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POVERTY STATISTICS

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POVERTY STATISTICS IN MONGOLIA*

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POVERTY STATISTICS:

MONGOLIA

NATIONAL STATISTICAL OFFICE OF MONGOLIA

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1.1 COUNTRY BACKGROUND

Mongolia is located in the Central Asia, between the Russian Federation to the north and People's Republic of China to the east, south and west. Mongolia is landlocked country of 1.565 million square kilometers and is located 1580 meters above sea.

The population of Mongolia is 2.4 million with a population density of 1.5 person per square kilometers. About 32 per cent of the total population live in the capital city of Ulaanbaatar and 36% of population are children below 15 years old. Around 95 per cent of population are Mongolian. The official language of Mongolia is Mongolian.

The national GDP per capita is about US\$ 400.

Literacy rate in Mongolia is very high amounting 97.8% of the population aged 15 years old and above.

The Parliament of Mongolia is the highest organ of State power. Mongolia is currently in transition from a centrally planned economy to a market economy.

1.2 OVERALL SITUATION IN THE COUNTRY

It has been over 10 years since Mongolia irrevocably embarked on the path of reforms in all spheres of social life to form a democratic and humane society. During the decade of democratic restructuring Mongolia has made a progress in laying out a macroeconomic basis and in creating a private sector based open economy in cooperation with international financial organizations.

Despite the progress, there have been some set backs such as economic policies being not fully embracing the social development guidelines and reform process on creating the market oriented social basic structure being at a slower pace than expected. As a consequence, the social negative phenomena like unemployment, poverty and crimes have increased. At the same time the availability and quality of basic educational and health services are worsening.

Having assessed the current economic and social condition, the newly formed Government of Mongolia sets forth the following objective as a priority in its Action of Agenda. This is to reduce poverty and unemployment and improve the living standard of population through stabilizing the macro economy and growing the economy.

2. POVERTY IN MONGOLIA

2.1 Poverty and its causes in the country.

Poverty, which is a widespread phenomenon, newly emerged in Mongolia during its period of transition to a market economy since 1990. Since then the poverty took a high speed of increase from very low level during the centrally planned economy to the level at which every third person is affected.

The primary cause for poverty in Mongolia is the economic crisis, deterioration in state budget availability and devaluation which were brought about by the break-up in the socialist system and stillness in the financial assistance from the former USSR. In the meantime the unemployment rose after the privatization was set to action. All these posed a negative effect on income status, education, health and other social services quality and access.

In order to determine the cause for poverty in Mongolia it is necessary to consider the development of previous system and transition related problems. The following is the list of causes for poverty in Mongolia:

1. Negative social consequences which were brought about by ignoring or not projecting positive and negative impacts of policies during the transition period
2. Collapse of industries, the financial capacity of large national industries deteriorated, production size shrank and production technology lacked behind
3. Bankruptcy of industries and establishments, their financial capacity fell, privatization
4. Redundancy and unemployment, reorganization of industries and establishments
5. Shortage of domestically produced and imported consumer goods, lower national production and purchasing power of population
6. Dramatic increase in inflation, shortage of consumer goods and services, sharp price rise, slower pace of economic reforms
7. Financial and budgetary difficulties
8. Deterioration in social welfare, fundamental change in social security system

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Conducting poverty researches and surveys and identifying its causes will be extremely important to formulate and implement poverty related actions.

When poverty causes and profiles are looked by urban and rural areas there is a considerable difference. While income poverty is found more with urban people due to industrial collapse and losing jobs which provided the only livelihood source rural people with no and few animals are becoming poor because of weak infrastructure and market functioning and low productivity of traditional animal husbandry. In addition, in natural disasters animals which is the key livelihood source for herders are often lost thus worsening the life. Besides, the natural disasters are causing damages and poverty to herders and crop farmers.

There are other factors like weak health and cultural services, information, unreliable financial services, poor water and power supplies to bring about poverty in rural areas.

2.2 National actions in the area of poverty

The Government of Mongolia has been paying exclusive attention to poverty and taking necessary actions to duly address it. Such actions include the establishment of poverty line, conduct of major surveys and researches with support of donor organization and implementation of a national programme against poverty.

- **Poverty line or minimum subsistence level .** Starting from 1991 Mongolia has been establishing a poverty line based on estimate of the income necessary to purchase a 2100 kilo-calorie diet, making adjustment for the necessary non-food expenditures. From 1991 to 1997 the Government of Mongolia took the direct responsibility for setting up the poverty line. However, under the Parliament approved law on population poverty line and its determination by the National Statistical Office, this authority has been exercised by the National Statistical Office since 1998. To date, the poverty line has been revised 12 times of which 8 were set varying by urban and rural areas: June 1991, October 1991, February 1992, December 1992, May 1993, December 1993, 1994, 1995, 1997, 1998, 2000, 2001.

In accordance with the Government order on "Population minimum subsistence level" of 1991-1995, the population subsistence level was determined separately for rural

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and urban areas, in 1997 by regions established by the Government according to petrol price variations and in 2000 by different regions established by the Government according to regional development program.

The minimum subsistence level should be estimated in every year. The detailed or full lengths estimation should be done in every 3 years and within 3 years annual inflation rate can be used. The minimum subsistence level could be estimated twice a year if inflation rate is high in current year. The minimum subsistence level should be estimated by age group of the population, by sex and by adult equivalent person's consumption. The average price of last 12 months used for the estimation of the value of food basket (for the commodities varying with the season such as meat, milk and vegetables) and current price of the other non-food commodities.

People with income lower than the minimum subsistence level are considered poor, people with income per member of household lower than 40% of the minimum subsistence level or cannot provide food needs are considered extremely poor households and people.

Mongolia determines the poverty line or population minimum subsistence level based on the adult equivalent's consumption expenditure. The consumption expenditure of the population is estimated on the basis of the consumer basket. Despite the fact that estimation of poverty based on the consumption expenditure cannot fully capture the poverty this is the most commonly practiced method.

Consumption basket consists of food and non food consumption and the commodities have been selected on the basis of the household income and expenditure survey. Food consumption pattern of households belonging in the lowest four deciles of the per capita consumption distribution determines the composition of the minimum food basket, which includes a total of 18 food items. This consumption pattern basket was scaled-up and adjusted to represent a daily average caloric intake of 2,100 Calories per capita. The food basket was compiled without any urban and rural variation.

Total poverty line is obtained by adding an estimate of the nonfood allowance to the food poverty line. The nonfood allowance is the residual of the food-share (estimated by regression of the food share as a function of total expenditure) estimated when total per capita expenditure is equal to the food poverty line.

- **National programmes** The government of Mongolia approved and commenced the implementation of National Poverty Alleviation Program (NPAP) since June, 1994 to address the actual problems of population's poverty.

The main objectives of this multi-sectoral Program which is based on decentralize; and participatory approaches is to neutralize and reduce the rate of deterioration of living standards and human resources. Within the NPAP more than 12 thousand small scale projects have been undertaken in remote soums, horoos and bags in areas of vulnerable groups income generation, creation of temporary jobs through developing social infrastructure in rural areas, support of pre-school and basic education, strengthening basic medical services of rural population, provision of professional training for adult disabled people, covering them into income generating activities as well as provision of education services for disabled children.

The Government of Mongolia updated a NPAP in 2000 and approved it under the title of Household Livelihood Capacity Support. The programme aims to continue the address the poverty in the same line, however with approach which is responsive to the current situation.

In addition, Mongolia approved an Interim Poverty Strategy Paper in 2001 and is in process of finalization of Poverty Reduction Strategy Paper.

- **Poverty related surveys and researches** The government of Mongolia has been conducting poverty analysis and surveys with the support of international organizations. In 1995 the first Living Standards Measurement Survey was implemented with the assistance from World Bank. That survey findings show that 36 percent of the Mongolian population lived poor.

In 1998 the NSO conducted the LSMS for the second time with the support of UNDP. In this survey the broad approach was to try and replicate as far as possible, the survey strategy. Classification and indicators definitions adopted in 1995. In addition, questionnaire design and methodology were designed to improve upon the previous survey methodology and to internalize lessons learned.

To date, most reliable poverty data is generated from LSMS. 1995 and 1998 LSMS represent a broad framework of economic, social and demographic aspects. Like in other poverty surveys LSMS finds out that the following categories of population are likely to

fall into poverty; (i) single parent headed households with many children, (ii) households with less 100 heads of livestock (depending on size and structure of households), (iii) unemployed, (iv) uneducated (without basic education), (v) vulnerable groups (elderly, disabled, street children and orphan children).

According to the 1998 LSMS 35.6 percent of population of Mongolia including 39.4 percent of urban population and 32.6 percent of rural population are poor. Compared against the findings of the 1995 LSMS the poverty incidence in Ulaanbaatar city has dropped while it has grown in other urban areas. In spite of the fall of the aimag center population by 9.8 thousand the number of poor increased by 5.8 percent or 14.8 thousand, thus showing that poverty is concentrated in aimag centers and urban areas.

Poverty incidence, by location (1995, 1998 LSMS)

Location	Incidence (%)	Total Population		Total poor Population	
		000	%	000	%
1995					
National	36.3	2280.0	100	828.0	100
All Urban	38.5	1222.2	53.6	471.0	57.0
Ulaanbaatar city	35.1	609.9	26.8	214.0	25.9
Aimag centers	41.9	612.3	26.8	257.0	31.1
All Rural	33.1	1057.8	46.4	350.1	43.0
1998					
National	35.6	2387.0	100.0	849.8	100.0
All Urban	39.4	1252.3	52.5	493.4	57.2
Ulaanbaatar city	34.1	649.8	27.2	221.6	25.7
Aimag centers	45.1	602.5	25.2	271.8	31.5
All Rural	32.6	1134.7	47.5	369.9	42.8

Key poverty indicators

Location	Headcount (P ₀)		Depth (P ₁)		Severity (P ₂)	
	1995	1998	1995	1998	1995	1998
Urban	38.5	39.4	12.2	13.9	5.7	7.1
Of which:						
Ulaanbaatar	35.1	34.1	10.4	13.0	4.5	7.4
Rural	33.1	32.6	8.9	9.8	3.6	4.4
National	36.3	35.6	10.9	11.7	4.8	5.6

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If compare with the 1995 LSMS, the income-gap index (P_1) has increased from 9.8 to 13.9 and the Foster Thorbecke index (P_2) has increased from 0.8 to 2.9 point. The average consumption expenditure of the poor is 10% below the poverty line. The Gini coefficient, showing the unequal income distribution reached 0.35 percent in 1998 from 0.31 percent in 1995.

LSMS has looked at the poverty in correlation of some aspects such as employment and unemployment, income sources and other indicators. And the finding says that poverty is strongly correlated with employment and unemployment.

Some 60 percent of the unemployed of working age and 50 percent of rural population are poor. The unemployment rate of poor population of working age in urban areas is 51 percent, which is higher than the national average by 21 points.

The same is found with income sources. Household survival and living standard are strongly correlated with household income.

Salaries, pensions and benefits are the most important income source (55%) for urban families, and non-agricultural business income is a supplement (15.9%). Pensions and benefits are also one of important income sources for the urban poor.

Income sources for urban households, %

Consumption Group	Salaries	Business Income	Pensions & Benefits	Own Consumption	Unearned & Other
Very poor	53.3	6.4	19.1	4.5	16.7
Poor	51.1	15.6	10.8	5.9	16.5
Not poor (L)	51.8	12.8	7.9	5.6	21.8
Not poor (M)	51.6	20.3	5.7	4.2	18.1
Not poor (U)	40.5	23.5	4.5	3.8	27.6

About 15 per cent of income of very poor population in rural areas are grants and free consumption thus showing that they receive much assistance and grants from others. But grants and free consumption by urban population account for 11.5-17 per cent in their income. This stands at 10% among the population in the capital city.

Income sources for rural households, %

Consumption Group	Salaries	Business Income	Pensions & Benefits	Own Consumption	Unearned & Other
Very poor	16.8	16.7	9.2	41.3	15.9
Poor	10.4	21.0	5.4	56.0	7.2
Not poor (L)	9.7	26.2	4.2	53.5	6.5
Not poor (M)	10.6	30.6	4.4	48.4	6.0
Not poor (U)	8.9	21.2	4.6	54.4	10.6

Specific results of LSMS show that cost for education and health service become a heavy burden on the poor families and therefore those families most likely will not able to receive the basic service of health and education.

	Average	Bottom 20%	20%-40%	40% -60%	60-80%	80-100%
Education						
- Per Capita Education						
Expenditure-Total	13285.3	4415.6	7392.9	11725.7	19378.8	23498.7
- School Enrollment%						
of Kids in School-aver.	94.6	94.6	92.4	93.1	95.6	97.6
Health						
- Per Capita Health						
Expenditure-total	2882.2	1088	1969.7	3037.9	3459.5	4853.3
-Per capita Health						
Expend. -Poor	1336.8	1088	1783			
-Per capita Health						
Expend. - Non Poor	3581.8		2206.4	3037.9	3459.5	4853.3

- **Participatory Living Standards Assessment.** In 2000 the NSO with the support of World Bank carried out a Poverty Living Standard Assessment. The survey aimed at providing quality data in support of quantity data of Poverty Assessment and LSMS dated in 1995 and 1998 and produce additional data. This was the first national survey that widely applied the participatory method.

The criteria for household wellbeing levels were of economic, social, health, and personal attributes. Among the economic criteria are livestock heads, access to water and pasture, engagement in reasonable work and trades, having housing, housing no debt, timely reception of pensions and benefits. Social criteria are size of household, opportunity to send their children to schools, ability to help relatives and friends, having good spouse, having secure and peaceful life. However, these criteria vary due to the livelihood styles. For example, rural people included livestock head, pasture and water access in wellbeing criteria whereas urban people listed job opportunities, trade opportunities, physical safety.

The survey concluded that the following changes were made in the livelihood during 1992-2000:

- Loss of formal/ public- sector employment after 1991
- Livelihoods increasingly complex and diverse
- New sources of livelihood highly insecure, often seasonal
- Rising vulnerability (to drought, dzud, rising costs of health and education)
- Flourishing informal sector and petty trade, but unequal access to opportunities
- Cost of fuel became major driver of producer and consumer prices (terms of trade): geographical location paramount, and migration the livelihood strategy of choice.

According to the PLSA the livelihood inequality which was less before 1992 increased during 1992-1995 with emergence of poor and rich groups in the society. From 1995-2000 the gap between the rich and poor sharply rose and by 2000 the majority of the population belong to poor and extremely poor households. In the same years the survey respondents perceived that the percentage of average households saw an overall decline while that of poor and extremely poor households was increasing. They state in the survey that the abovementioned was proved to be a reality.

As the survey reveals poor households support their livelihood by doing paid work for well off households, petty trades and working in the informal sector while extremely poor people live by scavenging, begging and household to household transfer.

When the analysis was made in shocks by well-being category loss of employment was the most commonly mentioned for poor and very poor households. For households of medium well-being cost of children's education was the most frequently

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mentioned factor. In terms of location the most important shock for rural households was cost of children's education while treatment cost and loss of employment most threaten urban households.

- **On-going surveys and researches.** Realizing the need of improvement and expansion of wide range of socio-economic data including poverty related information the NSO has decided to conduct a Household Income and Expenditure Survey like Features of Living Standard Measurement Survey Modules starting from February 2002. It targets 11232 households which splits up into 2808 households each quarter under HIES and 3744 households of the total 11232 under LSMS. One of the expectations of the survey is to update and improve poverty information in the context of Mongolia's particular needs.

Another important ongoing survey is Labour Force Survey with Attached Module of Child Labour. The survey targeting 12800 households based on a random sampling expects to produce reliable employment and unemployment data disaggregated by gender, education, location and other indicators. It has several distinguishing factors: utilization and concurrence of relevant international methodology and principle for the first time in Mongolia, nation-wide coverage standing more than 2 % of the total households in Mongolia and capture of seasonality and employment and unemployment patterns throughout the year. Since lack or loss of employment opportunities is one of primary causes for poverty in Mongolia, the survey will be extremely important in contributing to the anti-poverty efforts by providing standardized and reliable data for proper policy making and implementation. Similarly, by attaching a Child Labour Module to this survey it would be possible to capture the data on child labour, which is directly associated with poverty. Recently, this phenomenon is thought to be increasing, however, absence of accurate data on it inhibits the actions to combat.

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