained was disseminated for faculty and staff incentives and the resolving of social issues (40%), and for investment to meet educational requirements (60%)
- In order to address social problems of the faculty staff, surplus revenue was directed towards programs designed to improve accommodation conditions through loans of 6-7 million Tugrug.
- Permanent work under curriculum.
- Government accreditation was awarded
- Transferred to credit-based system
- Funds were allocated to provide faculty and staff with sustainable and effective work circumstances, and to enhance teaching staff skills.
- Capital was distributed for reconstruction of dormitory and administrative building facilities, expansion of library, and computer networks
- Tuition fees were fixed at the average level of other institutions.



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Case study on Education Sector Restructuring and Reforms
Case: "The Bid for Equal Competition"



THE BID FOR EQUAL COMPETITION

(Case outline)

The process of privatizing state owned enterprises and entities began with the passage of the Privatization Law of the People’s Republic of Mongolia, on May 31, 1991. The long-awaited privatization in the field of education finally began.

In 1995 through the initiative of the Government of Mongolia (GOM), in cooperation with the World Bank, the development of a standard procedure for social sector privatization commenced. The Institute of Finance and Economics, amongst others, entered on the social sector privatization list. The bidding was announced in July of 1997 prior to the passing of the law on social sector privatization. Though the idea of initiating privatization was timely, the public remained hesitant about the methods and procedures of its implementation. .

In this system of privatization, enterprise shares are sold to the highest bidder at either open or closed auctions. Major economic implications surround this method of privatization. Is it the concern of all companies contributing to the national economy, or is it simply based on the market price of the company’s assets? Is it possible to sell the products of the human intellect? To answer these complicated questions, the GOM planned for a two-phase process of performance-based privatization on the basis of a management contract, as the most appropriate method of privatization for the social sector.

In Resolution No. 34, passed on February 11, 2003, the GOM approved the list of “Social sector institutions to be restructured and privatized in 2003”. Appendix 1 to the Resolution specifies the means, procedure and conditions under which the University of Humanities would be privatized. The UH was established in 1979 as the Pedagogic Russian Language Institute operating under the National University of Mongolia. At that time, the Russian language was Mongolia’s key to the outside world, and the Institute was formed to meet that demand. In 1999, it was expanded into a university providing programs in Foreign Languages in the most prevalent international languages and the Social Sciences.

The UH of today is mainly involved in the fields of social sciences and the humanities. Statistics show that 80% of today’s higher education private institutions train personnel in these fields. If the government provides support to expand the UH to the national level, unfair competition is likely to emerge between the UH and private schools that currently provide programs in the state fields. This competition was addressed in the UH’s privatization contract.



The bidding for the UH privatization contract based on management contract performance was officially announced to the media on August 15, 2003. In the final round of bidding, the UH management team’s business plan, the most essential aspect of the selection process, won the contract. B. Chuluundorj, Dean of the UH and leader of the management team, argues that “The team’s target is to bring the UH onto the international level.” International acceptance of the UH diploma is among the main objectives of the business plan.

The University of Humanities, the State Property Committee, and the Ministry of Education, Culture and Science signed the “Privatization of the University of Humanities two-year management contract”. Under the contract, the purchaser agrees to improve the financial capacity and quality of operations in the following ways:

- Implement the business plan
- Introduce up-to-date management and marketing knowledge
- Promote competitiveness
- Extend operations in the service fields
- Lessen possible risks to personnel
- Invest capital and
- Renovate equipment and technology

During the immediate period after the signing of the contract, the UH has managed, in accordance with the business plan, by personnel accustomed to working at the university. The management team also promises to ensure social welfare for university personnel and students.

The most important question for the management team, raised by the university students, is how will they ensure curriculum quality after privatization without raising tuition costs? Mr. Chuluundorj replies: “The tuition has been fixed in compliance with the level set by the Ministry of Education, Culture and Science. Privatization will not turn the university into someone’s private property. The management team is progressing in terms of improving the curriculum leveling accordance with international standards, closely cooperating with overseas universities and receiving financial support from outside sources.”¹

However highly his colleagues value the team leader, both as an individual and an academic, they are now carefully watching how skillfully he manages the University.

¹ Interview with B. Chuluundorj

The Bid for Equal Competition

1990 inaugurates a new education system

Liberalization of various forms of ownership in the Mongolian education sector opens opportunities to privatize many educational institutions.

Before the 1990s, all higher education institutions were owned and operated by the Government, and were subject to applicable governmental policies and regulations. With transition to a market economy system, many private education institutions emerged. In the years leading up to the transition period, there were only 6 universities and institutions, all state-owned. After 1990, the number of public and private institutions increased to 172. 22% of the total numbers of higher education institutions are public, with 77.9% of institutions existing as private entities.

The increase in the number of higher education institutions is primarily related to the creation of a favourable legal environment by the Government of Mongolia. Public demand for higher education has also increased, until the demand became too great to be financed centrally. These changes follow a trend demonstrated in most highly developed countries where social sector institutions, such as universities and hospitals, are run as private businesses.

Although Mongolian universities are intended to be non-profit organizations they are concurrently run as profit-seeking businesses. Many private education institutions emerged within the current market, and with such rapid increase the quality of these institutions must be reviewed and considered. The emergence of such institutions creates greater competition; thus higher quality universities will attract more students regulating the system through market demand.

Despite the emergence of many private universities demands continue to be met predominantly by public institutions, as evidenced by the number of graduates. It is obvious that such private institutions are meeting the social demand; however acceptance of a diploma from these schools is still a controversial issue.

In other countries, higher education institutions have various forms of ownership; in the United States, universities like Harvard are privately owned. In Australia, however, only two out of 37 universities are state-owned.²

Moreover, it is evident that various governments' financial policies in the higher education sector are quite different. In Japan, for instance, one third of the average household income is allocated for the children's education. Thus, 67 percent of the income generated in private universities comes from student tuition. Scandinavia and Germany follow a policy of free education, or students pay a nominal tuition, while in France ninety percent of universities' budgets are subsidised by the government. In the United States, community colleges and state

² Interview with Professor Michael J Osborne, Vice-Chancellor and President University La Trobe University



universities are sometimes financed by tax payments from the student’s state of residence.³

Education-sector property liberalisation in Mongolia has led to a drastic increase in the number of private institutions, whereas previously the education sector was regulated and financed by the government.

Timeliness of the Social Sector Privatisation

This is an important historical period for Mongolia, when many private medical centres and schools are being established, and educational institutions and service entities are being privatised.

Towards the end of the 1980s, Mongolians began to set up cooperatives and acquire private property one piece at a time. The new Constitution, adopted in 1992, permits individuals who meet government prerequisites to set up private property-based institutions. The *Law on Ownership in the Mongolian People’s Republic*, passed on 31 May, 1991, commenced the privatisation of state properties.

The Parliament endorsed the *Law on Central and Local Government Properties* on 27 May, 1996. Additionally, the *National Programme for the Privatisation of State-owned Properties for the period of 1997-2000* was ratified on 2 July, 1997, by Government Decree No. 160. According to the *National Programme for the Privatisation of State-owned Properties for the period of 1997-2000*, privatisation monitoring and transparency, as well as the recognition of a particular owner will be carried out centrally, rather than on a sector-by-sector basis.

Privatisation activities are relatively new to Mongolia. Prior to privatisation, it was rare for shops, markets and service points to become private possessions. However, this phenomenon has since become commonplace. Similarly, social sector privatisation takes its place in the market conditions. Many private hospitals, clinics, primary, secondary and tertiary schools as well as private industrial and service entities have been established. Thus, it is evident that it is the time for the privatisation of Mongolia’s social sector as well.

The Government of Mongolia initially proposed the development of methods and principles for social sector privatisation in 1995. The Government of Mongolia in collaboration with the World Bank carried out the first social-sector pilot project in 1997. In Parliament Decree No. 160 (1997), two state owned entities were proposed for non-profit privatisation: the Institute of Finance and Economics and the Bayanzurkh District Hospital. Along with a list of pilot entities to be privatised on a management basis, the tender on the privatisation of the Institute of Finance and Economics was announced in July 1997.

It was decided to transfer the capital assets of this institute, free of charge, to the winning team. An expert commission was appointed to select the winner, a management team “capable

³B. Chuluundorj, “Globalization and Higher Education“

of efficiently managing the institute”. On the 25th of September, the management team led by the Dean of the Institute Mr. D. Batjargal, signed the management contract. At this time, the *Law on the Privatisation of Social Sector Organisations* had not yet been adopted. The implementation of these pilot projects raised controversy in the general public, but the policies for social sector privatisation have since been amended. At the time, several private education institutions objected to the proposed methods of transferring rights to an effective management team. Objections reflected upon the issue of unfair competition with existing private entities and upon financial issues.

The amendment to *the Law on Central and Local Government Properties*, adopted in July 2002, stated that the privatisation of entities in the social sector be carried out in stages and for a set payment.

In 2002, Decree No. 56 on the *Social Sector Reform and Restructuring Measures* was endorsed. The Government of Mongolia also issued the *List of social sector entities for restructuring and privatisation* in Decree No. 34, on 11 February 2003. In Annex 1 of this Decree, 11 budget entities are listed for privatisation in 2003. These include the University of Humanities, Ulaanbaatar University, and the Institute of Commerce and Industry.

From the Russian Language Institute to the Institute of Foreign Languages

The Russian Language Institute began as human resources training centre specialising in only one field; it is currently one of the largest universities in Mongolia, training specialists in several world languages and offering programmes in humanities.

The University of Humanities was founded in 1979 as the Pedagogic Russian Language Institute, a part of the National University of Mongolia. At that time, the Russian language was the primary language connecting Mongolia to other countries. Thus the Russian Language Institute was established to meet this demand.

In 1990, the Russian Language Institute was reorganised into the Institute of Foreign Languages and began to offer a range of training programmes in other popular world languages. In 1999, the institute was renamed into the University of Humanities, promoting research activities and training specialists in humanities. The university was accredited in 1999 by the Ministry of Education, Culture, and Sciences (formerly the Ministry of Enlightenment). The Governing Board of the university consists of 11 members (see Annex 1).

The University of Humanities is comprised of two schools: the School of Foreign Languages and the School of Humanities. In total, there are 170 university employees including 94 academic staff members, 37 administrative personnel and 39 support staff members. 90 per cent of the academic staff holds advanced academic degrees, including 36 doctoral degrees and 46 master’s degrees.



Currently, the university provides 5 diploma programmes, 20 Bachelor’s Degree training programmes, and post-graduate training programmes in three majors.

The University of Humanities has extensive contacts with foreign counterparts and in 2002, with the intention of extending the participation of Mongolian higher education in regional activities; the university initiated the Network of North-East Asian Universities. This is a program of collaboration with Kyungnam University (Republic of Korea), the University of Foreign Languages (P.R. China), Far Eastern State University (Khabarovsk), the Academy of Economics and Law, Chinese Culture University, Heilongjiang University, Tamkang University (Taiwan), Pyongyang University (North Korea) and Hokuriku University (Japan).

The University has a distinctive history, from its beginning as a specialist training school, operating in a single field, to its current status as one of Mongolia’s largest universities, offering training programmes in several world languages, as well as courses in humanities and social sciences. The University provides training in business economics and management, international journalism, management of international trade and business and management of information systems. Additionally, the university offers simultaneous training courses for interpreters and teachers of English, Russian, Chinese, Japanese, Korean, German, and French.

The University has three campuses, with a total territory of 6394 square meters, plus 2 dormitories of 4966 square meters. International grant agencies, including JICA of Japan, KOICA of the Republic of Korea, and the German Academic Exchange Service, have donated training facilities and equipment (see Annex 2).

In recent years, the University has concentrated on the construction of new buildings. The Governing Board of the University enacted Resolution No. 5 on 7 May 2001, to draft projects for new campus buildings. Resolution No. 6, on 27 May 2001, selected Beton-Armatur LLC to construct the buildings, with a total expenditure of 18.2 million Tugrug. Although the University’s administration has submitted a number of requests for financing to the Government and relevant state authorities, funding is unavailable.

An estimated 643.3 million Tugrug was required for the construction plan of “Block A”: 13.3 million Tugrug for the drafting and planning expansions of campus buildings, 630.0 million Tugrug for the construction of “Block A”, and a total of 343.6 million Tugrug for the construction of “Block B”. The university spent 155.4 million Tugrug in 2001 and 124.3 million Tugrug in 2002 to finance piping, foundations and the lower floors of the buildings. Due to the lack of funds necessary to complete the project, the university held a number of fundraisers, and collected a total of 54.6 million Tugrug in donations and grants.

The state subsidises expenses related to salaries and utilities, such as electricity and heat. Thus, commercial banks are not interested in issuing loans to the University. For the completion of the construction project, the Governing Board of the University decided on 4 February 2002 to obtain a bank loan in the name of the construction company, Beton Armatur LLC.

However, bank loan conditions are very strict and carry high interest rates. Mr. Yanagida Koichi, a Japanese citizen with extensive foreign investments, has offered to finance the construction of Block B, on the condition that it will be used to set up a Japanese study centre. Despite permission from the MECS and the SPC for the completion of the project through

foreign investment, the loan was refused on the basis of a state-owned property mortgage. Thus, there were 6 transfers totalling US\$ 245,239.9 (or 287.95 million Tugrug) based on the property mortgages of Beton Armatur LLC, for the completion of the construction.

Block A was completed in 2003 and, in accordance with the new accounting laws, was included in the University’s 2003 quarterly financial report, leading to an increase in assets from the 2002 Annual Report. A further 300 million Tugrug investment is required to complete construction of Block B, and the planned campus building expansion.

The University spent 298.2 million Tugrug on the buildings: 280 million on the actual construction, and 18.2 million on drafting and planning work. In total, the construction costs amounted to 640.4 million Tugrug.⁴

The Bid for Equal Competition

80% of private universities and colleges currently offer social sector training programmes, and the University of Humanities was privatized in order to avoid unfair government competition with the smaller private universities.

According to Kh. Bayandai, head of the SPC Department of Property Privatisation, “... the privatisation was negotiated by the Government of Mongolia, and the Parliament committees on Economics and Social Policies. The SPC never ratifies decisions on privatisation: it is only an executing agency”⁵. There are many justifications for the list of entities to be privatised, the list which includes the University of Humanities.

The Government privatisation policy includes the privatisation of universities specializing in the humanities and social sciences training. 80% of private universities and colleges now provide social sector training programmes.⁶ Clearly, the private sector currently dominates this field, and if the state supports a large university, which already has the advantage of experience, smaller private universities would encounter unfair competition. The privatisation of the University of Humanities has thus become a priority.

However, other national universities, such as the National University of Mongolia and the Mongolian University of Science and Technology, remain under state control due to the relevant government educational policy at the national level.

⁴ *The Brochure of the University of Humanities*

⁵ *Interview with H. Bayandai, a head of the Department for Privatisation of Social Sectors, the State Properties Committees*

⁶ *Feasibility Study of the Business Planning for the University of Humanities*



Privatisation begins

*The Management Team of the University of Humanities
won the privatisation tender*

The privatization process begins with an estimation of the university’s assets. Article 37.1 of the *State Properties Law* states that “Assets of state-owned properties should be valued at the lowest rate prior to privatisation”. Thus, in accordance with this statement, the State Property Committee requested the Dalai Van Auditing Company to come up with a valuation of the University’s assets. The privatisation cost has been calculated as one billion two hundred and fifty million Tugrug.

According to the 2002 Financial Statement, the University of Humanities had 659.2 million Tugrug in total assets, including 109.5 million Tugrug in current assets (cash, receivables, goods and materials), 549.6 million Tugrug in non-current assets (tangible assets, buildings, library reserves, and unfinished construction projects). In 2002, the University registered 231.6 million Tugrug in fixed expenses, 221.4 million Tugrug in current expenditures, and 64.2 million Tugrug in state subsidies, receivables, and no payables. According to the financial report for the second quarter of 2003, the University had 1188.2 million Tugrug in ownership assets, including 900.5 million Tugrug in properties, and 287.7 million Tugrug from a Japanese citizen for investment in the construction of Block A.⁷ (see Annex 3).

The privatisation of the University of Humanities was announced in central newspapers on 15 August 2003.

Any individual or team possessing high management skills, capable of effectively organising the activities of this particular university, was eligible to bid in the tender. The interested person or party was to submit a tender application to the SPC Department of Property Privatisation within 25 days of the announcement.

In the final stage of the bidding the two remaining management teams were requested to submit tender proposals, along with a receipt for the pre-payment of 100 million Tugrug, to the SPC Committee by 29 October 2003. The technical proposals of both teams were received on the appointed day, and the Expert Group commenced their evaluation on 5 November 2003.

The Expert Group evaluated the contenders using a 100-point assessment system, the most important criteria being the Business Plan, Management Contract and other relevant documentation elaborated by both sides.

The 100-point assessment system was broken down as follows:

- Investment plan for the expansion of training facilities, including actual implementation proposals (0-30 points)
- Business capacities, financial status, management qualifications, education-sector

⁷ *The Brochure of the University of Humanities*

experience, and institutional organisation skills (0-30 points)

- Quality of proposed management and business plans, privatisation objectives and reflection of principal requirements (0-30 points)
- Quality of proposed human resource development plan, measures for reducing employee risks (0-10 points)

The winning team consisted of the academic staff of the University of Humanities, headed by B. Chuluundorj. He graduated from the National University of Mongolia with a Bachelor’s Degree in the Russian language, and a Doctoral Degree in Philology. He had been working as the Dean of the University of Humanities for several years, and was one of the leading scholars in philology.

The rival party, “Management 3000”, was headed by Ch. Saikhanbileg, who served as a Member of Parliament at the time of the Democratic Coalition, and then later as the Minister of Enlightenment during the term of Elbegdorj as Mongolia’s Prime-Minister.

On the 25 of August 2003, 10 days after the initial announcement of the tender, the academic staff of the University of Humanities had a meeting, in which they decided to establish a management team and take part in the selection process. On 22 December 2003, after the University team had signed the tripartite contract, a seminar introducing the business plan was organized for all faculty members.

Will the privatisation decrease the quality of the training and increase tuition fees, thus lowering the University’s reputation? The University director, Prof. B. Chuluundorj, gives the answer to this question: “The tuition fees of our university will be based on the rates set by the Ministry of Education, Culture and Science, as they have been set previously. People seem to think that privatisation means ownership and management by a single person. This is not right; it is the management team that will administer the activities of the University. We are working towards international recognition and collaboration with other universities, and thus in the future there will be opportunities for overseas financial support.”⁸ He believes that privatisation will open up many opportunities in the future.

In November 2003, in accordance with Resolution No. 680, the University of Humanities signed a tripartite privatisation agreement with the SPC and the MECS, for a trial period of two years. The agreement states that the purchaser is responsible for “...the implementation of the business plan, introduction of modern methods of institutional management, marketing and know-how, strengthening of competitive capabilities, expansion of institutional activities, reduction of possible employee risks, promotion of investments, and the enhancement and modernisation of technology and facilities.”

According to Article 12 of the tripartite agreement, in two years the State Property Committee shall consider the management team’s performance with regard to the contracted responsibilities. If the assessment is positive, and the management team pays a set amount to the SPC, the privatisation process will be complete.

⁸ *Interview with B. Chuluundorj*



Selling an Intellectual Product

Privatization by management contract, with a two-year performance evaluation, is selected as the favoured method for the social sector.

The pilot privatisation projects have shown that there are few serious participants in the education sector biddings. Social sector privatisation is a very complicated task. With business entities, the main evaluating factor is economic; bidders' contribution to the national economy, fixed assets and revenue. Thus, such entities are only sold to bidders who have sufficient capital.

But how can you sell the products of the human mind? The Government of Mongolia has decided that a two-year management contract, with a government assessment of the results, is the most effective method for social sector privatisation. This method of privatisation allows the organisation to maintain its activities and institutional goals; the contract transfers the establishment only to a team or individual capable of appropriate managerial and financial decision-making.

Social sector institutions, including the University of Humanities, are privatised in 2 stages. The first stage involves strengthening internal management and operational capacities and management privatisation. The second stage involves the assessment of the management team's performance. Privatisation is finalised through payment by the successful management team to the SPC. The payment amount is based on the total estimated assets for a particular institution. These funds can come from income allocation during the process of improved management and by means of a “discount” and the whole action is considered as chargeable privatisation.

Management Privatisation: The first stage of privatisation is the transfer of the management activities of a state-owned organisation to a selected management team or individual for a defined period of time. Although this method gives the team managerial rights, the privatisation is not complete until the team's performance has been evaluated. The first stage is trial privatisation, and only upon evaluation and payment to the SPC is the process complete.

One University-Two Diplomas; Two Universities-One Diploma

“...One of the primary goals of our Management Team's business plan is to bring our activities up to international standards.”

The development of a business plan is an integral part of the management contract, and the performance evaluation takes into account the status of the plan's implementation. The business plan of the University of Humanities' management team was a major deciding factor

in their success in the tender.

The University of Humanities management team, comprised of the academic staff of the university, defines their mission statement as:

“Equal education opportunity, quality of training and research activities and degree flexibility regarding post-graduation possibilities.”

One of the main goals of the Business Plan, to be implemented in 2003-2005, is the restructuring of all fields to comply with modern international higher education standards, as ratified in the UNESCO Declaration. University director Prof. B. Chuluundorj points out that achieving international standards is “one of the primary goals of the Management Team’s business plan. One of the objectives defined in the plan is foreign recognition of a University of Humanities diploma. We have planned restructuring measures in the following categories:

- Strategic missions,
- Management and organisation,
- Competitive capabilities in the education and training market,
- Training activities,
- Research activities,
- Information services,
- Social welfare of academic staff, personnel and students, and
- Facilities.”

The business plan defines each objective, along with the desired outputs. (See Annex 5).

The business plan is an integral part of “Reforms 2000”, the University’s development programme for 2000-2005. In this programme, the mission of the university is briefly defined as “*equal education opportunity, quality of training and research activities, and degree flexibility regarding post-graduation possibilities*”. The full description of the plan is to improve the quality of higher education and training in the fields of foreign languages and humanitarian and social sciences, to train highly qualified human resources personnel with internationally recognised Associate, Bachelor’s, Master’s, and Doctoral degrees, to ensure that academic and research activities are well integrated, and to strengthen the University’s educational capacities. (See Annex 4).

The University’s primary training fields and research areas are defined based on marketing research, management information, and cost analysis.

In collaboration with foreign universities, particularly the Network of Northeast Asian Universities, the University of Humanities plans to implement two projects, “One University, Two Diplomas”, and “Two Universities, One Diploma”.

In his article, “Globalisation and Higher Education”, Prof. B. Chuluundorj has explained these projects as “... moving to develop mutual academic exchange programmes and



international diploma recognition, and providing conditions for credit transfers for study-abroad opportunities or visiting faculty programmes. These and similar opportunities will be the initial focus of the “One University-Two Diplomas” and “Two Universities- One Diploma” programmes.”

These programmes are designed to provide opportunities for graduates seeking jobs abroad in Asia and Europe.⁹

The Management Team has also proposed the following social welfare objectives:

- Improving housing conditions for the academic staff and personnel of the University.
- Providing guaranteed housing for University employees
- Raising staff salaries
- Providing need-based financial aid covering both tuition and dormitory payments
- Creating a service infrastructure to provide room, board and healthcare to staff, personnel and students

In addition, a salary increase of 20-50% is planned for academic staff and personnel. (see Annex 6)

The “One University-Two Diplomas” programme, which began this academic year, allows students to double-major in the fields of their own choosing.

The Community’s First Impressions

The Management Team leader is very well respected as a scholar and an individual; however, his managerial skills have not yet been demonstrated.

In December 2003, *Humuun Ukhaan*, the University newspaper, published an article making public the privatisation details, as well as an interview with Prof. B. Chuluundorj, who outlined the management team’s business objectives.

After the privatisation tender was announced, a meeting was held for all University staff. The Management Team was selected, and copies of the business plan to be submitted were distributed. Prof. B. Chuluundorj also organised a meeting with representatives of the Student Union, for discussion and exchange of opinions. However, interviews with other staff members revealed that many of them were not fully informed regarding the privatisation. Apart from the members of the Management Team, most lower-level staff members and students knew very little about the privatisation process.

⁹ B. Chuluundorj, “Globalisation and Higher Education“

Prof. B. Chuluundorj’s Views on Privatisation:

“... Our Management Team has set an objective to bring the university’s practices up to internationally recognised standards. Privatisation does not mean that the University will become one person’s property, and it does not mean that one individual will be in charge of the University’s management. Privatisation means that management decisions will be made collectively, by a consensus. We have promised two things. The first relates to our responsibilities to staff and students of the University. There are certain procedures, guidelines and directives for the privatisation process; we now have the opportunity to introduce a sustainable policy of upgrading the skills and capabilities of our academic staff. One of the goals of the business plan is that in the next two years, 40% of academic staff will hold Doctoral degrees. Currently, 23.4% of the University’s academic staff holds Doctoral degrees. The University will provide financial support for our staff, for advanced studies in both local and foreign universities. It should be noted that the privatisation does not automatically put us on the same level as existing private universities. We are working hard to improve the prestige of the University not only in Mongolia, but throughout Asia, so that a University of Humanities degree will be recognised anywhere in the world. Furthermore, we are working to improve our academic activities, and to achieve international recognition and standards.”¹⁰

Excerpts from Staff Interviews:

“...We do not have clear information on the privatisation. Some of us have a better understanding than others, but we are not really eligible to discuss the matter. Please ask director B. Chulundorj instead...”

“The Business Plan developed by the Management Team is useless and abstract; one or two things might be implemented, but it is impossible to fulfil all the goals stated in the plan.”

“...The Director and the administration have included in their management team only those faculty members who support their activities, but not those outstanding academic staff members who have contributed a lot to the University.”

Most of the interviewees seem to think that state-owned universities should not be privatised at the current stage. In foreign democratic societies, the issue is still controversial, and many private universities have been transferred back to public ownership. The country lacks experience, and a lot of preparation is required if state universities are to be successfully privatised.

Excerpt from Student Interviews:

“...We have only one concern with respect to the privatisation of the university: tuition fees. If the university is privatised, we hope that it will not cause an increase in tuition payments. We have heard that the University Management Team won the tender, but we have not been told which faculty members are included in the team. A team should include every member of the university, from the director to an ordinary security guard. As students, we should also have the right to monitor the activities of the management team, to determine if our best

¹⁰ Interview with B. Chuluundorj



interests are being taken into account.”

Most of the students hesitated when asked their opinions about the director.

Excerpts from Personnel Interviews:

“... Most of the personnel are worried about their social security. They have an indistinct understanding of the privatisation process, and some of them were not aware of the process at all.

The academic staff and personnel of the university respect their director intellectually and personally, but they question his managerial skills.

Privatisation lessons

After the first step in privatisation has been completed, there is need for extensive restructuring of activities. With the cessation of state subsidies, all financial responsibilities are on the shoulders of the Management Team. However, they also now have the authority to implement their policies without the control of external forces.

Now that the tripartite agreement has been signed, the Management Team is responsible for implementing its proposals. In two year’s time, the Team’s action reports will be submitted to the SPC, and an Auditing commission will be appointed for the examination.

In general, the process has been peaceful, with few contenders. Unlike business privatisation where many wealthy entrepreneurs compete for the tender, social sector teams already operating in the institution usually carry out privatisation.

There were only two teams competing for the University of Humanities contract; the SPC terms were very strict, and the privatisation costs relatively high, so the announcement did not attract many bidders.

Research shows that 80% of private universities and colleges now provide training programmes in the social sector. It is clear that the educational sector is largely private, and privatising a large state-owned university free of charge would give the new owner an unfair market advantage.

Although the privatisation method chosen for the University of Humanities is necessary to promote fair competition, charging for privatisation has the following disadvantages:

- After paying the privatisation costs, the university must concentrate on cost-recovery.
- In order to generate income, the university must increase the number of students.
- An increase in the student-teacher ratio may impact the teaching quality of the university.

Experience shows that in the educational sector, the team comprised of the existing administration tends to win the privatisation tender. These teams have the advantage of management experience, and team members who know each other and have already worked

together.

As for the state’s viewpoint, the Institute of Finance and Economics has been privatised according to a management contract free of charge, the privatisations completed in 2003 followed the concept of “discount price” privatisation, which means sale of properties at the real cost.

All privatisation decisions are made directly by the Government of Mongolia. The SPC is purely an executive agency; they do not have a department or officer in charge of privatisation policies, so all procedures are carried out blindly. Therefore, it is hoped that the organisation responsible for implementing a particular entity’s privatisation will have a definite strategy for carrying out the process.

Due to the large number of public and private universities, set criteria for the assessment of quality and capabilities of higher education institutions must be developed. The current defining factors of an institution are based on enrolment and numbers of graduates. These criteria are quantitative, and it remains important to find a way to define an institution’s quality. Because of the lack of assessment criteria, many Mongolian universities have used the public demand for higher education as a business venture, and thus have lost their prestige as educational institutions. By publishing the number of students from a particular university who have jobs shortly after graduation, some institutions will be encouraged to improve their quality, while others will be forced to quit the market.

Not much time has passed since the signing of the contract; thus it is understandable that a few reforms have yet to be implemented. However, the University has not really changed hands: the previous management is continuing their activities in accordance with the business plan. They have certain obligations to fulfil in terms of improvement of staff and student welfare, but they also have adequate time to accomplish the activities they have planned. Their successes and failures will provide valuable lessons, both for the University of Humanities, and for future establishments.



Chronology of the University of Humanities

- 1979 Established as the Pedagogic Institute of Russian Language*
- 1990 Expanded into the Institute of Foreign Languages*
- 1996 The World Bank organises a training seminar for pilot social sector privatisation projects*
- 1996 Jerry Casagrande, a World Bank expert, arrives in October to aid in the commencement of the project*
- 1996 The World Bank holds a seminar on Social Sector Privatisation, on the 16-19 November*
- 1999 The Institute of Foreign Languages is reorganised into the University of Humanities*
- 1999 The University of Humanities becomes one of the first accredited universities in Mongolia*
- 1999 Postgraduate training programmes in the University of Humanities are instituted*
- 2000 The University of Humanities begins implementation of “Reforms 2000”, a development programme for the period of 2000-2005*
- 2002 In order to expand the participation of Mongolian higher education in regional activities, the University of Humanities initiates the Network of North-East Asian Universities, in collaboration with Kyungnam University (Republic of Korea), University of Foreign Languages (P.R. China), Far Eastern State University, Khabarovsk Academy of Economics and Law, Chinese Culture University, Heilongjiang University, Tamkang University (Taiwan) Pyongyang University (North Korea) and Hokuriku University (Japan)*
- 2003 The University of Humanities is included in the List of Social Sector Entities for Restructuring and Privatisation in 2003 by Decree No. 34, passed on 11 February*
- 2003 A new campus building opens its doors to students and academic staff*

- 2003 The announcement for the University of Humanities privatisation tender is published in central newspapers on 15 August*
- 2003 The academic staff of the University of Humanities holds a meeting on 25 August, in which they decide to establish a management team, and take part in the bidding*
- 2003 The University of Humanities' Management Team signs a tripartite privatisation agreement for a period of two years, beginning in November 2003, with the State Property Committee and the Ministry of Education, Culture and Science*

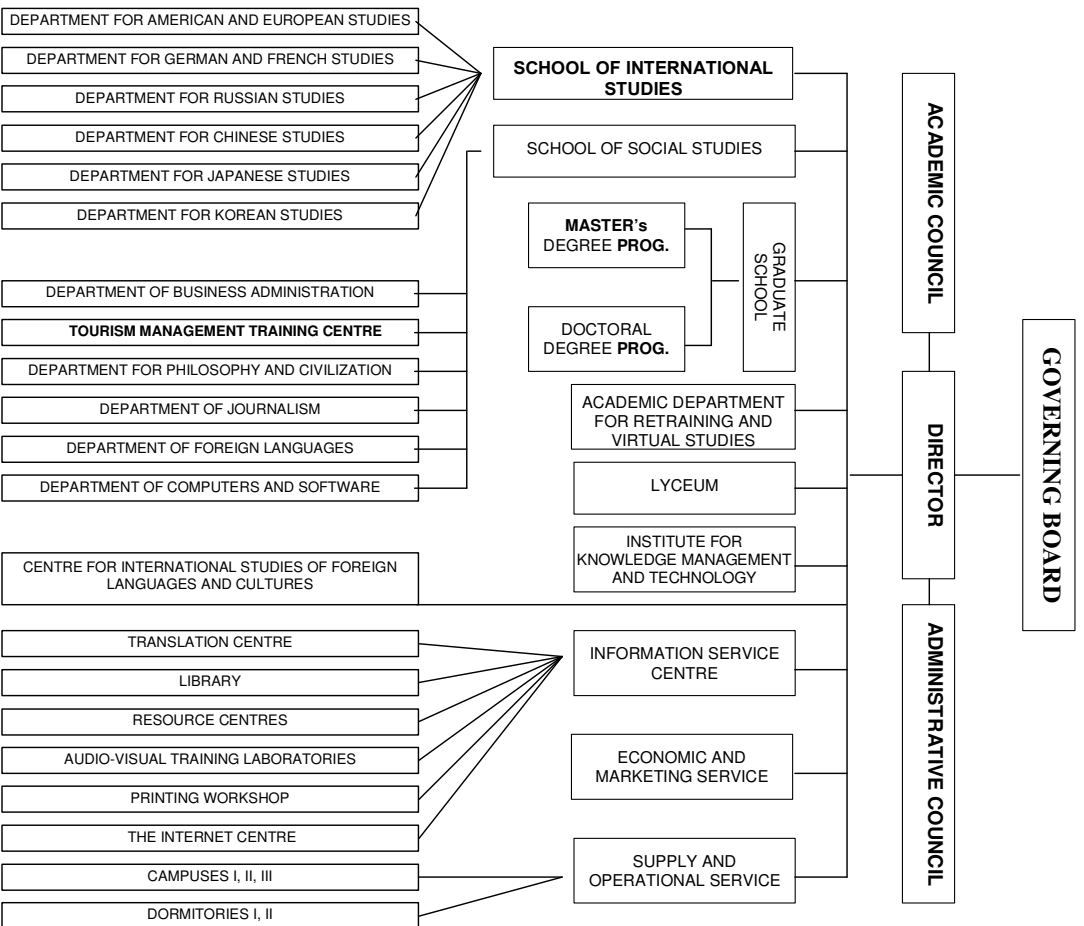


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Annex 1

The University of Humanities
Organisational Structure



Annex 2

Capital of the University of Humanities

(As per 2002, in thousand Tugrug)

BALANCE STATEMENT	BEGINNING BALANCE	CLOSING BUDGETED	BALANCE ACTUAL
CURRENT ASSETS			
CASH AND SIMILAR ASSETS	84899645	26020700	3779410
Cash in hand	2000000	2000000	2000000
Cash in Bank Account	82899645	24020700	1779410
Receivables	9268760	0	6870303
Goods and Materials	46166556	0	44245698
TOTAL CURRENT ASSETS	140334962	26020700	54895412
NON-CURRENT ASSETS			
FIXED ASSETS	816653873	0	1133388726
Tangible Assets	814436583	0	1132368726
Construction and buildings	82876972	0	723381405
Vehicles	7731000	0	7731000
Machinery and Equipment	287207037	0	258798244
Furniture	96053897	0	92815364
Library reserve	42018343	0	49158790
Other fixed assets	770899	0	483921
Unfinished construction and building	297778434	0	
Intangible assets	2217290	0	1020000
TOTAL NON-CURRENT ASSETS	816653873	0	1133388726
TOTAL ASSETS	956988836	26020700	1188284139
PAYABLES	88000000	0	287723499
-Unearned revenue	88000000	0	0
-Long term investment		0	287723499
OWN ASSETS	868988836	0	900560640
Government Fund	816653873	0	1133388726
Retained earning	52334962	0	-232828086
Amount of previous reporting period	30769143	0	
Amount of current reporting period	21565819	0	-232828086
TOTAL PAYABLES AND OWN ASSETS	956988836	0	1188284139

Annex 3

Announcement of the University of Humanities Privatisation Tender

(Zuuny Medee, 2003.08.15. No. 197(1395))

In accordance with Parliament Decree 56, enacted in 2002 on the Main Directives of Social Sector Restructuring and Privatisation, and Decree 34, endorsed by the Government of Mongolia in 2003, the State Property Committee announces a Tender for selection of an individual or team to manage the privatisation, with conditions for investment promotion, of the University of Humanities (hereafter referred to as "tender"). The individual or management team (owner of private properties) should possess high management skills and practices, and be capable of effectively organising the activities of this particular university.

The organisation of the Tender must conform to Decree No. 438 of 3 July 2003, on *The Selection Procedure for an Individual or Management Team Bidding for the University of Humanities Privatisation Contract*, by the State Property Committee and the Ministry of Education, Culture and Science.

The cost of privatisation based on a management contract, with conditions for investment promotion, of the University of Humanities is 1'250'000'000.00 (one billion two hundred and fifty million) Tugrug.

Note: Along with the above announcement, the following documents were attached: "Expression of interest in tender participation", "Preceding Selection", "Requirements for Bidders", "Documentation for Tender", "Objectives of Privatisations", and the University of Humanities Introductory brochure.

Annex 4

Framework of the University of Humanities Training Stages



Master's Degree Training Programme

- Education Studies (Methodologies of foreign language teaching)
- Comparative literature and theory of translation
- Comparative philology

Doctoral Degree Training Programme

- Comparative literature study
- Comparative philology
- Education Studies

Annex 5

Current status vs. the desired level of achievement, according to restructuring criteria:

(The development of these indicators are based on European Foundations’ Quality Management (EFQM) criteria)

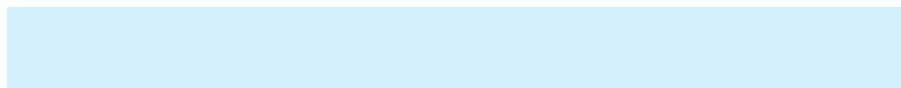
A – Very Good

B – Good

C – Average

D – Unsatisfactory

Assessment of current status



Indicators	Sectors/Units of the University of Humanities	School of International Studies	School of Social Studies
Leadership capabilities		B	C
Policy and Strategies		B	B
Human Resource Management	Payment and rewarding system	C	C
	Development of human resources	C	C
	Working and living conditions of the university personnel	C	C
Asset Management	Management of financial resources	C	C
	Management of assets and reserves	C	C
	Management Information Technology	C	B
	Management of intellectual capital	B	B
Operational Management	Academic planning	B	B
	Monitoring of training activities	B	B
	Planning of research activities	B	B
	Monitoring of research activities	C	C
	Planning and organization of students activities	B	B
	Status of complete execution of programs	B	B
	Acquisition of double majors	C	C
	Acquisition of double qualification	C	C
	Consistency status of students evaluation methods with training purposes	C	C
Customer Satisfaction	Students’ learning environment	C	C
	Consulting and Tutoring for students	C	C
	Career options for graduates	B	C
	Assessment of graduates by employers	B	B
Operational Effectiveness	Contribution to society	B	C
	Financial efficiency	B	B

Desirable level by 2005:

<i>Indicators</i>	<i>Sectors/Units of the University of Humanities</i>	<i>School of International Studies</i>	<i>School of Social Studies</i>
Leadership capabilities		A	A
Policy and Strategies		A	A
Human Resource Management	Payment and rewarding system	B	A
	Development of human resources	A	A
	3.3. Working and living conditions of the university personnel	A	A
Asset Management	Management of financial resources	A	A
	Management of assets and reserves	A	A
	Management Information Technology	A	A
	Management of intellectual capital	A	A
Operational Management	Academic planning	A	A
	Monitoring of training activities	B	B
	Planning of research activities	A	A
	Monitoring of research activities	A	A
	Planning and organization of students activities	A	A
	Status of complete execution of programs	B	B
	Acquisition of double majors	A	A
	Acquisition of double qualification	B	B
Customer Satisfaction	Consistency status of students evaluation methods with training purposes	A	A
	Students' learning environment	A	A
	Consulting and tutoring for students	A	A
	Career options for graduates	A	B
Operational Effectiveness	Assessment of graduates by employers	A	A
	Contribution to society	A	B
	Financial efficiency	A	A



Annex 6

Business Plan Objectives

Actions to be implemented with regard to training activities:

- To liberalise student-centred training, to make available a framework of free selection, and to provide conditions for recognition of the University's diploma in foreign countries.
- To expand training programmes for postgraduate and higher-level scientific studies.
- To combine virtual and class modes of training, to expand selection opportunities for credit hours by students, and to involve 35-40% of university students in double-major study programmes.
- To organise intensive audio and visual interactive training, and to provide conditions for all students for learning of 2-3 foreign languages at the diploma training programme level apart from the study of English.
- To jointly organise cooperation with foreign universities or business entities in order to carry out training at all levels of higher education.
- To launch affiliated branches of the virtual university in regional centres of Mongolia (including Khovd, Uliastai, Erdenet, Darkhan, Zuunmod, Choibalsan, and Undurkhaan)
- To cooperate with overseas universities on mobile programmes for faculty members and students, and to provide conditions for credit transfers.
- To implement training courses for associate degrees or specialised training, on request from business entities, travelling, and information technology agencies.
- To combine hierarchical and hyper forms of virtual training systems for setting up of virtual training incubation.
- To create and launch undergraduate and postgraduate training programmes in applied and combined neuro and cognitive philology, translation studies, knowledge management, journalism, organizational behaviour, business, and information management.
- To provide consultancy services for potential students, and to implement admission of students from rural and remote areas through the Internet.
- To implement programmes for application for further training by graduates

Estimated results of training activities:

- Based on concurrent research, opportunities for free-choice training programmes will be in place.
- It will be possible to obtain an undergraduate or postgraduate education of the international standard, and mutual agreements for diploma recognition will be set up with foreign universities in Northeast Asian countries, as well as in certain universities

in the USA, UK, France and Germany.

- A cooperative training system will be established with foreign universities.
- The framework for setting up an open virtual university will be in place.

Actions to be implemented with regard to research activities:

- To perform research activities in compliance with the actual public demand and to implement joint research projects with national and international academic groups.
- To employ new financing sources for research, to expand the range of scientific activities, to strengthen the university’s technical facilities and to disseminate and publish research results.
- To improve the language department’s syllabus and to use modern textbooks
- To develop integrative programmes in the study of linguistics, psychology and neural research, and to update the technology of Mongolian foreign language teaching.
- To develop integrated forms of research and testing in the fields of business, management, tourism and travelling, cultural studies and journalism.
- To reform higher-education knowledge management and teaching methods, in collaboration with other universities and colleges.
- To participate in research projects of international significance in the fields of science and technology, such as automatic translation systems, neural linguistics and knowledge systems.

Estimated results of research activities:

- An institution to study linguistic forms and formations will be developed in Mongolia.
- Study streams in cognitive and neural philology will be possible in Mongolia.
- Sub-language translation software will be in place.
- Training standards and syllabi for all levels of foreign language teaching will be in place.
- A Training and Methodological Centre for Tourism Management and research will be launched, and training activities on tourism business organisation will be extended.
- A Virtual Training Centre will be formed, with virtual training methods and technology in place.

Actions to be implemented with regard to human resources:

- To improve competitive capabilities of all faculty and administrative staff both at professional and technical levels in accordance with analysis on their job description.
- To maintain an appropriate framework of knowledge management, and establish an intellectual and academic environment conducive to the development of teaching personnel.



- To issue research grants to academic staff of the university, particularly in the areas of science and technology.
- To select academic staff with the status of professor or associate professor.
- To arrange online training programmes with overseas universities in order to expand the skills and qualifications of the teaching staff of the university.
- To correlate teaching staff salaries with research and academic activities; to increase staff salaries in accordance with inflation, and to increase tuition for high-ranking training programmes by 30-50%.
- To encourage academic staff of the university to obtain further education, with the goal of 40% of academic staff holding Doctoral degrees; to restructure the teaching staff and expand career opportunities.
- To financially support academic staff involved in postgraduate study programmes, by providing 50% of total tuition fees.
- To restructure payment methods for all levels of managerial staff in accordance with organisation, experience, and output, as well as to upgrade management skills and capabilities by involving managers in training programmes.
- To plan and implement measures for upgrading the administrative competency of university staff.
- To create an environment where faculty members and information service and technical staff can communicate, and to begin training technology restructuring.

Estimated results of human resources restructuring:

- The quality and capabilities of the teaching personnel will reach internationally accepted levels.
- The human resource planning, organisation and working conditions of the institution will be improved, and the groundwork will be laid down for sustainable development at all levels.
- Salaries and benefits for all academic staff and personnel will be increased.

Proposed Actions for Information Services:

- To maintain Campus II local-area and I networks (LANs) of management information.
- To set up and maintain an interactive training network on Campus II and I.
- To complete construction of a new campus, and launch the International Centre for Foreign Languages and Cultures.
- To establish an electronic library, as a part of the existing library.
- To refurbish the printing service, and to expand it into a Printing and Publishing House.

Estimated results of information service restructuring:

- The library reserve fund will be renovated, and a modern library facility, with an electronic database of international research and survey data, will be established.
- A virtual training network will be launched.
- An interactive training network will be maintained and used.
- The University's integrated Management Information Network will be set up.

Actions to be implemented with regard to staff and student social security:

- To increase salaries by 30-50% for academic staff, and by 20-30% for administrative and support staff, based on individual performance assessments.
- To issue additional benefits to the academic staff members who have helped enhance the quality of training and research activities.
- To provide financial aid for the education of the children of all-academic, administrative and support staff.
- To improve housing conditions for the academic staff and personnel of the university.
- To organise a health centre for university staff, personnel and students.
- To provide need-based financial aid for students from vulnerable population groups.
- To launch a university cafeteria, and organise a discount service for university students and employees.
- To establish health and fitness clubs for university students and employees.
- To issue specialised rewards for academic staff and personnel who retire after long-term employment by the university.

Estimated results of staff and student social security improvement:

- The actual income of the academic staff and personnel will increase by 20-50%.
- The living conditions of the academic staff and personnel will be improved, and conditions for sustainable work will be in place.
- An infrastructure for health, food and administrative services for university students and employees will be established.
- Economic incentives for students from vulnerable groups will be implemented.

Actions to be implemented with regard to facilities:

- To complete the second phase of construction of the campus expansion.
- To set up a Summer Training Centre for tourism and travelling in the Terelj valley.
- To employ an interactive training network.
- To set up an International Centre for Virtual Training.
- To establish cafeterias and fitness clubs and to set up an infrastructure for health and administration services.



Estimated results of improvement of facilities:

- The University will be capable of enrolling 2700-2800 students.
- Technological facilities for research and training activities, conforming to international standards, will be launched.
- Service infrastructures will be in place.

Case study club

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TRANSFER OF STATE UNIVERSITY INTO PRIVATE OWNERSHIP_____

(Case outline)

The educational system prior to 1990 was a virgin land, in which, however, there was no way to compete with the state’s monopoly. Thus, both private universities and the state educational system welcomed the private sector development. By giving various types of properties equal rights under the Constitution, the number of universities grew from 6 in 1990 to 172 as of 2003.

Despite the growing number of private institutions, statistics reveal that public universities prepare 2 times more cadres than the private ones. All public universities are now charging tuition. In 1996, 26% of the operational costs of state-owned universities and colleges were subsidized by the government, as opposed to only 10 percent in 1997-1998. Currently, the state does not issue significant subsidies to any public schools with the exception of small funds to national schools like the Training Institute and the Medical University.

Public universities differ from private ones in that they are offered social welfare benefits automatically. Private universities however, are entitled to social welfare only if they meet the necessary qualifications. Public universities also have the advantage of extensive facilities and human resources, along with some state financial support. These factors tend to put them ahead of recently developed private institutions.

The privatization of higher education institutions is compliant with recent government policies and the policies of the Ministry of Education, Culture and Science (MECS), to “ease the government burden through privatization and to improve the quality of the universities, institutions and colleges by promoting fair competition in the social sector.”

The first round of privatization started with the no-cost privatization of the Institute of Finance and Economics in 1997. In 2002, the Parliament passed Resolution No. 56, which approved the “Privatization Guidelines for the Social Sector.” This was the first move to develop a “cost-based” privatization contract. In 2003, the Cabinet issued Resolution No. 34, approving a list of social sector organizations to be privatized, including Ulaanbaatar University. The State Property Committee (SPC) announced Resolution No. 436, opening the bidding to select a team to improve the management of Ulaanbaatar University.

The team from Ulaanbaatar University and the “Tamir” team passed the preliminary selection. On December 8, the Ulaanbaatar University team, lead by S. Baigalsaikhan, was

selected as the winner since the “Tamir” team failed to submit a complete application package. The winner received the property on December 16, with the approval of the SPC.

The privatization process has two phases. First, the management team is selected and put under a 2-year contract with the SPC. The performance of the team is reviewed annually by the SPC and the property is transferred to the management team based on their contract performance.

Ulaanbaatar University has proved its excellence, first by attaining financial independence during public ownership, and secondly by developing a curriculum plan, in cooperation with the Mongolian Academy of Sciences, to train research specialists. This allowed the University to utilize the facilities and intellectual sources of the Academy in selecting the best team and developing a realistic business plan, which contributed to their success in the bidding.

The Ulaanbaatar University management team promises to maintain the current management and marketing processes, as well as to maintain further progress in these areas. The implementation of the business plan commenced immediately. If the University successfully completes the 2-year contract, and pays 100% of 512,417,200 Tugrug to the SPC, the privatization process will be complete.



TRANSFER OF STATE UNIVERSITY INTO PRIVATE OWNERSHIP

The education sector has been captured by a wave of restructuring

Privatization and the creation of free competition in the educational sector can pave the way for restructuring and reforms.

Before 1990, the Mongolian education sector resembled an old man climbing up a high mountain with a heavy burden on his shoulders. This burden consisted of the whole educational system, including preschool, primary and secondary schools and the higher education. Rescue came from a democratic economy as market liberalization laid the groundwork for educational restructuring and ended the state’s dominance in the sector.

Liberalization of educational sector ownership created a rush of new private schools. Initially, there were many small foreign language courses offered later expanding into universities, and today’s various private professional training institutions. In 1992, there were only six universities in Mongolia, all public institutions. According to the statistics, this number increased to 172 in 2003, 134 of which were private universities or colleges thus, proving the success of the private sector in this area. (Annex 1, 2).

In 2003 74,100 people graduated with a diploma, Bachelor’s, Master’s or Doctoral degree from public universities and colleges. Meanwhile private education institutes produced 34,134 graduates with bachelor, doctoral and master degrees - that is, 1.8 times less than the public sector did that year.

(Annex 3).

When famous market researcher Dr. M. Freedman was asked how to develop Russia, he responded: “Privatize, privatize and again privatize”. This could also be applied to Mongolia, where privatization is at the core of educational reform. The need to transfer the financial burden of education to the private sector is still urgent: despite the growing number of private institutions, public schools still support most of the sector’s finances.

Since 1991, the GOM and the Parliament have paid special attention to the creation of a conducive legal environment. All forms of ownership equity have been constitutionalized marking the first step towards privatization. New laws made it possible for the private sector to participate in education. Processes were also launched to privatize 80 year’s worth of public property and privatization vouchers were distributed to members of the population inclusive of all age levels. .

The key objectives of public property distribution are:

1. To transfer the so-called “common” property to private possession
2. To utilize private property resources to develop the economy

3. To give citizens economic independence and legal property ownership

Privatization was never an easy or a quick process. Mongolians believed that by rushing the process, obstacles and errors would increase; thus, the privatization process has been carried out with caution.

Stage One: 1990-1995 is considered to be the time period for the first stage of privatization. So far, 95% of Mongolian citizens participated in “voucher privatization,” when shares of more than 470 state enterprises were distributed, herders were given legal ownership of their livestock and 1.1 million people became share-holders. During this period, 6 billion Tugrug worth of assets were privatized by vouchers. A total of 44% of state property has now been privatized, with assets equal to 21 billion Tugrug.¹

Stage Two: The second stage of the privatization process began with the launching of the Stock Exchange. The appropriate legal conditions for a secondary securities market were created with the opening of the Stock Exchange. During this stage:

- Parliament passed new laws on public and local property on May 27, 1996
- The State Property Committee, an implementing agency for public property regulation, was established in July 1996
- A program for the privatization of public property from 1997 through 2000 was adopted on July 2, 1997. The program was designed to privatize more than 1000 state enterprises and entities.
- Program on privatization conducted in 1997-2000 was adopted by Parliament of Mongolia on May 29, 1999 and privatization of enterprises and valuable entities was conducted.
- Social Sector Privatization Guidelines were established as an annex to Parliament Resolution No. 56 on July 10, 2002.
- Parliament Resolution No. 34 approved the list of social sector organizations to be privatized in 2003.

In 1997, 223 state owned entities were privatized generating 13.8 billion Tugrug in revenue; in 1998, 213 entities were privatized generating 15.2 billion Tugrug in revenue; in 1999, privatizations generated 14 billion Tugrug in revenue. So far, 910 of the 1000 entities included in the list have been privatized and 42 billion Tugrug in revenue was remitted to the state budget. 92% of Mongolian companies are now private, making up approximately 80% of GDP.

Market economics have been implemented more slowly in the higher education sector. The 38 public universities and colleges are now only partially financed by the government. The MECS no longer subsidizes university salaries, heating, electricity, or water supplies. In 2004, the MECS budget included 5,468.8 million Tugrug for investment in higher education. Although they are still technically public, state universities are now charging tuition fees, allowing them to cover some expenses independently, the first step towards self-financing.

¹ *State Property Committee report*



Complexity of Social Sector Privatization

Social sector privatization is a complex process, and will directly affect social services and citizen's income. Thus, it should be done very carefully, over a sufficient period of time.

The social sector includes all cultural, scientific, medical and educational organizations providing the population with services. The Government of Mongolia, in cooperation with the World Bank, has carried out the first pilot project on the social sector privatisation. In Parliament Resolution No. 160 (1997), two public entities, namely the Institute of Finance and Economics and the Bayanzurkh District Hospital, were proposed for privatisation free of charge. These pilot projects were designed to test international practices in the Mongolian market.

The high costs of social sector privatisation leads to an increase in payments for social services such as medical services, tuition fees and scientific facilities. Increase in social service costs in turn results in the decline of citizens' use of income. Therefore, to avoid these sensitive issues during the initial stages, the first privatisations were designed to be "free pilot tests".

In order to avoid a negative public reaction, developed countries generally pursue social sector privatisation very carefully. For example, several Scandinavian countries, Germany and Austria, follow a policy of nominal tuition fees. In France, the Government subsidises 90% of university budgets. In Australia, tuitions are compiled from residents' tax payments, and upon graduation student tuition is paid back.²

The Institute of Finance and Economics, now privatised on a free of charge basis has strengthened its material assets, improved the education quality and gained a reputation as a professional training institution. Its success has shown that the pilot tests can have long-term positive results.

In August of 2000, the Government of Mongolia developed guidelines for social sector privatization through management contracts, this was determined to be the most cost-effective method. In 2002, the Parliament passed Resolution No. 56 on the *Reform and Restructuring Methods for Social Sector Privatisation*, and on 11 February 2003, Resolution No.34 issued the *List of Social Sector Entities for Restructuring and Privatisation*. In Annex 1 of this resolution, public entities to be privatised were listed, including the University of Humanities, Ulaanbaatar University, the Institute of Commerce and Industry, and the Production and Craft School as well as several other social sector institutions. At present, three of these universities have been privatised on management contracts, while two have postponed privatisation.

The main goal of any privatisation process is to decrease the state's participation in the economy of that particular sector.³ The state has the right to conduct privatisation according to what it believes to be an appropriate structure. Though research has shown many different privatisation methods, the following have been the most widely used in Mongolia:

² "Globalisation and Education" by Chuluundorj

Bidding. This method has been used primarily in the sale of business entities. Open bidding starts at a government-established minimum asking price. Atar Uruu, Talkh Chikher and other companies have been privatized by this method.

Competitive selection method (project selection). In this method, used for privatising banks, the price is fixed and competition is based on the implementation of certain projects. One successful example of this method is the Trade and Development Bank.

Privatization through issuing shares and stocks. This method was utilized to privatise 470 state-owned companies by selling company shares.

Privatization through consolidation of assets. This involves the sale of assets and company turnover into a joint-stock enterprise like Erdenet, a large copper factory.

Liquidation of bankrupted entities. This method is implemented by court order.

Sale of special shares with benefits, under the state supervision.

The privatization of the NIC company through sale of Golden shares for a five year period with preservation of the state’s special rights.

Privatization free of charge or by management contract.

Even though the management contract privatisations have been called “free of charge,” as of 2003, the management team will be required to purchase the entity from the state.

The last method was chosen as the most effective for the educational sector. It is carried out in three stages. **The first step** is finding an appropriate management team: the state property or organisation is transferred to a management team for a set period of time. **The second stage:** selected team is given independence to run business programs, while preserving the organisational directives and goals. Even though the management team has complete governing authority, the privatisation is not yet complete. After the contracted time period the management team must prove its effectiveness and pay a fixed amount to conclude the contract. **The third step** of privatization is based on the results of the second stage. If the contract is successfully completed and the payment is made, the university’s assets are transferred to the management team. This revenue is usually generated during the contract period by a successful business plan. Although the team must purchase the organization, this form of privatization is still considered a privilege.

According to Resolution No. 34 of 2003, the University of Humanities and Ulaanbaatar University were open for privatisation by management contract.

³ *Mongolian government action plan*



University of the Academy of Sciences’ Scholars

*The Technological Institute was established to
train research scientists in a western style.*

The MECS council meeting held on the 25th of February 1992, authorized B. Chadraa, the President of the Mongolian Academy of Sciences, and a member of the Parliament, to establish the Institute of Technology. Using the experiences of the USA, the UK and the Russian Federation, the new Institute aims to train a new generation of scientific specialists using the academic base of the Academy of Sciences. The new Institute aims to “meet the market demand for trained specialists in complex appliances, chemical technology, applied physics, applied mathematics and Asian studies.”⁴ The Institute’s founder, in cooperation with Academy scientists, conducted research in the chosen fields for three years, utilizing the material and intellectual capabilities of the Academy of Sciences.

The Institute took over the former Soviet Union trade and service centre, and renovated it as the Institute building. At its establishment, the Institute of Technology had 21 teachers and 49 students, and for the first three years, ten students each year were given doctoral degrees. After three years of establishment, the Institute had 57 teachers, approximately 60% of who held advanced scientific degrees. The Institute of Technology developed collaboration programs with the University of Colorado and the University of Energy and the Institute of Foreign Relations in Moscow, and consequently its reputation grew. The collaboration produced a three-way research base allowing the Institute to qualify as a university.

On the first of January 1995, MECS Resolution No. 15 officially recognized the Institute as a university, changing its name to Ulaanbaatar University and providing training in the fields of technology, social sciences, literature and language. At present, the University has nine specialist departments and two scientific centers. There are 124 teachers, 12 with Doctoral degrees and 70 with Master’s degrees, and 1700 enrolled students working towards Bachelor’s, Master’s, or Doctoral degrees.

Private University Hopeful of State Support

*Although the institution is officially registered as state-owned,
all financial activities are independently managed.*

Although Ulaanbaatar University is officially state-owned, it has been financing its activities completely independently.

The primary reason for originally registering the University as state-owned was that it

⁴ *Initial defined strategy*

presumably belonged to the Academy of Sciences and was using the Academy of Sciences facilities free of charge.

The founders also most likely considered the fact that newly established private institutions tend to lack the competitive edge over other private universities and colleges. As a state institution, the University had an advantage over its private counterparts allowing it to lay a strong foundation and attract highly qualified staff.

Since the 1990s, market economics have been slowly introduced into Mongolia’s school system, breaking off state funding for many schools and colleges. Utilities are now paid for privately and the government subsidizes only school investments.

At its formation, Ulaanbaatar University competed with more prestigious institutions such as the National University of Mongolia and the University of Science and Technology. It was given an edge however, by its relationship with the Academy of Sciences. The decision to use the intellectual and technical capabilities of the Academy of Sciences allowed the new University to attract doctors, professors and well-known scientists, also making it possible for the University students to use the Academy of Sciences libraries and research centers. As a result, students graduate from the University with double qualifications, having participated in both academic and research work. Within five years of its establishment, the University was able to increase enrollment and improve the quality of teaching staff despite fierce competition from its counterparts.

Students Enrolled in the University:

In 2001 - 360

In 2002 - 540

In 2003 - 750

A significant percentage of new students come from rural areas and entrance exams are now conducted in 15 of 21 provinces.

Director S. Baigalsaikhan made it clear that the University’s main objective is to provide its students with a good quality education and to operate independently. Financial independence allows the University to compete freely and actively in its field and has encouraged a distinctive development strategy. The fact that the initial capital was provided by the founders has helped to increase the assets and working capital of the University. (See Appendix 4) The number of incoming students and graduates has been increasing annually, and it is evident that the University has found its footing in the education market.



On the Road to Privatization

*Privatization commences,
in compliance with the SPC regulations.*

State owned organizations are not asked whether or not they think they should be privatized. The relevant ministries are asked to select organizations for privatization and the Government makes the final decision.

Ulaanbaatar University was the second on the privatization list published in Resolution No. 34 in 2003. In response to the question of why Ulaanbaatar University was chosen to be privatized, MECS specialist Ch. Buyanjargal stated that “Privatization may be in the University’s best interest. Like many colleges, it was established by specialist lobbies, and getting rid of state status after the initial growth period may greatly benefit the organization. Education sector reform is very important. The number of language, journalism, and social sciences colleges has increased drastically but often lack teaching quality. If those schools could combine facilities and form a few good universities, the teaching quality would undoubtedly be improved.”

Ulaanbaatar University has been financially independent for some time. It has not once received state subsidies in the eleven years since its establishment and since the University has already been functioning as a private enterprise, the decision to privatize it makes sense.

Many people mistakenly think that the SPC makes the decisions regarding privatization. In fact, the SPC is purely an implementing agency, which follows the Government’s decisions. Ulaanbaatar University was included in the government list, therefore the SPC carried out its privatization.

Privatization Commences

Privatization starts with an inventory of the university’s assets.

Privatization is composed of three stages. The first is to prepare for the privatization, the second is the privatization process and the third is the transfer of assets and the conclusion of the privatization contract. Following Government Resolution No. 84 in 2001, “the Assets Assessment Centre” company commenced the valuation of the assets of the University. The company used the following methods to value assets:

- A. Method of expenses
- B. Method of market price
- C. Method of income

The face value, or the balanced average of capital assets was set at 613,633.7 thousand Tugrug. The SPC set the price at 512,417.2 thousand Tugrug, taking into account the University’s debt and the fact that it had operated at a loss for the previous three years. The State Property Commission vetoed a proposal to deduct 300 million Tugrug for the investment put forward by the founder B. Chadraa, deciding to consider that particular asset as a state subsidy.

School building expansion, completed on a loan from Mr. Namsrai, proved credible and thus was deducted from the price. S. Baigalsaikhan, the leader of the winning management team, stated that, “When compared to a state-supported university such as the University of Humanities, the price was actually quite high. We were forced to buy the entity that we brought into existence ourselves. It was unfortunate that the distinctive features and financial situation of the University was not considered in the valuation process.” The SPC announced the University privatization tender after evaluating the previous three-year’s auditing reports.

Upon the announcement of the Ulaanbaatar University privatization tender on 3 July 2003 in the *Zuunii Medee* and other major newspapers, open bidding for the contract commenced. Applications were to be submitted by 4 pm on September 4th, 2003, and the privatization process immediately commenced.

The first stage of privatization is relatively time-consuming. According to regulations, tender applications must purchase the relevant materials and documents consisting of general information on the university, tender regulations, and a contract draft, for 300,000 Tugrug. The reason for putting a price on the documents is to show consideration for the work put into the process by SPC experts and specialists. Tender participants are required to have a management team, with a leader of proven qualifications and experience. (Annex 5)

Two teams applied for the Ulaanbaatar University privatization contract. The University team consisted of eight people, led by S. Baigalsaikhan, a Doctor of Science and a Professor and scholar of literature, who has been working as the University Director since 1999. S. Baigalsaikhan formed his team from the administrative staff of the University, including its founder, B. Chadraa, honorary scientist, Doctor of Science and academician Kh. Namsrai, Science and Technology University professor and Doctor of Science Sh. Oyun, and the Head of the Chemistry and Technology Department and Doctor of Science, B. Purevsuren.

The second team in the competition was team “Tamir” headed by Doctor of Science Ts. Erdenebaatar. Dr. Ts. Erdenebaatar studied Educational Science in Japan and had worked as a research scientist at the Academy of Sciences. He had been teaching at the University since its establishment. The team consisted of about 20 people, including Amarzaya, a teacher at Arkhangai province teachers’ college, Doctor of Science and professor Ch. Natsagdorj, a teacher at the University of Science and Technology, and Doctor of Science and professor B. Sumyabaatar, a scientist at the Academy of Sciences.

S. Baigalsaikhan’s team had the advantage of a strong personnel background and consisted of staff members from the university itself. This meant that it was capable of winning support from the University community. As the owners of the University’s assets, they were also financially capable. According to the team leader, their main advantage was “the tradition



they had of working as a team, from the director down to the cleaning staff. All the team members participated in completing the tender documents, which required precise and compact procedures. We had already anticipated privatization: the management contract was a continuation of projects we had already been implementing.”

The leader of rival team, Ts. Erdenebat stated “Privatization was a difficult step for us. We needed financially strong people with management experience and had to search as far as Arkhangai Province. We worked night and day to find members who would be capable of implementing the management contract and who were financially experienced enough to transfer the deposit of 100 million Tugrug. Our final business plan was pretty sound, and Amarzaya was responsible for completing all the necessary tender documents. Just before the document check, we came to realize how complex the SPC regulations really are. When they opened the tender documents, we found we had left out the contract draft. Although we received the draft of the contract when we bought the documents, we made the mistake of thinking that it had been confused with the business plan. But you don’t get a second chance, so our rivals won.”

Team “Tamir” lost its opportunity to compete for privatization due to inadequate preparation and failure to present the documents in line with regulations. They are not the only such case. In the privatization of the Shargaljuut resort, the College of Commerce and Business, and the Gobi Company, there were widespread cases of participant negligence.

Bid Awarded To UB University Team

...The Academy of Sciences entirely supported the UB University team...

As a rule, tenders should have at least two participants. In this case however, the competitor’s negligence made for a single-sided battle. Some concluded that the team did not have a real interest in competition, but team leader Ts. Erdenebat said that “I was a real competitor, but made a mistake during the process. Later we realized that our rivals had advantages in many areas, and although we could not complete the bid, we learned a lot.”

According to the tender regulations, the expert panel continued its assessment of S. Baigalsaikhn’s team. The real deciding factor is the management team’s business plan.

The experts evaluated the team’s qualifications on a 100-point scale.

J. Tseveendorj, the Vice Director of the MECS Financial Controls Department and SPC investigation team expert said that “Having investigated the documents submitted on December 2, 2003, we gave S. Baigalsaikh’s team 75 marks and decided to reject Erdenebat’s team due to failure to submit the proper documents.”

Tender proposal is assessed on the following criteria:

- Business potential, management qualifications and experience, and the teams’ ability to effectively manage the financial situation. (0 – 50marks)

⁵ From interview with Ts Erdenebat

- Quality of business planning and proposed management operations, and correspondence of planning with the goals of privatization (0 – 40 marks)
- Quality of human resources planning and development and planned risk- management (0 – 10 marks)

The UB University team’s business plan consisted of short-, middle-, and long-term prospects, and was given top marks by the assessment experts. The administrative management planning of the team had both advantages and disadvantages, but according to the competing team, the Academy of Sciences was fully in support of the program.⁵

The management team consisted of 3 academics, 5 doctors of science and included administrative representatives of the university. The team’s business plan was successful. Therefore, the team was awarded 75 out of 100 marks.

The team had defined middle term business planning and a “Welfare” project to be implemented among the employees. The plan provides methods for improving the levels of training techniques and technology know-how, without changing the direction of the university.

The business plan did not define objectives on credit exchange programs and no defined method of keeping the tuition rates down existed. At some point, the management team was considering an increase in tuition fees. They promised that tuition fees will not negatively impact the training quality. (Training quality is defined by the success of previous graduates.)

In the last two years, changes in electricity and heating costs have not impacted tuition fees. However, as of this year the tuition fees will be increased to help pay for the added utilities cost.

Students do not really have the option of choosing a university based on tuition costs. There is a general provision in the privatization contract for keeping the tuition fees within a certain percentage, but issues like training quality indicators and dormitory issues for students from rural areas have not been defined.

On the basis of the SPC assessment, the Ulaanbaatar University team was awarded the bid and concluded the contract with the SPC on December 8, 2003. The property was formally handed over on December 26, 2003.

What we have been doing, and are doing now... _____

Choosing the right strategy and creating a sustainable distribution of financial reserves has created many business prospects.

The strategies developed by the founders of the University have played an important role in the development of financial resources, strong teaching staff, independent training facilities and equipment and a strong foreign and domestic reputation. The University is

⁶ Explained that tuition fee will not negatively impact training quality



financially independent and has developed reserves for carrying out scientific research. Graduates are well qualified and have strong research skills and experience.

At the conclusion of the contract, the University team successfully transferred the initial payment of 100 million Tugrug to the SPC.

The team’s business plan included detailed and accurate information about short-and middle-term management, and implementation began immediately after the contract with the SPC was signed.

Although it has only been one month since the privatization, the principal project to “prepare scientific researchers with high consumable and intellectual capacities on the basis of the institution’s intellectual and fundamental reserves” has already begun to be implemented and a collaboration contract has been signed with the Academy of Sciences.

The short-term planning involves continued financial independence; the expansion of the training premises in addition to the 600 million Tugrug investments that have already been put into the project.

In an interview, S. Baigalsaikhan defined the business plan as, “What we have been doing, and are doing now.” The team aims to “conduct sustainable management and marketing, to increase competitive capacities, to rehabilitate training facilities and equipment, to carry out scientific training, and to improve the University’s financial capacities.”

M. Mukhtuya, head of the foreign language department, is paying more attention to the improvement of teachers’ knowledge. 3 teachers have been enrolled in overseas degree programs in England and America. 2 additional teachers are also planning to go abroad. According to the “Welfare” project, the University gives a 50% discount to teachers enrolled in Master’s and Doctoral degree programs.

At its creation, the business plan was discussed and approved by the staff and all issues are open: the staff knows which areas are currently being focused on. Training officer Otgonjargal mentioned that, “The most important thing is quality: this is our daily focus, and the students and teachers are making every effort. The privatization has consolidated our previous achievements. If someone else had purchased the University, they would not have known where to start, and would have confused everything.”

Privatization is always an instigator of change. The first thing the now-independent team has focused on is the expansion of foreign relationships. The University currently has exchange programs, mutual teacher training, scientific cooperation and double-major diploma programs with the following universities:

- Moscow University of Energy (Russia)
- Irkutsk Technical University (Russia)
- University of Colorado (USA)

⁷ Interview with S. Baigalsaikhan

- Kobe University (Japan)
- Tokyo University (Japan)
- Osaka university (Japan)
- Danko University (Korea)
- Rokhando University (Korea)
- Lanzhou University (China)

Through these cooperation programs, the University has attained international education standards and international degree recognition.

The university library, the main facility for independent study programs, has about 23,500 books. About 20% of these books are in foreign languages.

One of the advantages of a scientific base is the improvement of not only teaching quality, but also scientific research projects. The University staff currently has 8 pending patents, and 23 copyrighted published works.

Privatization and the Effects on the Future

...Prospective students don't choose a university based on tuition fees...

Every privatization has its advantages and disadvantages, regardless of the neutral side effects of the process. 10 people were asked their opinions on the University's privatization, as well as possible negative influences:

- Increase in tuition fees
70 % agree
- Weakening of financial capabilities
64 % agree
- 182 million Tugrug spent for university building expansion, which has a negative effect on financial capabilities of the University
76 % agree
- Improbability of staff pay rises
5 agree, 5 refused to answer
- Privatization was held fairly and properly
8 supports, 2 did not answer;
- Hope for successful completion of management contract
9 support, 1 refused to answer.



Research has shown that high privatization costs tend to lead to an increase in tuition fees, as well as probable delays in staff pay rises and the cutting of research and study project costs. Therefore, setting too high a price for social sector institutions will result in an overall rise in public service expenses. When asked about this issue, Ts. Erdenebat, dean on the University, answered, “To improve the quality of teaching practices and to aid in the implementation of the business plan, we are planning to increase the tuition by 10-15 percent. Prospective students don’t choose a university based on tuition fees. The increase in tuition is not just a factor of privatization: the rise in utilities costs was also a factor. The quality of teaching will not decrease, and the overall goal of the management contract was to improve the teaching, not to raise tuition.”

General Conclusions and Recommendations

1. Currently, the majority of universities and colleges are concentrated in Ulaanbaatar. Restructuring the educational sector to respond to the rural demand for professional training would shift some of the load to the local level.
2. Management teams should be supervised and assisted before the completion of the management tender. The main reason for failure in the biddings is incomplete documentation; the SPC documents should include clauses for tender supervision.
3. The advantages of triangle ownership forms or integrated business practices should be investigated. Taking into account the shortage of participants and competitors at the privatisation process, especially in the educational sector.
4. Prices for the privatization of educational sector institutions should be kept at a reasonable level, to aid the management team in the improvement of academic standards.
5. A clause establishing a ceiling payment for the management contract should be inserted, and the responsibilities of all parties should be clearly stated.
6. The SPC should establish a department or office responsible for preventing mistakes in general privatization processes.

Connecting reforms with privatisation

Author’s Notes

In an era of globalization, higher education is becoming increasingly important. Providing reliable professional training facilities to meet the demand for higher education is not a problem for Mongolia. However, educational institutions do require urgent attention. The successful privatization of the social sector is to some extent contingent on equal competition in education.

Due to the development of the world educational sector, financially independent institutions are necessary to meet modern challenges. Although the privatization of the universities is to

some extent a response to this tendency, there are still a lot of questions to be asked regarding the results.

The World Bank, along with UNESCO, produced a recommendation articulating that, “contemporary education strategy aims to provide equal opportunities for education, to emphasize research-based education, employment of graduates, ability to meet social demands, and the active and inactive work of students and instructors.”

The chosen method of university privatization plays a significant role in social and economic growth. From a financial perspective, the final privatization payment is considered the easiest part of the management activities.

Although the government has undertaken measures to provide poor and vulnerable group families with financial aid for higher education, the aid is not extended to middle-income families. This group, therefore, has limited access to higher education. 80% of the students surveyed come from low- or middle-income families; a raise in tuition payments following privatization will impact a significant portion of the student body.

Quality assessment in Mongolian universities is a critical issue. Educational reforms directly impact the social sector, as the universities are responsible for preparing skilled professionals to be employed by society. Post-privatization outcomes are tightly linked to the social sector, and it is important to be able to qualitatively assess universities, as the final stage in privatization.

Detailed research on the employment of graduates of many newly established universities and colleges has not yet been done; qualitative indicators other than university growth should be set. Currently, half of the graduates and professionals of newly established or recently privatised universities and colleges are not engaged in professional work.

One of the negative tendencies of new graduates is a lack of specialists to meet market demand.

An inequality in post-graduate employment opportunities leads to the majority of students majoring in economics, languages, international relations, Mongolian language, journalism and social sciences. Meanwhile, specialists in engineering, technology, and mining are urgently needed. Unfortunately, due to the lack of demand, there are relatively few institutions offering study courses in these areas.

Furthermore, most of the universities and colleges are concentrated in the capital city leading to a deficiency of specialists in rural areas. Research has shown that almost 90% of university graduates try to stay in the city by all possible means. In order to maintain a balance of specialists in local areas, privatization of rural higher education institutions should be conducted at a discounted rate.

The government could potentially solve this problem by issuing a list of specialties in high demand and giving privatization discounts to institutions providing training in these areas.

The current situation of privatised universities shows that the privatisation of the educational sector is a delicate process demanding accurate and supportive policies.

⁸ *Interview with S. Baigalsaikhan*



Chronology of Ulaanbaatar University

- 1992, the Institute of Technology is established at the initiative of academics of the Academy of Sciences, headed by B. Chadraa, the Academy President. It received accreditation by the MECS on the 25th of February.*
- 1993, the Department of Social Science is opened, with programs in Linguistics, Literature, History and Archaeology.*
- 1995, cooperation is established with the University of Colorado and the Denver University in the USA, and an English training program commenced in the 1996-97 academic year.*
- 1995, the Institute is reorganized into Ulaanbaatar University by the MECS*
- 1999, A cooperation is established with the Moscow University of Energy, and courses in Applied Mathematics and Microelectronics are created*
- 2000, the MECS reorganizes the former Steering Committee of the state-owned university into a 14-member board including local representatives.*
- 2001, the Asset Assessment Center is hired to assess the University's assets. The University's fixed asset value was set at 613,633.7 thousand Tugrug. On the basis of this assessment, minimum bid was set at 512,417.2 thousand Tugrug.*
- 2003, the tender on privatization of the University is announced by the SPC*
- 2003, the SPC Analysis Team receives the documents submitted by both teams on November 25th. Team “Tamir” lost the opportunity to compete due to insufficient documentation.*
- 2003, on December 8th, the University Team, led by S. Baigalsaikhan, wins the management competition.*
- 2003, on December 9th, the management contract is signed.*
- 2003, the SPC and the Management team sign accreditation documents for transfer of the University on February 16th.*

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5. Academy of Science. Research on Mongolian Development. 2003
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Appendices

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Annex 1

Survey on admission to the Ulaanbaatar universit

/Per three academic years/

Year	1992	2001	2002	2003
Enrolled Students	49	360	540	750

Annex 2

Survey on students of universities and colleges

for 2003-2004 academic year

No	Type and ownership of the institution	For students of 2003	For attendances of 2004
1	<i>State-owned institutions:</i>		
	-Diploma	5720	1357
	-Bachelor	62731	10893
	-Master Degree	4092	1935
	-Doctor Degree	1591	334
	<i>Total</i>	74134	14519
2	<i>Non-public institutions:</i>		
	-Diploma	408	
	-Bachelor	33304	
	-Master Degree	395	
	-Doctor Degree	24	
	<i>Total</i>	34134	
	<i>Foreign-owned institutions</i>		
	-Bachelor	469	
	-Master Degree	1	
	<i>Entire volume:</i>		
	-Diploma	6128	
	-Bachelor	96504	
	-Master Degree	4491	
	-Doctor Degree	1615	

Annex 3

Survey on higher educational institutions

No	Indicators	Number of universities and colleges
1	Public universities and colleges: - State-owned - Non-state-owned	172 38 134
2	Total in the capital city: - State-owned - Non-state-owned	135 25 110
	Total in local areas: - State-owned - Non-state-owned	37 13 24
4	Foreign-owned non-public	7

Annex 4

Some balance indicators of Ulaanbaatar university

/thousand Togrog/

No	Economic indicators (thousand tugrugs)	At the end of 2000	At the end of 2001	At the end of 2002
1	Total capital: Fixed assets			697799,3 510069,0
2	Current assets: - Cash - Goods and materials - Unfinished constructions	51901,7 3431,8	10608,2 1401,6	187730,3 2052,0 2550,7 182907,6
3	Total receivables	11,7	4,8	220,0
4	Total liabilities		1080,0	185382,1



Annex 5

List of application and other materials to be submitted to the Tender Commission

Prospective applicants shall submit an official letter to the State Property Committee with the following documents:

1. Application;
2. Confidentiality contract signed by the representative on behalf of the applicant;
3. Unrefundable tender fee payment receipt for 300,000 (three hundred thousand Tugrug);
4. Letter of credentials in case a confidant is appointed;
5. Introduction of the applicant consisting of:
 - 1) Legal status of the applicant, business activities, registration documents on establishment of a legal body (contract, charter, certificate, copy of licence verified by notary, copy of identification card verified by notary for individual); for individuals – ID, in case of collaboration, the requirements will be the same for the other partners ;
 - 2) Experience of applicant, detailed explanation on how well tender requirements are met ; for individuals – application form, detailed introduction of working experience, copy of diploma and qualification certificate proven by a notary, list of scientific and research works;
 - 3) CV of Management team members, detailed description of their work activities, copy of diploma and qualification certificate proven by a notary, list of scientific and research works;
 - 4) In line with clause 1 of article 58 of Law on Public and Local property documents identifying availability of experience of management and capability to manage the university or college of the applicant with legal status or individual ;
 - 5) Fiscal balance sheet verified by audit and other related attachments for last two years;
 - 6) Official permission of the authorities to the applicant on participation in the tender ;
 - 7) Contract between co-partners in case of joint participation in the tender ;
 - 8) List of share-holders and quantity of their shares in case of Joint-stock or limited company or private school.

Upon consideration of the above documents, applicants obtain agreement to participate in the tender and receive tender materials.

Tender’s documentation :

- 1) General introduction to Ulaanbaatar University
- 2) Regulation on selection of legal person to privatize the university, based on the results

of management conducted by Ulaanbaatar University.

- 3) Privatization project, based on the results of management conducted by Ulaanbaatar University.

Based on the management results, the State Property Committee will select a winner on the conditions stipulated in SPC resolution 303 of May 15, 2003.

Tender regulation in brief

- 1) General
- 2) Terms and terminology
- 3) Tender timetable
- 4) Announcement
- 5) Applying for tender participation
- 6) Requirements of bidders
- 7) Tender documents
- 8) Assessment on the organization
- 9) Final settlement of purchase contract draft
- 10) General requirements on tender proposal preparation and its submission
- 11) Bid security
- 12) Tender proposal requirements
- 13) Submission of tender participation proposal
- 14) Acceptance of tender proposal and its opening
- 15) Tender proposal assessment
- 16) Tender failure and ineffectiveness
- 17) Dispute settlement

Tender proposal shall include the following two parts :

- Tender proposal (draft of business planning)
- Payment receipt

Verification to purchase the object at the price set by the SPC, upon completion of the Management contract term. Tender proposals shall be evaluated on a 100 point system.



Case study club

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Report of the case study on the social sector privatization experience _____

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Report of the case study on the social sector privatization experience _____

Results of transformation, restructuring and privatization the children's/ adolescents' summer camps

The objective of the conducted case study was to consider and draw conclusions and lessons regarding the results of transformation, restructuring and privatization of the children's/ adolescents' summer camps within the framework of social sector changes, restructuring and privatization.

The given study had been accomplished on the basis of analyzing the laws, statues and other legal regulations pertaining to children's/adolescents' summer camps' functional objectives and principles of operations, and the status of law implementation at the local levels, i.e., at the capital, province and soum government levels.

More specifically, we have examined the transformation, restructuring and privatization processes of the children's/adolescents' summer camps located in the Green Belt



Area of the capital city and province centers.

The main purpose of the children's/adolescents' summer camp is to:

Create a safe and comfortable environment, provide nutritious meals, conducive to the proactive rest of the children/adolescents, but also to conduct various activities and functions in accordance with the multi-faceted, well-designed program that takes into consideration interests and wishes of children and adolescents, aimed at encouraging and offering the conditions whereby children/adolescents may develop holistically in mental as well as physical sense. The children's/adolescents' camp is to provide its inhabitants all the conditions and opportunities for developing one's own livelihood skills and experiences independently as well as in cooperation with and through support of peers.

Operational objectives of the summer camps:

1. To give an opportunity and teach the children and adolescents skills to function independently, to objectively evaluate and develop themselves;
2. To provide every opportunity and condition for children and adolescents to socialize, cooperate, learn and behave themselves within peer groups;
3. To improve their knowledge regarding the nature and environment through organizing various events and functions aimed at instilling love and concern for protection of nature;
4. To conduct various cultural and social events and functions.

*Quoted from the research paper of Mandakh, Chair,
Mongolian Children's and Adolescents' Camps' Association*

Presently, there are 17 functional summer camps located in the Green Belt Area surrounding the capital city and 24 summer camps in the countryside. The camps have an overall capacity to accommodate 10,400 children in a single shift. The camps work in 6 shifts during the summer season, thus accommodating 62,400 children per year.

The summer camps have had a specific character since they developed in Mongolia. During the period of two decades between 1969 and 1989, when the summer camps were flourishing, the population of children aged 7 to 14, the main customers of the camps, had been on the rapid rise. According to the 1989 statistical figures, children numbered 856 thousand people or 41.9% of the entire Mongolian population.

Reference 1

- In accordance with Resolution No. 315 of the Government of the Mongolian People's Republic, dated November 15, 1991, in conjunction with the Resolution No. 427 of the Minister of Education, all summer camps were transferred to the National Center for Children for administration and jurisdiction purposes. Consequently, the Administration of the National Center for Children held a meeting on December 4, 1991, concerning redrafting and re-establishing the composition, by-laws and regulations of the Children's/Adolescents' Summer Camp Organization Council.

- The Resolution, determining the quota for daily nutrition as well as fees for participating and vacationing in the summer camp, was passed by the Director of the National Center for Children on December 14, 1991, and was executed in accordance henceforth.

*Almanac of the Children's Rights Convention
Implementation in Mongolia, 1991*

Reference 2

- Within the framework of promoting the successful continuation and effectuation of the privatization processes, the following measures shall be undertaken:
- Laying down the legal grounds and regulations for social sector privatization.
- Rectifying irregularities of earlier privatization, providing for stricter legal measures and heightening of legal accountability.
- Improving management and administration of the privatized commercial and manufacturing objects/units and emphasizing efficiency and end results.
- Boosting the privatization process through selecting one best method among many stipulated in the laws and regulations in privatizing of the commercial and manufacturing units/objects. (2.3)

Appendix, Government Program, Resolution 33, Parliament of Mongolia.

- The focal objective to the state property privatization in 2001-2004 is to create conditions for improvement of the livelihood of the people through boosting privatization and promoting private sector involvement, thereby providing favorable conditions for economic growth. (1.1.)
- The focal objective of the social sector transformation, restructuring and privatization is to provide favorable conditions for sound competition, curb state participation and control, define state participation where necessary, with the view of increasing the private sector involvement in the social service financing and administration, thereby regularizing and availing social services to the population on a more equal and even basis. (2.4.)
- ... the following principles shall be upheld in the privatization processes of state property objects/units in other sectors:
- The Government shall reserve the right to make decisions regarding the number and categories of the privatization objects as well as method, with the full consideration of the specificity of the given object/unit and its importance in the economy of Mongolia.
- In choosing the objects/units for privatization, issues such as fulfillment of the privatization preparations, and state budget revenue expected from the given object/unit in that given fiscal year shall be taken into account. (2.5.)

*"State Property Objects' Privatization Guidelines for 2001 to 2004",
Appendix, Resolution No. 10, Parliament of Mongolia, 2001.*



The changes and restructuring in Mongolia have produced sufficient evidence that the mechanisms that were operationally effective in the old social set-up are no longer applicable for the limitation in meeting the differing demands of the present context.

The early 90s' transition period of the Mongolian centrally planned economy to the market economy was characterized by the overall economic decline, and consequent hardships swept through all spheres, including the social sector organizations and service-providers, which further on inevitably necessitated restructuring of the sector itself.

On par with changes and developments taking place in Mongolia, the needs of children and youth for obtaining multi-faceted information as well as learning and development opportunities are accelerating, since their needs are recognizably higher than those of the earlier generations.

Since the present social set-up is requiring better information and knowledge from children and youth, parents are paying more attention toward their children's welfare and education.

The new market economy set-up has instilled an intrinsic value for money, thus compelling parents to seek out for their children not only vacation time in the camps, but also added value for money, i.e., learning opportunities for their children, when they send them to summer camps. In this context, the modification of operational guidelines of the children's/adolescents' summer camps becomes a pressing issue.

Reference 3

- The main objective of the social sector transformation, restructuring and privatization guidelines is:
 - To increase the private sector participation and involvement in the social sector, promote fair and sound competition; broaden the services meeting the needs of the population, with the special emphasis on improved quality, accessibility and efficiency of the services.
- The objectives of the social sector transformation, restructuring and privatization:
 1. Decentralize governance and administration, improve and build capacity
 2. Increase private sector involvement in the social sector services
 3. Increase independency of organizations
 4. Introduce technical and technological innovations, latest scientific methods and best practices in the social services
 5. Promote sound market competition together with appropriate mechanisms of state regulation6. Choose and implement the most appropriate methods of transformation, restructuring and privatization. (1.2.)

*"Social Sector Transformation, Restructuring and Privatization Guidelines",
Resolution No. 56, 2002, Parliament of Mongolia.*

Elaboration:

Starting with the beginning of 1990s, the regular operations of the children's/adolescents' summer camps have grown increasingly complicated due to following reasons:

- The state budgetary allocations for the normal operation of camps had become insufficient.
- The summer camp accommodation buildings and other basic utilities had been become redundant and were in need for capital renovation and refurbishing.
- Food price had increased.
- Parents stopped sending their children to summer camps due to overall economic incapability.

Due to above impediments, the situation of complete impossibility for the summer camps to operate regularly and normally arose, and the summer camps', which were operational at that point of time had been unable to make any profit whatsoever.

Because of the critical situation of the children's/adolescents' camps and the recognized necessity for restructuring, the State had resolved to include the summer camps in the list of the state property social sector objects to be privatized.

Reference 4

- The principles to be upheld in transformation, restructuring and privatization of the social sector:
 1. Ensure fairness, transparency and openness of the process.
 2. Ensure status quo or higher standards consequent to the process.
 3. Ensure the non-alteration of the operational objectives and purposes of the service provider.
 4. Ensure the accessibility and services range is improved.
 5. Lower hazards in employees' working conditions.
- The methods of implementing the social sector transformation, restructuring and privatization:
 - Management, lease and performance contracts and methods of implementing them shall be determined on the basis of the specificity of the given unit/object and more than one method may be employed in this process.
 - The register of the social sector objects/units to be privatized and/or restructured, as well as their methods of privatization, shall be determined and enacted by the Government.
 - The regulations pertaining to the operations to be carried out under the management, performance and lease contracts shall be approved and passed by the State Property Committee based upon suggestions from the concerned Central Government agency, the implementation of which shall be monitored jointly



with that agency. (1.4.)

- The following state property objects/units shall be transformed, restructured and privatized within the framework of social sector transformation, restructuring and privatization:

- Children's palace, children's/adolescents' summer camps; (1.5.3.3.)

Appendix, "Social Sector Transformation, Restructuring and Privatization Guidelines", Resolution No. 56, 2002, Parliament of Mongolia.

Reference 5

- Measures to be undertaken within the framework of social sector transformation, restructuring and privatization:

- In case of the children's camps operating in the rural areas, management of privatization shall be carried out and implemented, based upon deliberations and resolution of the province, or the soum Citizens' Representative Council. (2.3.1.6)

Appendix, "Social Sector Transformation, Restructuring and Privatization Guidelines", Resolution No. 56, 2002, Parliament of Mongolia.

RESOLUTION OF THE GOVERNMENT OF MONGOLIA

February 11, 2003

Number 34

Ulaanbaatar City

On enacting the approval of the register of state property social sector objects/units to be transformed, restructured and privatized in 2003

It is hereby RESOLVED by the Government of Mongolia, based on the Subsection 4 of Section 9, Subsection 3 of Section 33 of the Law on State and Local Government Owned Objects, Paragraph 1.4. of "Social Sector Transformation, Restructuring and Privatization Guidelines", Resolution Number 56, dated 2002, by the Parliament of Mongolia:

... 3. To delegate the process of deliberating upon transformation, restructuring and privatization in the year of 2003 of the state property object/unit's branches listed in the appendix number 4, to the concerned provinces and capital Citizens' Representatives Councils and the Governors, after proper decisions have been pronounced as a result of deliberations between the State Property Committee, the Ministry of Education, Culture and Sciences, the Ministry of Social Welfare and Labor and the Ministry of Health.

PRIME MINISTER OF MONGOLIA
MINISTER FOR SOCIAL WELFARE AND LABOR

N. ENKHBAYAR
SH. BATABAYAR

(APPENDIX 4 is attached)

EXPLANATION NO. 1:

In the process of the research, we have met, interviewed and conducted a survey among the heads of the Children's Center of the rural provinces, who had been attending a seminar in Ulaanbaatar city.

The representatives of the Children's Centers of the rural areas, namely Uvs, Khentii, Arkhangai, Dundgobi, Khuvsgul, Gobi-Altai, Bayan-Ulgii, Zavkhan, Sukhbaatar, Orkhon, Dornogobi, Tuv Provinces, who participated in this research were professionals in their field, providing methodological assistance and guidance in operations of the children's/adolescents' summer camps in their area.

The specialists held various views concerning the restructuring and privatization processes of the children's summer camps, all reflecting their professionalism and knowledge in the field.

Survey conducted among the heads of children's organizations located in the rural areas

Questions of the survey

1. Summer camps in each participant's area
2. Details of the participants themselves
3. Legal environment for conducting the transformation, restructuring and privatization of children's/adolescents' camps
 - A. How have the transformation, restructuring and privatization of the children's/adolescents' summer camps been projected in the Government resolutions regarding the social sector transformation, restructuring and transformation?
 - B. When did the local government pass the resolution, or order (elaborate, please, on the content and wording of the resolution) on transforming, restructuring and privatizing the children's/adolescents' summer camps in your area?)
 - C. Which legal instruments have been enacted by whom, and when, to implement these resolutions/orders?
4. How did you react to the resolution about the transformation, restructuring and privatization of the summer camps?
5. How was the decision to transform, restructure and privatize implemented? Have there been any irregularities in the implementation process?
6. How did your colleagues in your organization react to the news of restructure, transformation and privatization, in your opinion?
7. What changes have taken place in your organization's operations since this process began?
 - A. On the management level
 - B. Operational technology, methodology
 - C. Material resources



D. Financial side

8. What are the issues of concern at the present moment? What are the root causes of these issues? How could these issues be resolved, in your opinion?
9. Please, write any additional ideas and suggestions you have regarding the summer camps for children and adolescents.

1. The children's summer camp in each participant's area

Uvs: The province children's summer camp *Kharkhira* was established in 1955. Has the capacity for housing and accommodating 200 children, privatized in 2003.

Khentii: The province children's summer camp *Kherlen* was established in 1986. Has the capacity for housing and accommodating 200 children, privatized in 2003.

Arkhangai: The province children's summer camp *Tamir* was established in 1953. Has the capacity for housing and accommodating 60-100 children, to be privatized in January 2004.

Dundgobi: The province children's summer camp *The Oasis Harmony* was established in 1985. Not privatized.

Khuvsgul: The province children's summer camp *Uran Dash* was established in 1977. Has the capacity for housing and accommodating 240-320 children. Beginning from 2003, operates independently without the province budgetary allocation under the lease contract.

Gobi-Altai: The province children's summer camp *Nukhurlul* was established in 1983. Has the capacity for housing and accommodating 200 children, to be privatized.

Bayan-Ulgii: The province children's summer camp *Zost* was established in 1986. Has the capacity for housing and accommodating 240 children, was privatized on the basis of a management contract in February 2003.

Zavkhan: The province children's summer camp *Dayan* was established in 1976. Has the capacity for housing and accommodating 200 children. Began to operate independently in 2003 under a contract.

Sukhbaatar: The province children's summer camp *Dariganga* was established in 1979. Has the capacity for housing and accommodating 250 children, was privatized on the basis of a management contract in 2003.

Orkhon: The province children's summer camp *Yanzaga* was established in 1975. Has the capacity for housing and accommodating 450-500 children, was privatized on the basis of a management contract in 2003.

Tuv: The province children's summer camp *Uguumur* was established in 1985. Has the capacity for housing and accommodating 240. Commercialized.

Dornogobi: The province children's summer camp *Jargalan* was established in 1985. Has the capacity for housing and accommodating 240 children at a time. Not privatized.

2. Details of the participants themselves

Uvs: Head, Provincial Center for Children

Khentii: Head, Provincial Center for Children

Arkhangai: Head, Provincial Center for Children

Dundgobi: Head, Provincial Center for Children

Khuvsgul: Head, Provincial Center for Children

Gobi-Altai: Head, Provincial Center for Children

Bayan-Ulgii: Head, Provincial Center for Children

Zavkhan: Head, Provincial Center for Children and Youth

Sukhbaatar: Head, Provincial Center for Children

Orkhon: Head, Provincial Center for Children

Tuv: Head, Provincial Center for Children

Dornogobi: Head, Provincial Center for Children

3. Legal environment for conducting the transformation, restructuring and privatization of children's/adolescents' camps

- A. How have the transformation, restructuring and privatization of the children's/ adolescents' summer camps been projected in the Government resolutions regarding the social sector transformation, restructuring and privatization?

Uvs: Management privatization contract as a mode of privatization is specified in the order.

Khentii: Management privatization contract as a mode of privatization is specified in the order.

Arkhangai: The Mongolian Government has passed a resolution of privatizing the social sector, the Parliament has passed a resolution No. 56 in 2002 on transformation, restructure and privatization guidelines for the social sector.

Khuvsgul: Management privatization contract as a mode of privatization is specified in the order.

Bayan-Ulgii: The representative believes that summer camps for children should not have been included in the list of the social sector objects to be privatized.

Zavkhan: Management privatization contract as a mode of privatization is specified in the resolution No. 56 of July 10, 2002. The Government resolution to the similar effect has also been enacted.

Sukhbaatar: The Mongolian Government has passed a resolution of privatizing the social sector, the Parliament has passed a resolution No. 56 in 2002 on transformation, restructure



and privatization guidelines of the social sector.

Tuv: both the Parliament as well as the Government had resolved the procedures for the social sector transformation, restructure and privatization.

Dornogobi: The Parliament and the Government had enacted the resolutions.

B. When did the local government pass the resolution, or order (elaborate, please, on the content and wording of the resolution) on transforming, restructuring and privatizing the children's/adolescents' summer camps in your area?

Uvs: The Citizens' Representatives' Council of the Uvs Province and the Governor of the Province had passed a joint administrative order upon permission from the State Property Committee.

Khentii: The Citizens' Representatives' Council of the Khentii Province had passed a resolution No. 3, dated January 30, 2003.

Arkhangai: The Citizens' Representatives' Council had deliberated this year in January regarding the children's summer camp privatization and had resolved to privatize the camp within the first quarter of 2004.

Khuvsgul: The resolution has been passed by the Province's Citizens' Representatives' Council.

Bayan-Ulgii: The Citizens' Representatives' Council passed a resolution in February, 2003, pronouncing the experimental management privatization of the children's camp for the duration of 3 years.

Zavkhan: The resolution has been passed by the Province's Citizens' Representatives' Council.

Sukhbaatar: The Citizens' Representatives' Council of the Province passed a resolution in July, 2003, followed by the Order of the Governor of the Province and a resolution from the Tender Committee in August.

Tuv: The Governor has passed an administrative order.

C. Which legal instruments have been enacted by whom and when, to implement these resolutions/orders?

Uvs: The Local State Property Division had enacted a tender regulation of the children's summer camp privatization.

Khentii: The Governor's Office of the Khentii Province passed a resolution opening the tender bids for the children's summer camp to be privatized under the management privatization.

Arkhangai: None enacted so far.

Bayan-Ulgii: The Local State Property Division is in charge of the performance contract, under which the camp is operating presently.

Zavkhan: The contract had been entered into with the Governor of the Province.

Tuv: The contract had been entered into with the Governor of the Province.

4. How did you react to the resolution about the transformation, restructuring and privatization of the summer camps?

Uvs: Was happy about the decision.

Khentii: Had been expecting and anticipating this process.

Arkhangai: There will be a need to fully privatize it later on. (As of now, we are thinking of management privatization. Have a few specifically innovative ideas that I shall reflect in the contract to be made between the organization and the Governor's office.)

Khuvsdul: It was an evitable process of the social sector privatization.

Gobi-Altai: Was very happy.

Bayan-Ulgii: Was against it, wanted to protest.

Zavkhan: Took an observatory stand.

Sukhbaatar: Was happy about the development.

Tuv: It was inevitable.

Dornogobi: There was a necessity.

5. How was the decision to transform, restructure and privatize implemented? Have there been any irregularities in the implementation process?

Uvs: All has been implemented within the legal framework. The process of tender bidding and selection has been very fair.

Khentii: All services of the Kherlen camp had to be broadened together with the requirement of self-sufficiency, meaning the camp would no longer depend on the budgetary allocation. The management privatization had been done for the duration of 3 years. The selection had been very appropriate, no errors and irregularities.

Khuvsdul: No irregularities.

Gobi-Altai: Operating as ever.

Bayan-Ulgii: Operating under the contract now.

Zavkhan: If the contract had been drafted well, there would be no irregularities.

Sukhbaatar: So far, no irregularities. The management team's constituency was very good, making the irregularities and errors minimal. As for the property ownership, it's still a public property.

Tuv: So far, the camp is not privatized. The Province Children's Health Welfare is operating under the commercial contract.

Dornogobi: It's operating as always. The preparations are under way to privatize the



camp by the first quarter of 2004.

6. How did your colleagues in your organization react to the news of restructure, transformation and privatization, in your opinion?

Uvs: They were very surprised.

Khentii: They were anticipating and wanting it to happen.

Arkhangai: They understand that this had to be done.

Khuvsugul: They reacted to it as a possible event.

Gobi-Altai: They were happy about it.

Bayan-Ulgii: They were against it.

Zavkhan: They decided to observe.

Sukhbaatar: They were happy.

7. What changes have taken place in your organization's operations since this process began?

A. On the management level

Uvs:

1. The management method had to be modified to become more efficient and effective.
2. Requirements for employees as well as offered service quality had to be improved.

Khentii: The conditions to work with a few employees in an efficient mode were created. After the privatization, our monitoring had become crucial.

Bayan-Ulgii: 8 employees were made redundant.

Zavkhan:

- The number of children taking vacation in our camp had increased.
- Responsibilities as well as capacity of the employees were improved.
- Community involvement is growing.

Sukhbaatar: The loan was provided by the Governor's Office on a condition of repayment and we are planning to run the camp self-sufficiently from this year on.

B. Operational technology, methodology

Uvs: We have modified and retrenched the training program for children.

Khentii: The child health care issues have been addressed properly.

Bayan-Ulgii: Work outputs have improved since the camp started employing the required number of people to run the camp for the certain number of children.

Zahkvan: There have been no changes, since professionals took care of the whole process.

C. Material resources

Uvs: We have planned for more expenditure and drafted the plan for investment.

Khentii: We have been able to purchase the perishables and commodities for cheaper prices since we had a better choice, and the results were very positive for the budget.

Arkhangai: During the last 10 years, there have been no minor or capital renovations of the buildings.

Bayan-Ulgii: The investment process leaves much to hope for.

Zavkhan: The regular renovation resources were lacking.

D. Financial side

Khentii: We have strictly resolved not to allow any alterations in fees, and this leads to losses to a certain extent. The fees for the camp were 12000 MNT in 2002, 12000 MNT in 2003, in the year 2004-2005, the price is calculated to be 15000 MNT, or 1500 per day.

Bayan-Ulgii: We have reduced the subsidy allocated to us by the budget.

Zavkhan: In 2003, over 20 million MNT was calculated to constitute the budget for 2003, and we have been given 6 million MNT, and the rest was made up by the operations of the camp, though we have incurred the loss of 7 million MNT due to the fact that we have only been able to accommodate 6 shifts, instead of the usual 7 shifts.

Sukhbaatar: We have incurred no loss, gained no profits, all balanced out.

8. What are the issues of concern at the present moment? What are the root causes of these issues? How could these issues be resolved, in your opinion?

Uvs:

- We want to regularize the camp operations, and in order to accomplish this, we need to cooperate with other organizations in terms of implementing projects, etc.
- To attract investment, to proceed with this process in accordance with the legal provisions.

Khentii: There had been no capital renovation in the Kherlen camp ever since it was established. Due to this fact, the roofs started leaking, the equipment is no longer adequate; children are no longer comfortable vacationing there. We have to provide for these conditions before everything else. We have the objective of making the camp Children's Development Center and are working toward that goal presently.

Arkhangai:

- The methodology advice and assistance regarding summer camp privatization is necessary.
- We need financial assistance.



Khuvsgul:

- To announce the management privatization tender.
- If we fail to conduct the necessary preparations in 2004, we shall be under great pressure that will threaten the sound privatization process.
- We need to give the camp to a fully capable management team.

Gobi-Altai:

- There have been no capital or regular repairs and renovations done since the camp was established in 1983. We need to provide for favorable conditions for the operations of the campus for the welfare of children.
- The number of children vacationing at the camp is drastically reducing due to the Great Migration that is taking place, most of the rural people moving into the urban centers.

Bayan-Ulgii: In order to implement the capital renovation, we require external sources of investment.

Zavkhan: Taking into the consideration the increasing number of children vacationing in the camp every year, we need assistance as well as investments from domestic and foreign commercial companies.

Sukhbaatar: The foremost necessary issue is the capital renovation of the camp. Since the camp was established 25 years ago, no other repairs have taken place apart from roof mending. We consider further operation of the camp viable. The contract does not specify that only children are supposed to vacation in the camp, therefore, we think that this could be resolved.

9. Please, write any additional ideas and suggestions you have regarding the summer camps for children and adolescents.

Uvs: We have to privatize without altering the operational guidelines of the camp.

Khentii: It is wrong for the State to have reduced the budgetary allocation for the development of children; the children's summer camps are to be subsidized by the State to a certain level. The allocations could be used for the capital renovations. In order to broaden the camp to make it into the Children's Development Center, we need financial resources.

Arkhangai:

- It is predictable that the privatized camp shall incur losses in its first 3 years of operations. There might be some profit beginning from the 4th year on. We have done research for the last 5-10 years and came to the conclusion that the 40% of the children's camp's fees could be subsidized by the State, while parents will pay 60%.
- It is a possibility to open a tourism camp affiliated with the children's camp. We are also looking for cooperation with other organizations and commercial units.
- In the last 10 years, the camp has not been renovated, no maintenance had been

conducted either. I believe that the State must take up this issue and finance it.

- Labor camp could be organized.
- Orphanage children are usually unable to benefit from the children's camp vacationing due to financial issues. We could provide them with the free accommodation and meals, while they will work for the camp. This is an issue worth taking up.

Khuvsgul: Management privatization contract to be drafted jointly with our organization.

Gobi-Altai: I have a suggestion to privatize the children's camps to the existing organizations working for the children's welfare.

Bayan-Ulgii: No suggestions.

Zavkhan: To look for an option of joint operations under the contract with the commercial unit that would have sufficient financial resources.

Orkhon:

- Even in the future, the camp should remain within the jurisdiction of children's organizations.
- We should learn from the past experiences of what went wrong when many organizations were working under one heading.
- Self-sufficiency has proved viable in our operations of 2003; therefore we believe that we will be able to continue working this way.

Tuv: Operation of the camp by professionals jointly with the Children's Center shall retain the identity of the camp as children's. Non-professional people might stress the profit making too much, thus creating flaws within the camp operation principles, methodologies and methods, and this danger is to be kept in mind.

Dornogobi: I only wish that the camp, being the only true on-the-ground organization making the children's welfare issue upfront, did not lose its perspective in the context of privatization.

The above survey contains the data for 12 children's camps in 12 provinces.

- The children's summer camps such as theUvs province's Kharkhiraa, Khentii Province's Kherlen, Bayan-Ulgii Province's Zost, Sukhbaatar Province's Dariganga, have been privatized in 2003, while the following camps, Khuvsgul Province's Uran Doush, Zavkhan Province's Dayan, Tuv Province's Uguumur, have been operating some form of lease contract, and the rest of the camps, namely, Arkhangai Province's Tamir, Dundgobi Province's Oasis Harmony, Gobi-Altai Province's Nukhurlul, Orkhon Province's Yanzaga, Dornogobi Province's Jargalan, are operating in their old way under the management of the Province Governor's Office.
- Based upon the "Social Sector Transformation, Restructuring and Privatization Guidelines", Resolution No. 56, 2002, Parliament of Mongolia, the "List of the State Property Social Sector Objects To Be Privatized", Resolution No. 34, Government of Mongolia, 2003 as well as the Province Citizens' Representative Council's



Resolution and the Governor's Directive, some of the children's/adolescents' camps were privatized in 2003, while the preparations for privatization are taking place in other Provinces.

- The Privatization Tender Regulations in aforementioned privatization cases were jointly drafted and passed by the Province's Governor's Office and the State Property Division of the respective Governor's Offices.
- Of the 12 research participants, the Heads of the Children's Centers in their respective Provinces, 11 held the opinion of the inevitability and necessity of the privatization process, while one participant, the Head of the Bayan-Ulgii Province's Children's Center, expressed negative concerns.
- The question regarding irregularities and errors that might have hindered and interfered with the transformation, restructuring and privatization resolution implementation, all four representatives of the Provinces where the camps have been privatized, were of the opinion that the process had gone rather smoothly.
- There have been positive developments and changes observed in management and operations, since the privatization had been implemented. As for the material resources, there is a common concern about the capital renovations investment and financing. The financial side changes have been mostly projected through the incurred losses.
- Issues of foremost concern have been identified in the following statements:
- There is a common problem that all children's/adolescents' summer camps are facing – capital renovations and repairs.
- Methodological assistance and consultation is required in the camp privatization process.
- To continue to promote child-oriented activities and policies, the State should give thorough attention to this issue, and should assist the camps in terms of creating space and opportunities for attracting investment and international development bodies for joint project implementations.

Elaboration: Transformation, restructuring and the privatization processes have been taking place at different paces in the Provinces, given their varying backgrounds and contexts. Most of the pressing issues of foremost concern were similar as well.

We have looked at the Khentii Province's Kherlen summer camp and 8 camps located in the capital city's Green Belt Area for exemplifying the ongoing process.

Children's/adolescents' summer camps located in the Green Belt Area of Ulaanbaatar city

Elaboration: The directors of the children's/adolescents' summer camps have sent an official letter, headed "The operations of the children's summer camps located in the Green Belt Area of Ulaanbaatar", bearing the signature of all heads of concerned camps, to Mr. M. Enkhbold, the Mayor of the Ulaanbaatar city and the Governor of the Capital, dated May 8,

2003, 11 days prior to the public tender announcement.

The camp directors had expressed their discontent with the privatization process that was to take place a month prior to the commencement of the summer camps' operations without prior public announcement and without prior notification of the summer camps' directors and staff, the process that negated their work and commitment of many years for the children and children's rights, the process that at the end was hampering with the children's rights directly, and had asked the Mayor to relay the above message to Mr. N. Enkhbayar, the Prime Minister of Mongolia.

Law of Mongolia on Protection of Child Rights, Section 4.2., specifies that "the State, the citizens and legal entities shall care and provide for the children's rights above all in their operations."

Elaboration: Special tender for management privatization of the children's summer camps operating in the Green Belt Area of the capital city had been officially announced in a newspaper (*Udriin Sonin*, page 13) on May 19, 2003, to the effect of opening bids.

Announcement of the Special Tender for Management Privatization of the Children's Summer Camps in the Capital City

- The tender bids shall be entered by the individuals, legal and commercial entities, teams of full financial solvency, high management and organization skills profile, possessing high professionalism in the given area.
- Management contract shall be signed between the Capital City Property Transactions Authority, Capital City's Children's and Youth Development Division and the contractor for the duration of 1.5 years.
- The contract shall contain detailed information pertaining to the signatories' duties and liabilities, as well as rights and entitlements, performance bonus and safety deposit amount, contract summarization and closure, and the management reporting procedures.
- Monitoring council to evaluate the contract closure and report in accordance with the duties and responsibilities of the contract signatory's spelt out in the contract shall be formed of 5 people.
- The summer camp certificate fee, shift organization schedule, vulnerable children's issues are to be decided by the Capital Council for Children's Welfare.
- The properties transferred to the contractor shall remain the capital city's property.
- In case modifications are made to the contract, the signatories shall inform each other in a written form; within 30 days modification(s) go into effect.

(See appendix 1 for the tender selection related materials)



Elaboration: By the directive of the Capital City's Governor, the Tender Bid Selection Committee had been created with the following people: Head, Tender Bid Selection Committee – Boldsaikhan, Head, Office of the Governor of the Capital City; Secretary, Tender Bid Selection Committee – Tsolmon, Specialist, Capital City Property Transactions Authority; members: Delgernaran, Director, Capital City Property Transactions Authority; Tsogzolmaa, Director, Capital Council for Children's Welfare; Ganbold, Director, Capital City State Fund Division; Ganbaatar – Specialist, Capital City Property Transactions Authority; Ankhbayar – lawyer.

DIRECTIVE OF THE CAPITAL CITY MAYOR

May 30, 2003

Number 231

Ulaanbaatar city

On passing the model regulation and contract

It is hereby DIRECTED based upon the Section 78 (1) of the State and Local Government Property Law of Mongolia, the Citizens' Representatives' Council Resolution number 66 of 2003:

One. To pass the "Management privatization guidelines for the summer camps, located in the Green Belt Area of the Capital city" as appendix number 1, model "Management Privatization Contract" as appendix 2 of the present directive.

Two. To delegate the procedures of selecting the management privatization of the children's summer camps in accordance with this directive and other related laws and regulations to the Deputy City Mayor and the Head of the Children's Welfare Council (Ch. Sumaakhuu), to the Capital City State Property Transactions Authority (T. Delgernaran).

THE CAPITAL CITY MAYOR,

GOVERNOR OF THE CAPITAL CITY M. ENKHBOLD

FROM THE REGULATIONS ON OPERATING THE CHILDREN'S SUMMER CAMPS OF THE CAPITAL CITY UNDER THE MANAGEMENT CONTRACT

- This regulation shall be upheld in procedures prescribed by the Civil Code of Mongolia, State and Local Government Property Law of Mongolia, Resolution No. 56, 2002, Social Sector Transformation, Restructuring and Privatization Guidelines passed by the Parliament of Mongolia, the Citizens' Representatives' Council Resolution number 66 of 2003, namely, the management privatization selection and further implementation of the process regarding the children's/adolescents' summer camps located in the Green Belt Area of the Capital City.
- The objective of the regulation lies in the following points: to operate the children's/ adolescents' summer camps efficiently and self-sustainably, to create the conducive

environment for the children and adolescents to learn and develop themselves, to conduct the learning and free time management as effectively as possible, to make the camps financially independent, to improve the camp operations by providing proper management and organization structures.

- The process shall select the individuals, legal and commercial entities, teams of full financial solvency, high management and organization skills profile, possessing high professionalism in the given area, and enter into the “Management Contract” with them.
- Other common issues that might arise out of the contractor and the parties unaddressed in the given regulations on the selection procedure and implementation procedures shall be further regulated by the regulation of the management privatization tender selection procedure set out in the Resolution of 2003 by the State Property Committee.
- The Governor of the Capital City shall appoint the Tender Committee on the day the bids are disclosed in order to evaluate the bids.
- The Tender Committee shall select the bidder with the highest points and shall complete a final report of the tender procedure and recommend the highest bidder in the official proceedings of the Capital City Property Privatization Committee.
- Based upon the recommendations of the Tender Committee, *the Capital City Property Privatization Committee shall appoint the camp management team in its official proceedings.*
- Based upon the appointment by the Capital City Property Privatization Committee, the management contract shall be signed between the Capital City Property Transactions Authority, Capital City's Children's and Youth Development Division and the contractor for the duration of 1.5 years.

Capital City Property Transactions Authority's Duties and Liabilities:

- The properties of the children's/adolescents' summer camps shall be passed to the management team with appropriate evaluation certificates, debts and receivables and a financial account. This registry shall be a part and parcel of the contract.
- The contractor shall conduct proper monitoring as to the utilization, safeguarding and protection of properties.
- The investment, project suggestions, domestic as well as international aid cooperation reflected in the business plan by the contractor for adding in the contract shall be recorded in accordance with the prescribed regulations.
- Ensuring the timely submission of operational and financial records shall be demanded from the contractor; and if there are any economic losses and damages, the contractor shall liable to compensate for the incurred damages and losses.

Capital City's Children's and Youth Development Division's Duties and Liabilities:

- The Division shall oversee the contract implementation and shall provide methodological and professional assistance camps' operations.



- The Division shall be in charge of developing and approving the plan for the children's camps' unified operational program, whereby children and adolescents shall realize themselves to the fullest while vacationing in the summer camps in accordance with their needs and requirements.
- Necessary changes regarding the daily ratio of nutrition, number of days and camp fees shall be researched by the Division, incorporating the feedbacks and suggestions from the contractor and deliberated in the Capital City's Children's Welfare Council.
- The Division shall review, grant permission to and oversee the management of the children's summer camps regarding organization of cultural events and shows.
- If the Division is dissatisfied with the performance of the management, it shall have a right to suggest annulment of the contract with the contractor based upon well-grounded reasons.

The Contractor's Duties and Liabilities:

- The contractor shall abide by the concerned law of Mongolia, the resolutions of the bodies such as the Capital City's Citizens' Representatives' Council, Governor, Children's Welfare Council, shall ensure the safety and nutritiousness of the foodstuffs, and operate in accordance with the management contract and the regulations of the children's/adolescents summer camps.
- The contractor shall ensure the security and protection of the properties transferred under its care, shall ensure the utilization of the properties in accordance with their purposes, and conduct repairs and renovations when and where necessary.
- The contractor shall obtain a special permission when attracting investment and shall record the process in line with the regulations of appropriate agencies.
- The contractor shall ensure the following standards in its operations of the children's/ adolescents' camps:
 1. The main operational principles of the camps being essentially pro-children organizations shall not be allowed to be altered. The operations shall be within the framework of the Mongolian Law on the Children's Rights Protection and the International Covenant on Children's Rights.
 2. The contractor shall improve the existing level of operations.
 3. The contractor shall improve financial benefits.
 4. The contractor shall reduce the hazards the staffs are subjected to.
 5. The contractor shall create conditions and environment meeting demands of and requirements of the present day children and youth, suitable for the development and learning program and opportunities of the children and adolescents.
- The contractor shall seek professional and methodological assistance from the Capital City's Council for Children's Welfare and the Children's and Youth Development Division.

- The contractor shall have a right to exchange and transfer technologies and experiences; cooperate with the similar organizations at the local, domestic and international level, with non-governmental organizations on a contractual basis.
- The contractor shall cooperate with other concerned organizations, provided cooperation does not undermine the principles of the camp operations.
- If the need to rent the properties such as buildings of the camp arises, the management shall officially request the Capital City's Property Transactions Authority. Provided the Authority does not consider the rent of the properties as going against the principles of the camp operations, the permission shall be granted officially in a written form. The rent contract shall not exceed the duration of the Management Contract, and the renter shall not make additional investments.
- The contractor shall bear the responsibility of repairing and compensating any damages and losses incurred in the course of the camp's operation.
- The contractor shall review and resolve the complaints from organizations, citizens, and children in a timely and appropriate manner in accordance with the respective laws and regulations.
- The contractor shall operate in accordance with the approved standards for children's nutrition and foods.
- The contractor shall report about the investments made, the process of contract implementation, initiated organizational methods and events to the other parties to the contract.

Capital and Financing Activities

- The contractor's source of income shall consist of the camp certificate fees and income from other activities that fall within the principles of the camp operations, as well as domestic and international donations.
- The contractor shall place the amount of money equivalent to 10 per cent of the camp's total capital assets in the escrow bank account (the moneys placed for a certain period of time in the name of the Capital City's Property Transactions in any capital city's bank, independent of the other two parties to the contract) as a safety deposit and guarantee of the normal operations of the camp.
- The contractor shall expend the income above the expenditure in the following manner: 50 per cent shall be distributed as remuneration and bonuses, 50 per cent shall be utilized for investment and repairs.

**ORDER OF THE DIRECTOR, CHILDREN'S AND YOUTH DEVELOPMENT
DIVISION OF THE CAPITAL CITY GOVERNOR'S OFFICE**

June 23, 2003

Number 95

Ulaanbaatar city

On labor contract termination

It is hereby ORDERED based upon the Capital City's Governor's Directive Number 231, the Citizens' Representatives' Council Resolution number 66 of 2003, the Capital City Property Privatization Committee's Resolution Number 46, the Sections 37 (4), 40 (1) and 42 of the Labor Law of Mongolia:

One: Effective from June 23, 2003, the labor contracts made with the directors of the children's/adolescents' summer camps, namely Tseden Tuvshintugs of the Selbe camp, Sosorbaram Gantsetseg of the Yanzaga camp, Sukhzagd Sengedorj of the Nars camp, Samdandorj Shirchmaa of the Narlag camp, Ravdan Arslanbat of the Ulziit camp, Dovdon Jargalsaikhan of the Undraa camp, Namsraijav Mandakh of the Soyol camp, Ochir Ayushbaatar of the Javkhlant camp, shall be terminated.

Two: The camp accountants are ordered to pay the directors, who have been made redundant due to the summer camps restructuring and transformation, the compensation of six months' average salary.

Three: The report of the directors of the Selbe, Yanzaga, Nars, Narlag, Ulziit, Undraa, Soyol, Javkhlant camps are to be handled and transferred to the care of the children's summer camp officer (L. Uranchimeg) within 5 working days to be reported to the Division on June 27, 2003.

DIRECTOR

TS. TSOGZOLMAA

FACT 1: UDRIN SONIN, 2003/07/03, No. 159

WILL WE HAVE NO CAMPS FOR CHILDREN ANYMORE? by B. Batbayar, journalist

Nars, Javkhlant, Soyol, Narlag, Selbe, Ulziit, Yanzaga, Undraa are the eight children's camps that operate in the vicinity of Ulaanbaatar, in the Green Belt Area. Usually at this time of the year, the camps are bustling with children's voices, here for the second or third shift of the summer camp, but this year the camps are silent. The camps are financed by the Capital City's budget and have operated without any debts and losses in the last 5 years. The Parliament of Mongolia has passed the guidelines for the social sector transformation, restructuring and privatization. In accordance with the above guidelines, the City Citizens' Representatives' Council had announced the tender bids for management privatization of the children's camps on May 19, 2003. The tender selection had taken place and selected people and organizations

were announced on June 20.

However, the previous management of the summer camps petitioned to the court on the irregularities and unfairness of the conducted process. The teachers are of the opinion that the children's property had been trespassed in the name of the social sector privatization and that there will be no children's camps any more. Also, they don't understand the reasons they have not been selected for the management privatization. They have thoroughly conducted their research based on their experiences, drafted great business plans together with big companies, but still, they lost. When they had requested the Capital City Property Transaction Authority to furnish the grounds for not being selected the new management of their camps, they have been given no explanations whatsoever. Thus, the ex-camp directors are suspicious of the illegality of transpired processes and feel that the process had been tampered due to personal gain considerations.

... The Capital City Property Transactions Authority claims that the tender process had been conducted in accordance with the law and regulations. In any privatization process, the parties that were not selected resort to this sort of gossips. Some of the directors have not even reported to the concerned agencies and are not transferring the seals and other important documents of the camps – in fact, they are the people who are breaching the law and regulations. As for the alteration of the time frame of tender disclosure, it is provided that it can be modified.”

It will be great if the management teams, who have been selected as the new management of the children's summer camps located in the Green Belt Area of the city, improve the operation of the camps, contribute to transforming the present camps into self-sufficient economic units, and foremost, if they do not turn the children's summer camps into something else. But at the same time, any company works for profits. And we can't negate the possibility of the present children's camps being converted into resorts for adults...

The previous management of the eight children's summer camps has petitioned to the court on the following grounds:

- At the time of the tender bids disclosure, the bidder representatives were not allowed to be present to monitor the full payment of the safety deposit, the completeness of the submitted documents, and final transfer of the documents to the Committee. These irregularities were in breach of the Section 52 (3) of the State and Local Government Law of Mongolia. The tender bids were to be opened at 10 am on the date, but were, in fact, opened at 4 pm.

ELABORATION: Section 52 (3) of the State and Local Government Law of Mongolia, “The tender organizer shall submit the complete documents to the specialists of the selection committee. The tender bidders may be present, if they wish so.”

- The tender announcement specified the date of tender bids disclosure as June 18, but had later been modified to June 20. The selection deemed to have been completed on the day of disclosure, but the results were not announced until June 23. The teachers demanded to know about the selected team for four hours and were given only the name of the selected team and no other details. This was a breach of Section 40 (4) of the Law of State and Local Government Property.



ELABORATION: Section 40 (4) of the Law of State and Local Government Property, “The damages incurred as a result of the auction being held before the specified date, or after the specified date, or the cancellation of the auction, shall be redeemed.

- The people who were selected as winners of the tender bids had been transferred the properties of the camps by the Capital City Property Transaction Authority and the Children's and Youth Development Division before the tender results were made public; the procedure that was in breach of the Section 62 (6) of the above law by giving the winner of the bid more advantages.

ELABORATION: Section 62 (6) of the Law of State and Local Government Property, “the people, legal entities that privatized the object/unit had enjoyed better conditions and possessed advantages.”

- Apart from the above grounds of discontent, the contenders suggest that Section 36 (1) of the Law of State and Local Government Property specifying the announcement of the bids not later than 60 days prior to the bids disclosure had been violated.

ELABORATION: Section 36 (1) of the Law of State and Local Government Property, “the state property unit/object's details such as the state share amount and interests generated by economic activity to be paid to the state shall be announced publicly through an official gazette or other means of public broadcasting not later than 30 days prior to the process of privatization.”

FACT 2: UNUUDUR SONIN, 2003/07/08, No. 160, printed an interview with Mr. Mandakh, the President of the Children's and Adolescents' Summer Camps' Association (elected the President in 1992; over 40 years of executive and teaching work experience for children's summer camps), headed, “Eight camp directors sacked from their jobs”.

- *Shall we start with the state of the camps operations?*
 - The above 8 camps are financed by the Capital City. For expenditures, such as electricity, water, transportation costs and salaries, we were allocated 8.5 million MNT per annum. The other expenditures are covered by the income generated from the camp fees. The directors had signed the labor contract with Ms. Tsogzolmaa and the product output contract with the Governor of the Capital city, at the beginning of this year for duration of one year, mind you.
- *What was the cause of personnel reshuffle and restructuring?*
 - We have been called for the camps' executives' seminar to take place on May 19-24, in the Nairamdal Camp. When we were attending the seminar, we heard that our eight camps will be operating under the management privatization, that the tender had been announced. We left the seminar and went to the city immediately and got acquainted with the tender regulations. Since such was the state of affairs, we had to go along with this process. We all sat for a few days and completed our materials and suggestions and submitted them to the tender committee.

- **When was the tender result announced?**
 - As for the announcement printed in the paper, the bids were supposed to be disclosed on June 18. We were told to come at 4 pm on the 20th. When we went there on the date, we were told to come back on 23rd. That was to be Monday. But by Sunday we heard that the winners of the tender were already claiming the properties of some camps and putting locks on everything. We were taken aback and were wondering how that was possible, when the tender results have not been announced. Apparently, the Capital City Property Transactions Authority had already informed the so-called winners of the tender. It is clear that some underhand processes took place in those 2 days, with us totally unaware. The camps all obtained new management according to the Resolution No. 46 on the Capital City Property Privatization. And that was why, apparently, the new owners and the Property Transactions Authority officers were claiming and taking over the properties.
- **Surely, you were aghast?**
 - Of course. There was no directive passed yet about the termination of our service as directors. We were never informed about this process in any way. We still have the seals and other properties as well as the contract with the Capital City Property Transactions Authority.
- **... Were you informed about the tender beforehand?**
 - We got to know about it out of the blue. Of course, we are not saying that the privatization in itself is wrong. It is a matter of fact. We only consider that the Capital City Property Transactions Authority had tampered with the tender procedure...
- **... What is it that you are specifically discontented with?**
 - To be frank, there are suspicious things in the whole process like why did Tsogzolmaa take part in the tender? I mean, it is obvious to everyone that the tender committee proceedings were extremely contentious. It is also clear that Tsogzolmaa put us at a disadvantage just because our personal views were different.

FACT 3: The directors of the children's summer camps located in the capital city's Green Belt Area held a press conference for journalists at the Press Institute. The following people held the press conference on their own behalf and on behalf of other camp directors: L. Mandakh (Director, the Soyol camp), Ts. Tuvshintugs (Director, Selbe camp, had worked continuously for 15 years in the position), S. Shirchmaa (Director, Narlag camp), O. Ayushbaatar (Director, Javkhiant camp), S. Sengedorj (Director, Nars camp).

They had raised controversial issues such as tender announcement (normally made 60 days prior to the tender disclosure), and how in this case the tender had been announced only 30 days prior to the disclosure, how the bid disclosure was not open for attendance by interested parties, the issues that projected unlawful actions of the tender organizer. Before the official announcement of the tender winner, the summer camps properties were sealed and claimed by new owners. All these point to ... the corrupt processes that took place in the course of



privatization ...

Source: On July 9, 2003, the ex directors of the children's camps sent an official letter to Mr. Enkhbold, the Governor of Capital City and the Mayor of the Capital, contesting the process of privatization of the camps and requesting the "annulment" of the conducted tender on the ground that the children's camps privatization must be carried out in accordance with the appropriate legal regulations and law, such as the Resolution No. 56 of the Parliament of Mongolia, specifying the guidelines for social sector transformation, restructuring and privatization, and the concerned resolutions and orders of the Capital City Property Transactions Authority and the Citizens' Representatives' Council. The letter indicated that the process of tender disclosure and other details had been conducted unlawfully, providing rationale for the annulment of privatization.

Explanation: The ex directors letter to the Mayor of the Capital City, as well as their court petition, have been reviewed here for comparison with the legal provisions to analyze whether their contentions had a lawful ground.

THE OPERATIONS REPORT OF THE CHILDREN'S CAMPS FOR 2003 HAS BEEN ATTACHED AS APPENDIX.

The results of a survey conducted among beneficiaries and interested groups

Over 300 pupils, aged between 12 to 18, of the school No. 24 of Chingeltei district, school No. 28 of Bayangol district, Shavi School Complex of Bayanzurkh district, Ireedui School Complex of Songinokhairkhan district, were interviewed in this survey.

Children usually choose the comfortable, clean camps that possess great natural beauty, conduct interesting events and activities. Children vacation there by classes in an organized manner.

About 50-60% of the children interviewed were overall happy about their vacation in the camp, while the rest had complaints regarding the sanitary conditions of the toilets and wash sinks, and the safety issues (kids being bullied by the local children who come from the outside).

150 parents were interviewed in this survey. They expressed the following ideas and concerns:

- The camps they choose for their children should be well located in a beautiful natural surrounding, fully safe and comfortable. Fees should be affordable.
- The camp vacation has various positive influences on children: teaches independence and appropriate socialization skills.
- At times, children return complaining about the food quality and quantity, but on the overall happy about the interesting events and activities they had participated in.
- Higher precautions are to be exercised, when the older children of high school age are vacationing.

The children vacationing in the camps as well as their parents think that the privatization

is essential taking into consideration the material resources of the camps, and hope that the process shall result in better environment and better quality of the camps that will be revamped by the modern principles of child development.

EXPLANATION:

The privatization process of the 8 children's summer camps may at a glance seem unlawful and contestable, judging from the above documents and sources. However, further implementation by the camps' new management of their contractual duties and responsibilities has shown that the managers contributed to their camps' financial and material revamping to the extent that the children vacationing there had felt positively about this development. The Youth and Children's Development Authority having extended professional and methodological assistance to the newly appointed management, had made the normal and regular functioning of the camps possible in 2003. This is obvious from the Green Belt Area children's summer camps' operation report of 2003.

Kherlen camp of the Khentii Province

Background

The Kherlen camp is located in Khushuut, 12 km from the Undurkhaan city and it started operating in August of 1986. It has a capacity to accommodate 240 children in a shift. The camp consists of 6 children's sleeping quarter buildings and 9 objects of general purposes.

The camp was connected to the central electricity supply source in 1988. It has 200 sheep and 40 goats, as well as 1 hectare of land for vegetables planting, used for the camp operations. The camp has been undergoing routine repairs since it was established. Presently, the camp needs to undergo capital renovation.

**KHENTII PROVINCE'S CITIZENS' REPRESENTATIVES COUNCIL
HEAD RESOLUTION**

January, 2003

Number 3

Undurkhaan city

On privatization of the Kherlen camp

It is hereby RESOLVED based upon the Sections 58 and 77 (2.3) of the State and Local Government Property Law of Mongolia:

One: To delegate the children's summer camp Kherlen's privatization within the first quarter of 2003 to the Governor of the Province Ch. Erdenebaatar, based upon the tender selection process outcome.

Head, Province's Citizens' Representatives' Council

D. Dashdorj

Secretary, Province's Citizens' Representatives' Council

G. Gantogoo



ELABORATION:

The effective management privatization documents of the Kherlen camp contain the following points:

- The management contract duration shall be 3 years.
- The properties of the Kherlen children's summer camp shall remain in the ownership of the Province's Citizens' Representatives' Council.

The project proposals submission deadline, requirements for the documents, projects evaluation criteria have also been included. (The project documents have been attached to the report)

DIRECTIVE OF THE KHENTII PROVINCE GOVERNOR 2003/07/02

Number 117

Undurkhaan city

On appointment to the position

Based upon the Kherlen children's summer camp privatization proposals, and evaluations of the above, the Section 77 (2.2) of the State and Local Government Property Law of Mongolia, it is hereby DIRECTED:

One: To appoint Mr. Yadamdorj Dashdorj, the project team leader, to the position of the executive director of the Kherlen children's summer camp, effective from July 1, 2003.

Two: To delegate the process of transferring the executive director position to Mr. Ya. Dashdorj to M. Ochirpurev, the specialist in charge of the Human Resource Policy of the State Administration and Legal Department of the Governor's Office.

PROVINCE GOVERNOR

CH. ERDENEBAATAR

EXPLANATION:

The team selected for the tender:

Team leader:

Ya. Dashdorj – had worked as the children's summer camp accountant for the last 16 years.

Team members:

Gansukh's Bold-Erdene – qualified physical education and training teacher by profession, works as the methodologist teacher of the camp.

Chimiddorj's Batsuren – political analyst by profession, camp manager.

Zundui's Enkhbold – qualified teacher by profession, camp's methodologist teacher.

OPERATION OF THE KHERLEN CHILDREN'S SUMMER CAMP OF THE KHENTII PROVINCE UNDER THE MANAGEMENT CONTRACT

2003/04/17

Undurkhaan

The following contract has been entered into by parties A and B, in accordance with the State and Local Government Property Law of Mongolia, the Province's Citizens' Representatives' Council resolution number 3 of 2003, the proceedings of the Province Committee on project selection dated April 11, 2003.

Party A: Adilbish's Oyun, the Khentii Province's Local Government Property representative. Address: Apartment 7, building 7-A, 4th bagkh, Kherlen soum.

Party B: Yadamdorj's Dashdorj, the management team leader, contractor. Address: Bayanmunkh's 9-28, 3rd bagkh, Kherlen soum.

The purpose of the contract

- The purpose of the given contract lies in regulating the parties' rights and responsibilities arising out of the management of the Kherlen children's summer camp on an appropriate level without altering its operational principles, reduction of the funding received from the budget, improving and broadening the services offered, contributing to transforming the camp into self-sufficient and independent unit.

Duties and liabilities of the Khentii Province's Local Government Property representative

- Party A shall provide for the successful transfer of the Kherlen summer camp properties to the management team for the validity duration of the contract. The properties shall be recorded and transferred with an official statement of the conditions.
- Party A shall oversee the appropriate utilization of the properties transferred to the contractor.
- Party A shall oversee the complaints review and resolution regarding the services quality of the children's summer camp by customers and ensure the timeliness and appropriateness of the above procedure.
- Party A shall be entitled to oversee the properties protection and safeguarding, conduct registry of the properties, require the camp management to supply necessary information, impose fines and require the compensation for the damages arising out of faulty operations of the contractor, confiscate partially or wholly the contractor's safety deposit, and if the performance is deemed insufficient, to terminate the management contract.
- Party A shall oversee the price setting in accordance with the market value, and ensure that no monopoly is exercised.



The contractor' duties and liabilities

- Party B shall undertake all necessary measures to implement all the contractual duties and responsibilities.
- Party B shall provide quality services and shall resolve the complaints arising out of camp operations.
- Provided the activity does not go against the law and interfere with the operational principles of the children's summer camp, Party B may engage in income generating economic activities and services.
- Party B shall have a right to expend pure profits arising out of the camp operations.
- In case the party damages or destroys the properties not yet evaluated, Party B shall compensate the damages in accordance with the market price of that particular property.
- In case the contract is terminated, or when the contract comes to conclusion, Party B shall transfer the properties under its care and shall compensate for any damages to the properties.

Responsibilities of the parties

- The contractor shall be in full liability for the properties transferred under its management for the duration of the contract's validity period and shall compensate for the damages, pay the fines arising out of its faulty operations.
- The parties shall negotiate and resolve the issues of inability to implement the contractual duties and responsibilities due natural disasters such as earthquake, fire, drought, or due to the resolutions and orders of the Government of Mongolia.

Contract validity period

- The given contract is effective beginning from April 15, 2003 until December 31, 2005 for the duration of 3 years.
- At the conclusion of the contract, evaluation shall be conducted and the extension of the contract may be decided based upon the Province Governor's directive.

CONTRACT PARTIES:

A. Oyun
Khentii Province's Local Government
Property Representative.

Ya. Dashdorj
Bayanmunkh's 9-28, 3rd bagkh,
Kherlen soum, Kherlen Province.

EXPLANATION: The privatization of the Kherlen children's summer camp had been conducted fairly and without irregularities, and professional people became the managers of the camp. The camp had incurred losses in its 2003 operations, and financial resources for the capital renovation and future investments are pressing. The team is working towards turning

the camp into a Children's Development Center.

Outcomes and Lessons

The objective of this study was to examine and analyze the processes of the children's/ adolescents' summer camps transformation, restructuring and privatization within the framework of the social sector transformation, restructuring and privatization. In order to accomplish the objective; the following methods have been utilized:

- Thorough examination of the laws, resolutions, regulations and related instruments passed regarding the social sector transformation, restructuring and privatization.
- Survey, interviews and meetings with the beneficiaries and interest groups concerning the children's/adolescents' summer camps.
- Research of the privatization, transformation and restructuring processes of the rural areas as well as the children's summer camps located in the Green Belt Area of the capital city.

The privatization process has been defined and conducted within the following legal framework and legal regulations: State and Local Government Property Law of Mongolia, Privatization Law of Mongolia, State Property Privatization Guidelines, Guidelines for Transformation, Restructuring and Privatization in Social Sector as well as local government resolutions and orders. The local governments have passed following orders and resolutions to effectuate the privatization of the children's/adolescents' summer camps: the Capital City's Citizens' Representatives' Council had passed the "Management Privatization Operations Guidelines for the Children's Summer Camps" and the "Management Contract" model based upon the State and Local Government Property Law of Mongolia and the Resolution passed by the Capital City's Citizens' Representatives' Council upon which the 8 children's/adolescents' summer camps had been transformed and restructured in their management. The above regulations led to the "Management Selection Special Tender" announcement dated May, 19, 2003, which contained guidelines for submission of the tender materials and documents, as well as the timeframe and schedule for conducting the tender.

If one is to examine the principles of effectuating the transformation, restructuring and privatization in the social sector, the following points should be made:

- "Transparency, fairness and openness of the process": issues related to tender and tender announcements have been made through the means of mass media. However, the process of selection of the management team has much to be desired. (Refer to pp. 16-18)
- In relation to the principle of non-modification of the operational principles and keeping up with the standards of services and quality, contention arose that the tender had been effectuated prior to the commencement of the summer season, which consequently led to the reduced number of children vacationing in the camps, which is true to a certain extent. However, according to the Children's and Youth Development Division's report for the year of 2003, the number of children vacationing



in the summer camps had not reduced.

- The principles of “operational principles and purposes shall not be altered” and “Broadening the services and activities” are interrelated issues. At the present moment, the children's/adolescents' summer camps do not appear to have an altered purpose and nature of their operations, but taking into consideration future concerns of investment attraction and income generation, the new managements shall seek to conduct activities beyond the operational principles that would help them to make the camps more self-sufficient. For instance, there have been many suggestions from the management of camps in the Green Belt Area of the capital city and the rural camps of opening up the services to adults, of making the summer camps into labor camps, etc.
- As for the principle of “reducing the hazards related to the work nature of the summer camp staff”, it has to be remembered that the camps operations are of seasonal nature. Only the camp director, accountant, security personnel work there fulltime and the rest of the staff is employed on a contractual basis. Therefore, the hazards related to workplace, are rather minuscule at the time of restructuring the camps.

On the surface, there seems to be no evidence of grave breach of the above principles in the process of transformation and privatization of the children's/adolescents' summer camps. The very idea of the social sector transformation, restructuring and privatization was in the increasing involvement of the private sector in the social sector area, promoting competition, providing services that meet the demands of the population and improving the economic self-sufficiency and independence.

Judging from the process of the children's/adolescents' summer camps transformation, restructuring and privatization, one might get an idea that the very purpose of conducting these transformations lay in easing the budgetary burden of the State, since most of the privatized children's summer camps' reports for 2003 carried the wording “making the camp self-sufficient and reducing the budgetary burden, for there have been no budgetary allocation for the camps in that fiscal year”. The very spirit of these reports, stressing the budgetary burden reduction does not go well with the principles of spelt out in the Guidelines for Transformation, Restructuring and Privatization of the Social Sector.

Another contestable area was the transformation and privatization of the summer camps when there had been no prior preparations conducted to the effect of capital renovations. The privatization of these camps that had no capital renovation might bring about State budget burden reduction, but this issue poses great problems to the new owners of the camps and leads them to various economic activities that would compensate for the losses incurred, and that, in turn, affects the very spirit of the organizations that should work for the children and their welfare. It is obvious that the management will not be able to compensate its expenditure only from the camp fees.

- Section 2.3.3. of the Guidelines for Transformation, Restructuring and Privatization of the Social Sector, passed as a Resolution No. 56 by the Parliament of Mongolia, specifies that “the space utilization expenditures (including the capital renovations) of the objects'/units' being managed under the management privatization, shall be

borne by the State.”

- Also the Section 2.3.5 of the Guidelines for Transformation, Restructuring and Privatization of the Social Sector specifies that there shall be assistance from the State and that “management of the privatized objects/units is to be awarded certain compensation and bonuses”.

Considering these legal provisions, the State should bear the costs and expenditures for the capital renovation of the children's summer camps. On the other hand, the State should take every possible measure for the camps' new management to gain international and domestic business partners for investment attraction, and development agencies, which could begin the process of joint project implementation with the children's camps.

Presently, the local children's organizations and centers are expending the assistance in terms of work methodology and professionalism in the operations of newly privatized children's summer camps and, on the other hand, the newly appointed management is looking for ways to attract investment, balance the losses and to improve the conditions of the camps. All these issues point to the necessity of a certain level of unified state guidance and monitoring.

It should also be mentioned that the concerned people pointed out the necessity for involving the professional people in the transformation and privatization process, for developing manuals and guides for the transformation and privatization of the children's/adolescents' camps for gaining better understanding and experiences in these matters.

At any rate, summer camps have been privatized in terms of their management and the budgetary burden connected with the operations of camps has been taken off the State. This is a transitional period for the important field of the social fabric building – the summer camps have always made up an important niche for socialization and upbringing of children and adolescents. The end results are not yet pronounced, for the process of the transformation, restructuring and privatization is not yet complete.

Lastly, even though the transformation and privatization of the children's summer camps have taken place and the management ownership has been transferred, the guidelines for regular operations are not only well-defined, but are totally omitted, which creates hurdles for the new management of the camps and might lead to further problems in the course of summer camps' privatization, leading to public discontent and above all, loss of public trust in the social sector transformation, restructuring and privatization.



APPENDIX No. 1

OPERATIONS REPORT FOR THE YEAR 2003 OF THE CHILDREN'S SUMMER CAMPS LOCATED IN THE GREEN BELT AREA OF THE CAPITAL CITY _____

First of all, it should be noted that the year of 2003 was a very special period for the children's summer camps since that year marked the first cases of transformation, restructuring and privatization in the social sector, and those changes were made starting with the children's camps. The children's summer camps were privatized in terms of management, and for the first time in history the children's summer camps operated without the budget supplement, independently, by self-financing. The Children's and Youth Development Division of the Capital City's Governor's Office had extended its professional and methodological assistance to the management of the camps even in this period of transformation, restructuring and privatization as fit for our main goals.

The Capital City's Citizens' Representatives' Council had passed a resolution on operating the children's summer camps under new management contract structure, which further had been handled by the Governor's Directive of constituting the experts' team that had compiled the special tender materials and documents, presented them to the Capital City Privatization Committee. The Privatization Committee had finalized the process by entering into the contract with the newly selected management of the Green Belt Area children's/adolescent' summer camps in accordance with the regulations.

One: About the management, structure and organization of the children's summer camps

Effectuating the Capital City's Citizens' Representatives' Council's resolution on restructuring the summer camps through management privatization, the Capital City Property Transactions Authority announced the special tender for management privatization operations of the children's summer camps located in the Green Belt Area of the city, dated May 19, 2003. Over 30 individuals and organizations had completed their applications and submitted them for review. Applications were disclosed and evaluated, whereupon a report was made to the Capital City Property Transactions Authority, which passed an order to the effect of appointing new management (legal entities as well as teams of individual people) of the summer camps. The following teams and legal entities were selected as the new management of the camps:

- Nars camp – Anu Service Co. Ltd.
- Selbe camp – Citizen Ayush's team
- Javkhlant camp – Citizen Munkhjargal's team

- Narlag camp – Citizen Batchuluun's team
- Soyol camp – Erdene Suvraga Co. Ltd.
- Yanzaga camp – Citizen Baramsai's team
- Undraa camp – Ulaanbaatar Insurance Fund
- Ulziit camp – Russian Gymnasium School team.

In accordance with the specified regulations, the Capital City Property Transactions

Authority and the Capital City's Children's and Youth Development Division officers visited the above children's camps on June 23-26, 2003 to seal the properties and conduct registry for the possession transfer to new management.

The Capital City's Children's Welfare Council together with the new management of camps negotiated and developed the camp fees, children's transportation issues, number of camp days in a shift, and the shift schedule, upholding the principles propagated in the Child Rights Protection Law of Mongolia and the National Program for Improving Child Development and Protection.

The children's safe transportation, provision of quality services, creating and ensuring comfortable environments for them to rest and learn and other programs have been planned and concerning guidelines have been distributed to the camp management, for which the reports have been received from the camps for their first year of operations.

As preparatory works for the beginning of the children's summer camp season, we have organized and conducted the methodological skills training "Camp – Health" for 156 students, doctors, social workers and youth who had expressed their interest to work as teachers, cultural event organizers and doctors during the camp season.

The participants had been examined and 56 certificates had been distributed to teachers and 8 certificates to medical doctors, who had worked successfully during the whole duration of the summer camp season, as projected in the reports sent in by the summer camps.

28 junior year students from the Social Work Department, State Pedagogical University, had been sent to the Selbe and Ulziit summer camps, 8 junior year students from the Literature and Social Work University were sent to the Yanzaga summer camp as the group teachers and assistant teachers.

We have received feedback from citizens about the camps operations and advertised the children's summer camps in the Green Area of the Capital city for the duration of the summer season, the shift schedule, policy and activities specifics, teachers and trainers' qualifications have been publicly broadcasted through the Mongolian National Television, TV5, TV9, Ulaanbaatar Broadcasting System, and various radio stations.

The season opening of the children's summer camps located in the Green Belt Area of the Capital city was conducted in accordance with a special program, and the opening was attended by the members of the Children's Welfare Center, camp directors, organizing managers, teachers as well as the parents of the children and press and media representatives.



We have worked in a timely manner by distributing the necessary brochures and manuals for the children's camps' children's development centers and supplying the children with essential information. Apart from that, we have cooperated with the Police Prevention Department, the "Sunny Town" program of the UBS Child Studio and the Vitsamo Company conducting a special slogan activity for prevention of road and transportation accidents involving children at the Narlag, Javkhlant, Yanzaga, Och summer camps, which were attended by over 1000 children. In cooperation with the Capital City's Physical Fitness and Sports Council, we have examined and performed eleven physical tests and contests among 850 children at the Narlag, Javkhlant, Undraa and Yanzaga.

In order to acquaint the children with the world literature, and promote the children's writers, we have, together with the children's writers' society "Unaga", organized writer-in-residence program with 7 writers, who resided in the camps during one shift, organized readings and meetings, and operated mobile library at the camp. The writers-in-residence of the Narlag, Javkhlant, Nars, Yanzaga and Selbe prepared independent programs and also provided the mass media with timely reports of the activities taking place in the camps.

When complaints from vacationing children or their parents were received regarding the operations of the camps, we went to the spot to examine the issue and undertook every measure to rectify the errors and shortcomings. The regular examination of the camp operations, methodological and professional assistance and advice through the officers of the Division starting from the second shift of the camp season had been given to the management of the newly privatized camps as well, which had led to good results.

The children of 9 districts, whose vulnerable conditions had been certified by their district and khoroo governors, were given opportunity to vacation for free in the camps in line with the aim of promoting and supporting these children. 181 school-age children had vacationed this year under this program. The number has doubled compared to the earlier statistics, with 100 more children living in hard conditions having been assisted in such way. Overall, the children's/adolescents' summer camps had accommodated and entertained over 6800 children last year.

Two: The condition of camps when transferred

Considering the transformation and restructuring process that took place last year, attention should be drawn to the conditions of the summer camps when their possession was transferred to the new management.

Narlag: The camp buildings are wooden structures first built in 1985, presently in need of complete renovation and repairs. Some essential equipment and instruments are missing and need to be replaced. A well does not exist and water is drawn from another camp's well, there is no independent electricity connection, which means high electricity bills paid for the double lining. The camp has been weak in terms of economic viability and capability. The present situation:

- Social security insurance 73251 MNT
- Population income tax 7445 MNT

• Stationary expenses	75000 MNT
• Transportation costs	127902 MNT
Total expenditure	283600 MNT

The present condition of the camp may be explained by the previous years', i.e., 2001, 2002 and 2003, financial reports, which show that the camp had operated with virtually null profits. This is a direct consequence of the camp having operated in considerable dependence from the budgetary allocations and losing all its drive to work efficiently and profitably.

Nars: The order was passed to the effect of transferring the management on 2003/06/23, however, the previous management resisted the transfer, which led to preparatory and repair operations' delay. Due to the absence of the previous management, a taskforce was appointed to take over the transfer procedure, which was effectuated between 2003/07/01-04 without participation of the previous management. During the transfer, all 49 locks had to be broken since we had no keys. At the time of the transfer, the toilets, sewerage systems, repairs and cleanings, children's sleeping quarters, kitchen and other infrastructures were not ready for use. Out of total 179 windows, 63% had been broken and water taps in 36 wash sinks had been out of order, while the sewerage system was clogged. All of the beddings as well as bed-sheets had not been sanitized and the budget capacity projected was absent for 60-80 items. Since there were no registries or financial balances available, we had no information regarding the debts and receivables. The previous camp managements well as the administration staff had not met us in the course of the last year and the seals and other important properties are still with them.

Javkhlant: The camp is one of the oldest establishments that had continuously operated during the last 20 years. All of the buildings hadn't undergone capital renovations and repairs since the camp's establishment, and only exterior and interior painting had been done every year, neglecting the children's beds, chairs, beddings and bed-sheets, kitchen and dining utensils, equipments and gadgets, which have all become old and will not meet the demands of ordinary utilization anymore. The toilet rooms are crumbled and clogged, the kitchen's stove number 1 was out of order. As for the financial side, the staff social security payments, electricity bills were outstanding for 1 200 000 MNT. The well motor and drainer were also out of order.

The fence surrounding the camp had been broken in some places, enabling people and animals to wander in. In the vicinity of the camp the Customs Authority of Mongolia had built their summer resort, whereby adults indulge in drunken escapades, making the children's comfortable vacationing all the more impossible. The resort had laid a sewerage system through the camp. The sewage is absorbed by the soil and makes the campgrounds very unsanitary, going against the standards and requirements. All of the buildings' roofs are leaking, the interior wooden panels on the ceilings are deformed and hanging down. All of the mattresses and beddings are old and insufficient in the number to accommodate the children in the full capacity of the camp. The UAZ bus that services the camp is in need of capital renovation in terms of the technical and safety requirements, therefore compelling the camp management to rent cars and buses all throughout the summer season for the children and running miscellaneous errands. Electricity lines have not been maintained properly, thus making the cultural events building



fire-hazardous. Wooden planks in the cultural events buildings had closed all of the windows. New chairs, repairs of the electricity lines, windows of the cultural events buildings are in the need of the foremost investment and repairs.

Selbe: The camp had not undergone any capital renovation since the time of its establishment. Moreover, the electric appliances are too expensive to maintain and electricity, there is a need to purchase of new equipment and appliances. The security and safeguarding of the surrounding environment is very insufficient, with fences brought down in some places and with local people and livestock wandering freely on the premises and destroying the grass on children's playground. Construction companies are building new buildings around the camp premises, and the construction leftovers and trash is left nearby. All of the newly built houses and buildings connected their sewerage systems to that of the children's camp, and some of the pipes were laid on the ground. Garbage disposal point is right next to the children's sleeping quarter buildings. There are many resorts for adults within the walking distance from the campgrounds. These factors create an unhealthy environment and pave way to deteriorating ecology at the camp.

Undraa: At the time of the management transfer, there were many issues to be addressed in terms of the material resources as well as maintenance of the camp. The camp building, dining room, administration building, cultural center and open theater have all become extremely old, the ceilings in all buildings were leaking, the door and windows frames were out of order, floorings and stairs and corridor ways were uneven. The physical training grounds and the sports equipments had been improved as a result of the investments. All of the beds and beddings were too old and uncomfortable, which necessitated investment. The dining room tables, chairs and equipment were impossible to use, and the dining utensils were short of number – the problems that were rectified by the new management. The freezers and refrigerators were out of order, so that the upper part would freeze and lower wouldn't. The management had to address these problems.

The kitchen pots 1 and 2 were not working at their capacity and the kitchen stoves had been connected in such a way that in order to operate only one, all of the stoves had to be turned on. Basic kitchen equipment such as knives, meat shredder, vegetable peelers, clothing, etc., were not usable. The sewerage, toilets, garbage disposal point and other places were very unsanitary. The fences were down in many places, and the gates had been broken. Despite the above difficulties at the time of the transfer, the necessary preparations had been completed in a short period of time and the shifts had been received.

Ulziit: The conditions of the given camp were similar to those described above. However, the storage rooms had been maintained in a hazardous way, all of the stored items were dirty and unsanitary, the 32 meters deep well and 1,860,000-priced tractors reflected in the tender materials had been out of order for a long time. The camp received water from Erdene soum, which contributed to the growing expenditures of the camp operations. The property transfer included following items:

In the name of Arslanbat, the director –

1. Ping-pong table (1 pc, 160000 MNT)

2. "Ocean" brand refrigerator
3. Calculator and other items worth 27860 MNT (as explained by the accountant and administration staff)

The accountant, Mr. Davaasambuu, and the administration officer, Mr. Gantulga, had transferred some items such as waterproof materials and utensils. They also transferred only 1 bull of the 50 livestock. The 20 beds which were marked as assets on the balance sheet (worth 240,000 MNT) have not yet been transferred to the new management.

Soyol: The previous management had eluded the transfer and therefore we had to break through the doors of the camp when effectuating the transfer. The first shift had passed while we waited for the previous management to transfer the property, and thus the first shift did not receive any children, creating shortage in the planned finances and activities. Capital assets had deteriorated greatly and the conditions were far worse than in some of the other camps, and therefore the new management had to conduct the repairs in a relatively short time, which was difficult. Even at the present moment, some property and items are still missing.

Yanzaga: The camp can accommodate 200-220 children in a single shift, and the previous schedule of shifts was 10 days per shift, making it 6-7 shifts accommodating 1200 children during the summer period. The camp's 36 children's sleeping quarter's buildings, cultural events center and the dining hall were built between 1978 and 1989. Due to the shortage of capital prior to the summer season, only superficial repairs and paintings had been done in the last years. There had been no capital renovation. Due to operations in the winter period, the roofs were leaking, windows were broken and the sanitary tanks were virtually full.

Electricity connections and lines, beddings and mattresses had become very old. Most of the items for children's utilization were broken and out of order. The dining hall had been built on a landslide, its floorings rotten. The Capital City's Control Agency confirmed the need for immediate repairs.

There are 11 buildings for the staff and all of the buildings' roofs were leaking, the floorings rotten, windows broken, verandas and doors broken.

The dining hall utensils as well as kitchen equipment were in grave need of replacement since most of the equipment were expensive in terms of electricity consumption or were impossible to use.

The repairs and services conducted in the earlier years had been carried out in a superficial manner, since there had been budgetary allocations for capital renovations and replacement of the equipment, and in some instances, the previous management had used their own private equipment and machinery. The supply of toys and games necessary for children to spend their time in an effective way was virtually nonexistent, so there were few opportunities for pastime activities at the camp. Training materials, games, toys, and equipment are needed for the camp. It is very important to create favorable and comfortable conditions for children and youth, meeting their demands. At the present, the camp does not have such conditions.



Three: Work accomplished since the camps had been transferred

The citizens and organizations, selected to be new managers of camps as the outcome of the special tender process, had effectuated repairs of their camps in a relatively short period of time and had initiated a number of new projects, all of which are accounted for below.

Narlag: Since the transfer of management, the new management had focused not on the economic projections and profits, but on providing conditions for children's overall development, especially intellectual development. The camp was transferred on June 27, 2003, and to be able to meet the requirements of supplying the material resources to the camp and thereby creating favorable conditions for the children, the management had undertaken the following activities and improvements:

1. Routine repairs were conducted in all camp buildings, painting the exterior and interiors as well as mending the roofs of all buildings.
2. Kitchen equipment was repaired and made operable while required new equipment was purchased.
3. The well motor was revamped and well made operable.
4. All 200 children's beds and cots were repaired, new bed-sheets and bed-covers purchased.
5. In order to provide for the normal living conditions of the staff working at the camp, the staff living quarters were repaired and painted, and electricity was connected to one socket.
6. Reorganization of the dining hall included purchase of new tables and chairs, table covers were replaced, and dining utensils such as spoons and forks were bought to fulfill the capacity of the overall camp accommodation.

Nars: The plans for conducting preparatory works for receiving children and repairs of the buildings were developed and implemented accordingly. All of the rooms and quarters were sanitized and cleaned, the dining hall and the food preparation and kitchen spaces were painted and routine repairs conducted. All of the beddings and mattresses were sanitized and the camp was ready to accommodate its first shift of 160 children by July 10, 2003. The existing toilets were repaired and 2 toilets with 16 seats and 36 wash sinks were newly built and the sewerage system was revamped. All of the buildings were treated with insecticides and disinfectants. The drinking water containers were sanitized and water samples were sent to the respective sanitation agency for examination. The tables and chairs of the dining hall were repaired, new table covers purchased and curtains made for the windows. All of the utensils, equipment and electric appliances necessary for the normal food preparations were purchased, including refrigerators and freezers, cups and plates, spoons and forks. The broken windows were repaired, and the roof leakages mended. The camp management undertook every measure to light the vicinity of the camp premises. Over 30 meters of fences had been broken at the time of the transfer. These were repaired, and the watchtower, which had become rotten, was brought down. The camp printed a new camp certificate, and operated in accordance with all concerned regulations and documents, such as the internal rules of the camp, shift

schedule, time table, etc. The camp staff restructuring also took place and the camp began working with 20 people employed on a contractual basis. The camp doctors and teachers were retrained and provided with the necessary knowledge and skills in their work with children. All of the camp employees were certificated and qualified personnel. 75% of the teachers possessed university degrees, and 25% of them were students of universities in their senior year. The cook was a well-experienced person with many years of working experience at kindergartens. Doctors, organizers and other special purpose staff were provided with uniforms and materials necessary for their daily work.

Javkhlant: The camp was officially transferred on June 28, 2003 and thereafter the plans for creating the conditions for accommodating children for the summer shifts were made. The music system and the kitchen appliances underwent routine repairs, a new kitchen pot of 160 liters capacity was bought for 1200000 MNT, and a new toilet with 8 seats was built. The building's walls were painted on the inside as well as outside, ceilings sprayed with chalk painting, and the roof leakages repaired to the extent possible. The well was repaired by professional service personnel, and that cost 650000 MNT, (the money was paid jointly with the Narlag camp). The new management also paid the outstanding debt of 1200000 MNT for electricity utilization, staff social security payments and other items. The camp premises cleaning, fence repairs, pedestrian paths and car paths repairs, revamping of the physical training ground required 1000000 MNT. The outside lights were repaired and are now fully operational.

Professional agencies and experts were called upon to evaluate the state of electricity connections and environment. Special licenses and permissions were issued, thereby enabling creation of normal conditions for camp operations. The milk and dairy products, as well as bakery workshops were operated throughout the summer season, and children received wholesome meals and food in line with sanitary and hygiene requirements. Children expressed particular gratitude for that. A ping-pong table and basketball balls were purchased, and the basketball basket pole placed at the physical training grounds. To ensure normal functioning of the camp, the management rented a mini-van, ZIL-130 truck and Excel car. The camp's former staff was retained.

Selbe: The transfer took place on June 25, 2003 and immediately repairs and preparatory works were conducted, enabling the camp to receive its first shift on July 2. Children were provided with wholesome food and meals, including dairy products. The camp fees basically covered these expenditures, but the secondary expenditures were not covered. The camp management paid full attention to introducing the children to nature and nature protection principles. The outstanding debts of the previous management, 2 million MNT for the staff social security and other payments, 2,1 million MNT for electricity bills, 4,1 million MNT in all were paid in full by the new management. The previous years had seen 1,8 million MNT spent on routine repairs, while this years the routine repairs were completed within the budget of 1,6 million MNT, virtually saving 0,2 million MNT, which will be spent for the repairs of the winter quarters; this work had begun already. Food-related expenses, training and learning events, cultural events, salaries, insurance and securities, repairs, expanding the material base, sewerage repairs and connections, communications, etc, works amounted to 10 million MNT at the given moment.



Ulziit: The broken windows, dining hall, kitchen, as well as the roof leakages have been repaired. Disinfection and sanitization was completed in relevant buildings such as kitchen, dining hall, and toilets. The pot for the main course had been repaired and is now operable. The cultural events had been equipped with new disco and electric lights. A soccer ball was purchased and a basketball pole was placed on the physical training ground. The foodstuffs were purchased from commercial units, which provided safety and hygiene guarantees. Mini-bus and UAZ truck were rented from the Agro Impex Company to ensure normal operations of the camp.

Soyol: Despite the short period available for conducting repairs and preparatory work, the camp had been successful in accomplishing necessary works since management renewal. Roof leakages, broken windows, interior and exterior paintings, disinfection and sanitizations were carried out. Some items and infrastructure was replaced, for instance iron cot springs. Toilets were revamped and lights on the camp premise were repaired. The well of the camp was also repaired and new equipment and appliances for the kitchen were purchased.

Yanzaga: Due to the late commencement of the camp operations, the capital renovation plans in the business plan were not concluded, but necessary preparations were effectuated to receive children in a relatively short period of time with proper quality and the camp operations began within the projected timeframe.

The following works were accomplished in the year 2003:

All the ceilings, roofs, floors, tables, chairs, doors, stairs, toilets, garbage disposal points were repaired. Apart from this, fence repairs were completed. For the normal camp operations, the mini-bus of Delica brand was purchased, enabling timely addressing of administrative issues and transportation of children. 60 mattresses, 60 quilts, 100 bed sheets were purchased newly, with 260 old bed sheets being cleaned and sanitized. The camp also created an economic unit in Erdene soum of the Tuv Province with 400 sheep, thereby enabling the camp to rely on its own resources for meat supply in 2004, further creating savings for the camp management and investment in further repairs of the camp and necessary renovations. The kitchen appliances were repaired and are fully operational now.

Four: Work conducted in line with the camps' main activities

Choosing comprehensive secondary school teachers to work for the camp as teachers in-residence based upon their experiences and skills, their interests and motivation to work with children, organizational skills and capacities for the betterment of the children's development yielded great results this year. The camps employed qualified teachers and medical doctors, who had been trained in the training our Division had organized and who had been awarded certificates.

All camps conducted traditional activities such as "I can", "Together", Minor Olympics, cultural performances, propaganda and lectures directed toward creating a non-smoking and non-alcoholic environment for and among children, 5 wagons of laughter, games circles, camp Mister and Miss, Goyol 2003, "Sunny town" day of raising awareness among children of transportation and traffic accidents involving children, "Youth – The Future" training in

conjunction with the Youth Center Policy, surrounding premises cleaning with the motto "I am a Nature Protector", meetings and readings with the children's writers.

By working at the camps teachers were able to address their social security issues, as well as improve their skills and abilities. The Division had paid special attention to distributing the manuals and brochures necessary for their work with children.

Every camp organized convenience stores on its premises to meet the demands of children's daily necessities and also availed the services of the professional photographer. The camps received feedback from children at the end of each shift as to what should be done to address the shortcomings the new management might have had.

Narlag: The camp operated in 7 shifts in the last year, providing services to 1367 children, out of whom children aged between 9-12 made up 20% of the total number of children, and children aged 13-16 made up 30%, and adolescents aged between 17-20 made up 50% of all children who had vacationed in the camp.

The camp received the reservation and accommodated classes, and had also provided its services to 15 foreign children. The staff's children had an opportunity to vacation at the camp at a discounted rate. The camp management undertook every measure to ensure the safety and security of children as well as the staff working at the camp. Everyone appreciated a new "Express Drugstore".

Nars: Due to the fact that the management transfer procedures were obstructed by the previous management, the camp was not able to receive children during its first 2 shifts and began its normal operations on July 14, 2003. The camp worked 3 shifts, during which 158 children were accommodated. 68 of the total number of children, or 43%, were male, 90 children, or 57%, were female, 18,9% of the total number of children were aged between 11-13, 30,6% were aged 14-16, 31,1% were above 17.

During operations of the camp last year, 18 cultural events, 2 trips, 9 cultural and sports contests were organized. In order to prevent irregularities committed by children, a police officer worked at the camp for duration of the summer season, therefore there were no incidents.

Javkhlant: The camp operated from July 1, 2003 to August 20, 2003, and accommodated 1620 children. 42% of children were high school children, 43,2% were middle school children, and 14,8% were elementary school children. The interests and demands of children were solicited in a survey conducted in each group, and activities commensurate with their age and body specifics were organized and conducted in a planned manner.

The camp received 40 pupils and teachers from Inner Mongolia's Khyangan elementary school and accommodated them for 3 days. Also International Children's Camp Nairamdal's teachers and children came for a day's trip to participate in cultural events and exchange experiences.

The head of a division of the Korean Ministry of Education, as well as 10 students were invited to exchange the experiences of children's organizations and joint cultural events. The camp operated on a full-time basis a dairy products processing workshop and supplied the children with dairy products, such as milk, curds, bread and bakery products. Every shift was



taken through the forests on short trips to get the children acquainted with ecological concerns and those activities were highlighted in the media. The camp also hosted children preparing to participate in the International Basketball event and organized a basketball contest among children.

The camp's staff worked in unison to create a comfortable environment for children, and also passed the Capital City's Professional Control Authority examination without any irregularities. This was a great success.

Selbe: The camp received 912 children in 6 shifts, and out of these children, over 50% were high school children. 15 students of the Social Work Department of the State Pedagogical University successfully completed their summer placements in the given camp. Together with the World Vision, the camp organized Colloquial English training for 380 children during the entire summer season with 3 native speaker teachers and 10 Mongolian English teachers. To heighten the awareness and concerns about health and health related issues, public lectures and meetings, such as "What is health?" "Health care habits", "Sexual health of girls and boys", were organized among 260 children in 20 hours of lessons.

Undraa: The camp received approximately 1500 children in 7 shifts, out of which 10% were elementary school children, 25% were middle school and 65% were high school children. 51% of all children were male, and 41% were female. Principles of instilling "group socialization and identity, cooperation among children" were the leading concerns. "Vitamins", "Microbes", "My foods", "One day in a scout's life" activities were organized to give comprehensive knowledge about many issues. The camp management worked in conjunction with TV25 Channel's "Moon Town" program, World Vision, Scout Association. Such cooperation yielded good results and the number of children didn't reduce in the past year.

Ulziit: The camp worked in 6 shifts, receiving 463 children, out of which 283 were male and 180 were female. Age differentiation was: children between 8-10 made up 92 people, children between 10-14 made up 121 people, and 250 children were between the ages of 14 and 18. In order to make the operations of the camp interesting, the camp organized various activities and events such as getting to know others, cooperation skills training, caring for the others, discovering one's own talents, teaching others, etc. Trainers and students of the Mongolian Junior and Senior Judo Association, Sambo Association and Taekwondo Association also availed the camp's services in their training period and performed for the other vacationing children.

Soyol: Received 264 children in 5 shifts. 133 were male and 131 were female. 54% of all the children who vacationed in the camp were high school pupils. The camp activities were organized in accordance with the plans and the camp management paid due attention to the camp staff's social security and other issues.

Yanzaga: 861 children were received in 5 shifts in the course of 2003 operations. The camp management gave greater attention to creating a comfortable environment for children, as well as conducting interesting activities among them to help them develop themselves. The main concern of the past summer's activities was to instill awareness about the ecology, the native land and the global environment, and meetings and trainings were conducted along

these lines related to the health issues and health care awareness. During the last 2 shifts, the camp management cooperated with the Khangai College in conducting a computer-training course for 104 children. Based on the feedback of children, the camp management made efforts to meet their pressing demands and the camp proved to be one of the best camps ever even with the transformed management.

Five: Conclusions

The following conclusion may be drawn from the operations of the children's and adolescents' camps located in the Green Belt Area of the capital city.

Progress made:

1. The Capital City budget allocated 8 to 11 million MNT every year for the operation and running of these eight camps, accounting on average for 90 million MNT expenditure per annum. This year considerable savings were made because of management privatization, which could be considered to our biggest success.
2. The selected individuals and companies had utilized their own resources and conducted the work of repairs and services in the camps, and had purchased the equipments and appliances from their own resources, whereas earlier such expenditure had to be allocated from the budget. The conducted work significantly increased the material assets of all camps. For instance, most of the camps are now equipped with modern utilities such as rice cookers, water boilers, fritter makers, washing machines, etc., which are less time consuming and use less electricity.
3. Some of the camps increased their staff salary by up to 20 per cent, which in turn reflects positively on the resolution of their staff's social concerns and issues.
4. The camps' computer games and music equipment was replaced or updated, and the children appreciated that.
5. The camps, which were able to commence their operations within the projected business plans, were not only been able to cover their expenditure through the income generated during summer, but furthermore made pure profits, which points to the first positive results of the privatization and creates bright hopes for the future of the privatized children's camps. The camps falling in the above category are: Undraa, Javkhlant and Narlag.

Issues to be given attention and criticized

1. The tender announcement was made close to the date of summer seasons opening, which accounted for the loss of 3-4 shifts in the most favorable period of June and July, since the new management had to conduct the preparatory works for receiving children. Thus, the projected plans of accommodating a certain number of children were cut short, accounting for the economic loss. The first shift was received on July 1, compared to the earlier schedule of June 10, which made it impossible for 6500 children to vacation during that period.
2. Due to the change of management, the camp staff was replaced, and despite presence



of the 1-2 professionals at the camps, the management lacked the experience and methodology of working with children, which was the root cause of the problems and complaints from children. However, these shortcomings were addressed in a timely manner.

3. The staff lay-off compensation was not paid in some cases, since the previous management had not transferred the necessary seals and documents, further on making the present management's operations difficult because of the lack of legal framework for their operations. The new management raised the issue with the Children's and Youth Development Division, which took this issue further with the Capital City State Fund and the Police Headquarters a number of times seeking a resolution of the above problem, but to no avail.
4. The internal rules were not implemented in the operations of all camps, resulting in many higher educational establishments' students vacationing in the children's camps, breach of the time schedules and curfews, internal incidents of fighting, etc. Future operations must be carried out in accordance with the set rules and regulations of the children's camps.
5. Children complained repeatedly about the poor quality of the furnishings, such as beds, tables, chairs, and other items, pointing out to the grave necessity to replace these by further investments. To sum up, this summer's activities and operations went well in such camps as Yanzaga, Narlag, and Javkhlant, while in Ulziit and Selbe the operations were insufficient.

Six: Further activities and points for consideration

The children's camps located in the Green Belt Area of the capital city have operated successfully this year. The following improvements should be implemented and the following points considered in future operations:

1. Re-licensing of the camps' premises by the concerned land authorities.
2. Sanctioning and hiring a professional agency to complete camps' geodesy engineering maps.
3. Developing expansion plans for the camps, architectural design for future, and implementation of those construction plans.
4. Making the toilets and wash sinks more user-friendly and comfortable.
5. Replacement of the kitchen electric appliances such as freezers and stoves in a planned manner.
6. Improving the staff social conditions and living quarters.
7. Replacement of the tin roofs.
8. Improving the results of the created supplementary economic units.
9. Replacement of existing beddings and mattresses with new ones in a planned manner.
10. Improving comfort criteria for the children's sleeping quarters.

11. Provide for the conditions fit for accommodating children from abroad.
12. Specialization of camps in accordance with the age differentiation, specifics of the camp, health requirements of children and location of camps (elementary school children's camp, sports camp, cultural camp, treatment camp, etc.)
13. Classification of the children vacationing in the camps, reconsider the issue of students vacationing in the camps, the student fees and duration of their stay in the camp.
14. Regular employment of teachers and medical personnel in the camps, promote their interest to work in the camp through a regular bonus system.
15. Consideration of raising salaries of the staff working in the camps, due to their employment specificity.
16. Installation of modern equipment and appliances in every camp.
17. Creation of full-capacity sports ground at every camp.
18. Special attention to the issue of not allowing the local residents to put up their gers near the camp.
19. Examinations and control checks by the various authorities should be conducted in an organized manner within every day in every camp.

Children's and Youth Development Division



TENDER MATERIALS

Expressing intent to participate in the tender

Legal entities, team, individuals (requester) interested in participation in the tender shall submit an official letter of intent with the following documents to the Capital City Property Transactions Authority within the working day of June 2, 2003:

1. Application
2. Confidentiality contract signed by a person fully capable and authorized to represent the requester (model can be obtained from the Capital City Property Transactions Authority)
3. Receipt for tender participation fee of 100000 MNT (non-refundable), paid to the account of the Capital City Property Transactions Authority, 21420013 of Ulaanbaatar Bank.
4. In the case that a trustee is appointed as a representative of the requester, the legal document proving the identity of the trustee.
5. Information about the requester. Following details are to be included in the information:
 - Legal status of the requester, business activities, detailed account of how the request qualifies for the tender participation, in case of the individual, CV, working experience, professional diploma and/or certificate copy, attested by the notary office (these requirements apply to all team members)
 - Financial account approved and attested by the audit authority for the last year
 - Requester's top management decision or resolution by which the participation in tender is decided
 - In case two or more parties are jointly applying for participation, the contract signed between the parties
 - Legal entity's establishment proof documents (contract, bylaws, certificate, license copies attested by the notary office; in case of the individual, the national identity card copy, attested by the notary office)

The Capital City Property Transactions Authority shall log all received applications and in case the documents are in order, the Capital City Property Transactions Authority shall issue the requester tender documents model, organization information model together with the tender regulations and tender contract.

Requirements for the tender participants

1. Tender participants' legal status

Legal entities, individuals and teams are not eligible to participate in the tender if they are:

1. State organization, state office
2. Legal entity of the state and/or local government property
3. Legal entity with the state and/or local government property
4. Non-governmental organization that is financed by the state and/or local government budget
5. Civil servant, applying on behalf of state organization

Legal entities and individuals separately or jointly may participate in the tender. In case of cooperation, appropriate cooperation contract between the parties for participation in the tender must be present.

The tender participant may appoint a trustee to represent the participant in the tender procedures. In this case, appropriate document certifying the representative's status is to be submitted.

In case a number of legal entities and individuals are participating in the tender procedure jointly, they shall appoint only one representative for participation in the tender.

Tender participants may appoint a management team to manage the object under consideration, and the management team thus appointed shall be made up of no less than 50% professionals and experienced personnel in the field.

If the participant wins in the process of tender and the management team is to be headed by a civil servant, his/her status shall be governed by the law of civil service.

2. Limitations placed upon tender participants

Beginning from the time the tender is officially announced until the tender procedure is successfully concluded, participants as well as their representatives shall be forbidden to enter into any negotiations, agreements or contacts regarding the object in question.

The tender participant is under duty of non-disclosure of any information regarding the object in question, and the participant shall sign a contract of confidentiality and non-disclosure with the Capital City Property Transactions Authority.

3. Rights of the tender participant

The participant shall have a right to obtain tender documents from the Capital City Property Transactions Authority.

The participant shall have a right to obtain detailed information and conduct financial and economic analysis regarding the object in question.

The participant shall have a right to meet with the officials of the Capital City Property



Transactions Authority.

The Capital City Property Transactions Authority shall have a right to refuse to supply clarification requested 5 working days prior to the end of the tender submissions.

The participant shall have a right to refuse to recognize the experts and members of the appointed tender bids evaluation committee, and file a compliant with the agency that had appointed the committee.

The participant shall enjoy other rights specified in the Civil Code of Mongolia and State and Local Government Property Law of Mongolia.

4. Duties and liabilities of the tender participant

The participant shall truthfully account for the business it is engaged in, its legal and financial status.

The participant shall immediately notify the Capital City Property Transactions Authority of any changes in its legal, financial status and any other significant changes that might influence the outcome of the tender.

The participant shall fully bear the costs related to its participation in the tender.

The participant's safety deposit shall not be a wagered property and/or moneys to any other party, such as individuals, banks, commercial units, and companies.

The participant shall complete all the required documents and submit the documents either in person or through a representative, or if the bodily presence is not possible, through the registered post by the final day specified in the official announcement.

The participant shall bear the responsibility for the truthfulness of the information supplied.

The participant shall abide by this regulations as well as other laws and statutes of Mongolia.

5. Requirements for the documents developing and submission

The participant shall be solvent.

The participant shall have professional human resources that fulfill the standards and conditions of the tendered object.

The participant shall provide evaluation by the professional authority and/or agency, if deemed necessary.

The participant shall pay the safety deposit equivalent to the 10 percent of the total property of the camp to the Capital City Property Transactions Authority account No. 2119064 at the Credit Bank.

Analysis of the organization tendered

The participant in the tender shall have a right to get acquainted with the organization in question, review its financial and other properties, conduct meetings with the management of the organization, and obtain any necessary clarifications, if so desired.

The participant shall do so according to the schedule given by the Capital City Property Transactions Authority, having made an official request beforehand and having informed other participants in the tender.

The participant who has submitted its materials for tender participation is officially deemed to have reviewed the tendered object and agreed to its state, and concedes to the rightfulness of information given by the Capital City Property Transactions Authority regarding the object in question. In case the participant submits the tender documents without prior appraisal of the object in question, the participant shall not be deemed to be free of its duties and responsibilities specified in the contract.

General requirements for the tender documents submission

The participant shall compile the required documents in the Mongolian language, one original copy and four photocopies.

If there is any discrepancy between the original copy and photocopies thereof, the original shall be deemed true.

The tender participant and/or its representative shall sign every page in the tender documents either in black or dark blue pen. All of the corrections made into the tender documents shall bear the participant's/or its representative's signature.

In case the tender documents are sent by post, the day of receipt in the Capital City Property Transactions Authority shall be deemed as the day of submission.

The tender participant shall have the right to make modifications and/or withdraw from its participation by completing an official letter and submitting it to the Capital City Property Transactions Authority.

Collateral

The tender winner's collateral placed in care of the Capital City Property Transactions Authority shall be remitted to the Escrow account in the name of the Capital City Property Transactions Authority as the party's recognition and fulfillment of its duties and responsibilities. In case the tender winner successfully fulfills its contractual duties, the collateral money shall be refunded in full. In case the tender winner fails to fulfill its contractual duties and responsibilities, the collateral shall not be refunded.

The collaterals from other parties who had not won in the tender shall be refunded in full.

Requirements to the tender proposals

The tender participant shall fulfill the following requirements and shall develop and submit 1.5 years' business plan for the development of the organization including the following points:

1. The operational guidelines and principles and properties purposes shall not modified
2. The service quality and the level achieved shall not be reduced



3. The service framework shall be broadened
4. Shall reduce the difficulties and hazards connected with the job of the staff
5. The subject who will conclude the management contract, shall ensure full utilization of the equipments and techniques, where necessary, improve them and thereby contribute to the organization's effectiveness.
6. Shall ensure the previous standards and quantity of meals and nutrition per child
7. Shall create the up-to-date environment for activities and functions meeting the needs and demands of the children and adolescents.
8. Shall have sufficient professional and experienced human resources
9. Shall provide discounts for vulnerable children
10. The works concerning the safety and environment protection shall be reflected in the business plan:
 - Strategic goals, measures to be undertaken to improve the operations of the camp
 - Offered market framework
 - Services development, services categories, the ways proposed to implement them (the suggestions should be in line with the letter and spirit of the Child Rights Protection Law of Mongolia and the International Convention on Child Rights)
 - Planned fundamental economic and financial projections (income, result planning, cash flow projections)
 - Services building capacity and its projected timeframe
 - Help and assistance to children and adolescents, camp fee rates, work time schedule (the camp certificate fees shall be decided upon by the Children's Welfare Council)
 - Human resources development plan (permanent staff number, contractual staff number, employment level, salaries and bonuses, trainings and development opportunities and programs)
 - Level of discount to be made to vulnerable children
 - Projections for cooperation with domestic and international non-governmental organizations transfer of experiences and technologies with similar domestic and international organizations and children's centers.

Tender documents development and submission

The original tender documents shall be placed in the envelope specified "ORIGINAL TENDER DOCUMENTS", and copies in the envelope specified "COPIES OF TENDER DOCUMENTS" and sealed. These envelopes shall be placed in the second envelope and sealed. On the outside envelope the address of the Capital City Property Transactions Authority and the tender participant's official name and address shall be written. The envelope should be marked with the following text: "Management Contract Proposal. Forbidden to open without the presence of the experts' team". The address of the Capital City Property Transactions

Authority: Capital City Property Transactions Authority at the Capital City's Governor's Office, Jigjidjav's-IV, 2 floor, room 5, Ulaanbaatar 11, Mongolia. Phone: 328 129. Fax: 320 248"

The original tender documents shall contain the receipt for collateral payment, the signed agreement to this regulation, the final contract in 3 copies bearing the participant's signature or its representative's signature, the participant's top management decision to participate in the tender. The tender participant is deemed to have agreed to abide by this regulation by signing the tender regulations.

Receipt of the tender documents and disclosure thereby

The Capital City Property Transactions Authority shall receive the tender documents through the Secretariat Office and shall record the receipts of the documents and submit the documents to the officer in charge.

The officer in charge shall record the receipt of the tender documents and shall sign the record. These shall be kept separately.

The officer in charge shall submit all the received documents together with the notes and records of receipt to the Experts Team on the tender disclosure day. At the time of tender documents submission to the Experts team, the tender participant may be present, if so desired.

The Experts team shall examine the documents and shall testify whether the documents received are in full order and shall consequently record the findings in an official statement.

The Tender Committee shall disclose all the received proposals; verify whether all documents announced as necessary for the tender bidding are present. If the documents are missing, the Experts team shall inform the participants of the finding and shall have a right to decide whether to disqualify the participant or only reduce the evaluation.

Tender proposals evaluation

The Experts team to handle the disclosure of the tender bids shall be appointed by the Governor's directive on the day of the tender bids disclosure. When appointing the experts team, requirements specified in the Sections 50 (2) and 51 of the State and Local Government Property Law of Mongolia shall be upheld.

The tender proposals shall be evaluated on the scale of 100 according to the requirements spelt out, such as:

1. The plans for the development of children in accordance with their needs, modern services, their implementability (0-30)
2. Financial projections meant for the economic viability increasing, activities related (0-20)
3. Human resources professions, specialization, work experience (0-20)
4. Reducing employment related hazards and human resources development plan (0-10)

5. Plans for discounts and benefits offered to the children of vulnerable groups (0-10)
6. Environment protection plans (0-10)

The tender bidder that receives the highest points on this scale of criteria shall be deemed the winner of the tender.

The Experts team shall report and submit the documents related to the conduct of the tender to the Property Privatization Committee. The Property Privatization Committee shall ratify the decision of the Experts team based on the review of the report, or if it considers the procedure in breach of any law, shall annul the tender and require a new investigation and examination of the tender documents.

Tender Schedule

Activities	Date/Deadline
Tender announcement	2003/05/19
Tender participation intention submission/request	2003/06/02
Documents examination, final decision of the tender participants to participate in the tender procedures, submission of the tender documents	2003/06/02
Analysis of the children's camps (tender proposal preparation)	2003/06/17
Receiving feedbacks for the contract draft	2003/06/09
Final draft of the contract	2003/06/11
Receiving feedback for the final draft of the contract	2003/06/12
Final contract draft preparation	2003/06/13
Tender proposal submission	2003/06/17
Tender proposals disclosure	2003/06/18
Announcement of the tender proposals evaluation	2003/06/18
Contract signing	2003/06/23

BRIEF INTRODUCTION OF THE CHILDREN'S CAMPS LOCATED IN THE GREEN EBLT AREA OF THE CAPITAL CITY

Eight children's camps operate in the Green Belt Area of the Capital city for the children and adolescents with the environment conducive to learning and developing.

The Capital city budget and the camp vacation certificate fees had financed the children and adolescents' camps operations.

The operations and financial data of the camps are shown below in the table.

	Camp names	Location	Establ.	1 shift capacity	Permanent staff	Contractual staff
1	Javkhlant	Terej, Melkhii Rock, 75 km from UB	1984	200 children	5	35
2	Soyol	Batsumber soum, south of the Tushee Gun, Tuv Province, 130 km from UB	1987	240 children	6	
3	Narlag	Terej, Melkhii Rock, 75 km from UB	1985	240 children	6	
4	Yanzaga	Khandgait, 27 km from UB	1978	200 children	4	
5	Ulziit	Erdene soum, Tuv Province, 75 km from UB	1979	120 children	5	24
6	Selbe	16 th khoroo, Sukhbaatar District, 25 km from UB	1942	240 children	4	
7	Nars	Songinokhairkhan district, Tolgoit's Western Side, 25 km from UB	1982	240 children	4	
8	Undraa	15 th khoroo, Sukhbaatar District, 30 km from UB	1989	240 children	4	30



SELECTION OF THE PROJECT PROPOSAL FOR EFFECTIVE MANAGEMENT OF THE KHERLEN CHILDREN'S AND ADOLESCENTS' CAMPS

BACKGROUND

In order to broaden the activities and scope of the Kherlen children's camp, to make it self-sufficient, i.e., to promote its financial independence without relying on the budgetary allocations, projects proposals shall be developed and submitted.

The project team selected shall manage the Kherlen children's camp in an effective way and the contract shall be drafted in conjunction with the project selection committee.

The management contract shall be for the duration of 3 years.

If a management team is deemed to have successfully met the following criteria and consequently fulfills its contractual duties and responsibilities successfully, it shall be given an opportunity to extend the management contract. The extension period shall be 3 years.

If the criteria are fully met, the management team shall enjoy a right to ownership (full or partial) of the properties of the camp.

The properties and infrastructure of the Kherlen children's camp shall remain in the ownership of the Citizens' Representatives' Council of the Province for the duration of the management contract.

Two: Project selection organization

The project selection organization shall be conducted by the project selection council (henceforth council) to be appointed by the Governor's directive, based upon the resolution number 3 of the Citizens' Representatives' Council of the Khentii Province, dated 2003.

The project proposals received shall be examined in a presence of not less 2 people.

The project selection council shall evaluate and select the project proposal and report of the project selection process and results to the Citizens' Representatives' Council and the Governor of the Province.

The announcement by the project selection committee shall be deemed final, and any complaints arising out of the selection process shall be filed with the council that will handle the queries and complaints.

Chapter One. Invitation

- Invitation is open to individuals interested in effectuating management in a project

tender for the management of the Kherlen children's camp, in accordance with the Province Governor resolution to implement effective management of the camp.

- The Kherlen children's camp's properties are worth 9583.2 thousand MNT and are located in the Kherlen soum, conducting activities for vacationing children.
- The participant shall have the financial and professional capacity to effectuate the management and operations of the camp.
- The project teams are required to certify the above criteria by supplying additional information on their members' professional qualifications, work experience and other relevant data.
- The interested parties shall inform the subscriber in a written form and shall purchase the project application form.
- The interested parties shall be able to obtain any additional information on working days by the following address:

The Project Selection Council

Address: Khentii Province Governor's Office, room No. 53, phone: 23697

Chapter Two: Information for the project participants

1. General information

- 1.1. The council shall select the team to manage the camp in the way specified in the project application form.
- 1.2. The participant team shall submit the project proposal as per the requirements specified.
- 1.3. The selected team shall fulfill the duties and responsibilities as specified in the management contract.
- 1.4. The participant team shall have realistically drafted the business plan taking into consideration its implementability.
- 1.5. The selected team's services shall correspond the certified documents supplied, shall uphold the principles of consumer interests, and shall create conditions whereby the business and profit-making considerations shall not interfere with its foremost goals.
- 1.6. The subscriber's selection procedure and selected team's contract implementation shall be strictly ethical. The individuals who have been found by competent authorities to have been corrupted, meddling with the tender procedures, contract implementation shortcomings, falsification of tender documents, shall not be entitled to participate in the tender procedures.

2. Corrections and modifications to the project documents

- 2.1. If the participant team needs to obtain clarification and explanation regarding the object in question, the party shall officially inform the Council of such desire not later than 10 days prior the last date of the project proposals submission. The Council shall inform all the participants of the content of the query and its reply without



disclosing the source.

- 2.2. The project proposal documents may be modified no later than 5 days prior to the submission of the documents on the initiative of the subscriber or of the participant as a response to the query of the participants. Modification shall be inseparable part of the project proposal and all participants shall be informed of such modification(s). If deemed necessary, the subscriber shall have a right to extend the deadline for receipt of the project proposal documents with the permission from the Province Governor.

3. Project design

- 3.1. Based on the project application form, the participant party shall prepare its project proposal. If the documents submitted for the project proposal consideration do not meet the requirements, this shall serve as ground for project proposal to be disqualified.
- 3.2. Following points shall be considered when preparing the project proposal:
 - 3.2.1. The project shall address the issues specified in the points 5,3 and shall give special attention to improving and broadening the services for the children.
 - 3.2.2. The project proposal shall be typed on computer in Cyrillic, and shall be signed by either the participant or its representative.
 - 3.2.3. The financial credibility and solvency of a person or the legal entity shall be stated truthfully.
 - 3.2.4. Management contract collateral must be paid within the specified period.
- 3.3. The project proposal shall contain the following information of the project participant members:
 - 3.3.1. Copy of the state license of the company and/or economic unit's main economic activity (blank No. 1)
 - 3.3.2. The report for the last 3 year's activities, if there is information available, activity report projected with the finances (blank No. 3.1)
 - 3.3.3. The team members' names, professional qualifications, present job position and the position to be held at the camp. Certification of the members for having no criminal record (blank No. 3.3)
 - 3.3.4. The application form given by the subscriber (blank No. 3.4)
 - 3.3.5. Projection of the camp's financial and economic profitability (blank No. 3.5)

4. Project submission, receipt, opening

- 4.1. The project proposal shall be sent in one original copy in a sealed envelope.
- 4.2. The project proposal shall be submitted by 18 hrs of April 10, 2003 to the aforementioned address.
- 4.3. The Council shall open and review the project proposals within the specified

timeframe. At the time of opening, the participants' representative or witness shall be present and the records shall be made to the effect of the documents and their completeness.

- 4.4. In the process of selection, clarifications may be made by the participant parties, but these clarifications may only pertain to the arithmetical mistakes in the project proposal.
- 4.5. It is forbidden for the parties to disclose any information pertaining to the tendered object, tender review, clarifications, evaluation, comparison and contract signing to the irrelevant parties.
- 4.6. Any attempts to bear undue influence over the Council members before the final decision is made shall be a ground for annulling the project proposal.

5. Project evaluation

- 5.1. The project evaluation council shall base its evaluation of the submitted project proposals on the criteria specified above.
- 5.2. In case a project proposal meets fully all requirements of the tender, it shall be allowed for the selection review.
- 5.3. The project evaluation council shall conduct its evaluation of the received project proposals based on the criteria of the basic requirements and the following conditions:
 - 5.3.1. Improvement of the Kherlen camp's management: administration and management capacity (0-20)
 - 5.3.2. Plan for improving financial and economic viability of the camp, creation of new job positions, widening the scope of services and activities, thereby generating more income and profits (0-25)
 - 5.3.3. Employees' work conditions improvement, social security (0-15)
 - 5.3.4. Quality improvement of the services and operations (0-20)
 - 5.3.5. Widening the scope of the activities and services (0-20)

6. Contract signing authorities

- 6.1. The contract signing shall be effectuated after the review process had been completed and the team selected.
- 6.2. The project selection council shall convene a meeting, discussing the results of the selection and shall decide the amount of the collateral to be received from the selected team.

7. Safety deposit

- 7.1. The selected contractor shall remit safety deposit collateral, equivalent to 3% of the total properties of the tendered object as a guarantee for fulfillment of the contractual duties and responsibilities, for the duration of the contract validity to the Local Government Property Authority.



8. **Property entitlements and ownership rights**

- 8.1. The property rights and ownership shall remain with the Citizens’ Representatives’ Council of the Province for the duration of the contract.
- 8.2. The selected party shall bear full responsibility for the completeness and safety of the properties of the camp and if there are any damages, the contractor shall redeem the damages according to the market price of the given item.
- 8.3. The Province’s relevant authority shall conduct the camp properties registry and certification annually. In case, properties have been lost or damaged, or any shortage resulted from faulty operations of the contractor, measures up to cancellation of the management contract shall be undertaken.

Blank # 3.1

INFORMATION/BIODATA OF THE PROJECT TEAM MEMBERS, OR A LEGAL ENTITY

Criteria	Answer
If it is a legal entity	
1. Name	
2. State registration number	
3. Certificate number	
4. Special permission	
a. Number	
b. Number	
5. Residence address	
6. Basic economic activities profile	
7. Taxation authority to which attached	
8. Bank of the unit	

Explanation: The organization’s certificate copy and special permission license copies are to be attached.

FULL NAME

SIGNATURE

ACTIVITIES AND WORKS ACCOMPLISHED BY THE PROJECT TEAM MEMBERS

Criteria	Year	Performance (in thousand MNT)
Accomplished work, services (by category)		
Any work, services related to management and administration of a camp and/or resort		

FULL NAME

SIGNATURE

HUMAN RESOURCES/STAFF

1. Full name
2. Age
3. Education
4. Profession
5. Number of years working in the field
6. University name, date of graduation
7. Re-trainings and professional trainings
8. Academic degree and/or professional title
9. Information about the previous job positions
10. Project implementation experience
11. Further terms of reference (in detail)

These questions shall be truthfully answered and certified in the following way:

CERTIFICATION

I hereby certify that my statements of my professional training and work experience are true.

Name of the staff

signature

Team leader's or authorized representative's name

signature