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Ulaanbaatar Rapid Needs Assessment

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Executive Summary

The USAID/CHF Growing Entrepreneurship Rapidly (GER) Initiative provides microenterprise development services, information, and training to the peri-urban “Ger Areas” of Darkhan, Erdenet, and Ulaanbaatar. This report provides a rapid assessment of Ulaanbaatar’s microenterprise client base, identifies impediments to microenterprise development and general employment growth, and describes potential program collaborators.

Ulaanbaatar’s Ger Areas are immense, both geographically and population, with varying degrees of economic activity. Geographically, the Ger Areas account for 70% of Ulaanbaatar’s residential area while 58% of Ulaanbaatar’s registered central district’s population lives in the Ger Area. According to Ulaanbaatar Statistics Office data, the Ger Area registered population grew by 10% from 2000 to 2002 while the Apartment Area of Ulaanbaatar remained stable. Some of the Ger Areas are economically active with bustling marketplaces filled with diverse businesses and a community orientation, while other Areas are more disparate and residents mostly subsist on gardening or herding a few animals.

Not surprisingly, the residents of Ger Areas experience higher unemployment rates than Apartment Area residents across the city although in some Areas the difference is much more marked. Official unemployment, which requires monthly reporting to the Unemployment Office, however is the opposite with Apartment Area residents reporting a higher rate of unemployment. Unemployment estimates for Ulaanbaatar Ger Area residents range from 1.2% (registered unemployed) to 45% (unemployed and underemployed who are looking for better jobs), depending on the definition used.

Ulaanbaatar’s economy supports 27,412 registered or licensed entities and an undetermined number of informal businesses. Of the 13,559 registered entities in Ulaanbaatar, 16% (2,230) operate in the Ger Areas, although they provide only 1.1% (2,455) of the jobs. This confirms that most of the businesses in the Ger Areas are entrepreneurs or very small microenterprises. Our program’s first priority will be Ger Area manufacturing and service sector microenterprises. While 63% of the registered microenterprises in the Ger Area are traders, there are also over 150 registered manufacturers and numerous informal manufacturers.

The GER initiative will collaborate with SMEs (small and medium enterprises), large businesses, credit providers and other business and training organizations to solve the major impediments Ger Area microenterprises experience today. SMEs and large businesses will provide important linkages to the GER Initiative’s clients as buyers and sellers of Ger Area services and products. They will also be the major employers of Ger Area residents. We will work closely with these businesses to identify the opportunities that will benefit both our clients and the larger businesses.

Credit providers are essential in providing the needed working capital so that microenterprises can obtain basic raw materials to fill orders, and then can grow to obtain investment capital from these same credit providers. We will assist clients with loan applications, meeting banks’ record keeping requirements, and with business planning and financial analysis in order to develop more creditworthy loans.

The program will collaborate with local business services providers, such as InWent, the Cooperative Association, other local consulting firms, and training institutions to provide the microenterprises the needed information to make informed decisions in growing their business. We have also made contact with several local government offices and identified initial areas for collaboration. Our goal is to develop dialogue between government agencies and the small business community in the areas of business development and regulation.

1 Objective

The USAID/CHF Growing Entrepreneurship Rapidly (GER) Initiative (formerly the Support to Enterprises and Economic Development (SEED) Program) provides small business advising, information, training and employment matching services to Mongolians living in the peri-urban areas of Darkhan, Erdenet, and Ulaanbaatar. This Ulaanbaatar Rapid Needs Assessment represents the start-up phase for the opening of the GER Initiative office in Ulaanbaatar. A detailed one year Work Plan covering all three offices is available separately.

The purpose of the Rapid Needs Assessment (RNA) is to assess the potential client base and business environment, identify impediments to small business development and employment growth, and identify collaborators in the business community, government agencies, and local training institutions. The Ulaanbaatar RNA benefited from the experience of the Darkhan RNA of October 2002, which was conducted mainly by expatriate consultants and the Erdenet RNA of April 2003, which was conducted primarily by the new Erdenet Business Development Center advisor staff. This assessment was conducted primarily by the new Ulaanbaatar Business Development Center advisor staff.

This report is the first activity of the Ulaanbaatar Business Development Centers (BDCs) and represents the first step in CHF's assessment of clients and the SME business environment in Ulaanbaatar. The next task of the Ulaanbaatar BDCs will be to identify, register, and assess new clients. The registration form and business assessment interviews will provide a more detailed perspective of microenterprise economic conditions, constraints to business development, demographics, and potential for developing group services. In serving the microenterprise clients of Ulaanbaatar peri-urban areas, we will continue to gain useful information that will allow us to provide more effective services.

2 Background of Ulaanbaatar, its Districts and the Ger Areas

Founded in 1649 as a monastery town, today Ulaanbaatar is the vibrant capital city of Mongolia. The city is the cultural, economic, political and religious center of the country. It is home to over a third of the country's population, produces over 40% of the nation's GDP, and is the junction point of all the country's major roads, railway and air service.

Economically, the city accounts for 48% of industrial output, 52% of construction, 41% of trade, 75% of hotel and restaurant services and 56% of transportation and communication of Mongolia.¹ Major manufacturing includes textiles and related goods, leather and footwear, soap, paper, iron castings, cement, glassware, beer and spirits, and processed foods.

Of the 2.4 million Mongolians residing in Mongolia, Ulaanbaatar's official May 2003 population was 849,700² although this figure does not include unregistered residents. Some estimates of unregistered residents are as high as 200,000.

¹ Mr. Ch. Bat, Head of Finance, Economy, and Strategy Policy Department, Municipality of Ulaanbaatar, Ulaanbaatar, Mongolia, April 3, 2003

² Capital City's Economic and Social Situation, Ulaanbaatar Statistics Office, Ulaanbaatar May, 2003

2.1 Districts and their Ger Areas

Ulaanbaatar is divided into nine administrative districts: six central districts (Sukhbaatar, Chingeltei, Khan-Uul, Bayangol, Bayanzurgh, and Songino Khaikhan) and three remote districts (Nalaikh, Baganuur, Bajakhangai). The central districts make up the heart of the city with the remote districts located 45 to 110 kilometers from the city center. Although an initial analysis shows that there is both a need and potential for GER programming in the three remote districts, this assessment and the preliminary work of the GER Initiative concentrates on the six central districts. Therefore, Ger Areas, discussed in the report, signify only the Ger Areas of the six central districts.

Table 2.1 2002 Registered and Temporary Population of Ulaanbaatar's Central Districts living in Ger Area and Apartment Area

District	District Population	Ger Area Population	% population in Ger Area	Apartment Area Population	% population in Apartment Area
Khan-Uul	76,934	52,764	69%	24,170	31%
Bayangol	147,550	35,707	24%	111,843	76%
Songino	169,002	109,251	65%	59,751	35%
Chingeltei	116,164	88,433	76%	27,731	24%
Sukhbaatar	96,076	57,164	59%	38,912	41%
Bayanzurkh	160,571	100,447	63%	60,124	37%
Total	766,297	443,766	58%	322,531	42%

Khan Uul, Bayangol, Songino Khaikhan, Chingeltei, Sukhbaatar, Bayanzurkh District Statistics Offices, 2003

The Ger Areas are generally situated far from the city center as shown in the map on the following page. They are sprawling with over 440,000 residents living on 70% of the city's geographical residential area. The Ger Areas have common attributes such as lack of basic infrastructure, high unemployment and underemployment, high crime rates and accelerated growth rates due to migration. However, each District's Ger Area also possesses distinct characteristics. Depending on the District, a Ger Area can consist of relatively organized communities with well-defined roads, marketplaces and ordered khashaa dwellings to unorganized areas, with no markets, or services and disparate, hastily constructed khashaas.

The population of Ulaanbaatar is growing rapidly. From Ulaanbaatar Statistics Office, the city's Central District's population grew from 722,518 in 2000 to 766,297 in 2002. All of the growth appears to have taken place in the Ger Areas as described in each section below. The Ger Areas population increased from 399,819 to 443,766 or 10%, while the Apartment Area population decreased from 322,699 to 322,531. The reason for the decrease in the Apartment Area population is unclear. One Khan Uul District Statistics worker hypothesized that many Apartment Area residents now claim fewer people in their households because some services in the Apartment Areas are still calculated by number of persons in a households rather than metered services (such as water), so the residents undercount themselves to not pay the total amount owed. However, it should be noted that the Ger Area population is also estimated to be higher than recorded due to unregistered residents. The Ulaanbaatar Statistics Office estimates that 90% of unregistered residents live in the Ger Area. Therefore, although 58% of Ulaanbaatar's residents officially live in the Ger Areas, many Ulaanbaatar officials and international donors estimate that the Ger Area population is as high as 70%.

The descriptions below outline the six central Districts and each District's Ger Area.

2.1.1 Khan Uul

Khan Uul District is located on the southwestern part of Ulaanbaatar City alongside the Tuul river. The District has a population of 76,934 residents and is the smallest per capita central District in Ulaanbaatar. During the Communist Period, Khan Uul District was called the Workers District with many textile and animal processing factories. Today, Khan Uul is often referred to as the industrial district and is still the largest manufacturing region in Ulaanbaatar. Large factories operating in Khan Uul include the Gobi Shareholding Company, MIAT Aviation Company, and Erel Co. LTD. According to the Khan Uul District Governor, Khan Uul industries produce 100% of yarn and red brick in the city, 85% of the washed wool, 84% of the felt, 70% of the dehaired wool, 72% of soft drinks and beer, and 53% of bread and confectionary items.³

In Khan Uul District, the Apartment Area and Ger Area are geographically separated by the Tuul River. From Table 2.2, 69% (52,764) of the Khan Uul District population live in the Ger Area. The population of Khan Uul District grew at a rate of 6% between 2000 and 2002. The Apartment Area experienced a decrease in population of 11% while the Ger Area grew by 16%. As explained above, it is unclear why the apartment area population has decreased. Most likely, both areas have bigger populations than are noted below.

Table 2.2 Khan Uul Population by Year and Living Area

Area	Population		Growth Rate
	2000	2002	
Apartment Area	27,038	24,170	-10.6%
Ger Area	45,518	52,764	15.9%
<i>Yarmag/Nisekh</i>	39,019	44,829	14.9%
<i>Bio</i>	3,909	4,170	6.7%
<i>Shuvuu</i>	2,590	2,760	6.6%
<i>Olziit</i>	0	1,005	100.0%
Total	72,556	76,934	6.0%
% in Ger Area	62.7%	68.6%	

Khan Uul Statistics Office, 2003

Khan Uul Ger Areas

In the Khan Uul Ger Area, there are four main Ger Area communities: Yarmag/Nisekh, Bio, Shuvuu and Olziit.

- ***Yarmag/Nisekh*** The Yarmag/Nisekh Ger Area has a total population of 44,829. Its population grew 15% over the past two years. At 10 kilometers from the city center, it is the closest community to downtown Ulaanbaatar. Yarmag was established in 1966 after a flood displaced many residents of other areas of Ulaanbaatar. Nisekh was established in 1957 after the civil aviation agency started operating in the area. As the population increased, the communities have grown into one Ger Area. Many former employees of the textile sector live in this area, and home based businesses continue to produce textile products. Compared to the other Khan Uul Ger Areas, this community is well connected to the city, with good public transportation to downtown and many companies serving the area. There are many small businesses in Yarmag/Nisekh including several grocery chain stores, and a small food market.

³ Khan Uul District Introduction Brochure, Khan Uul Statistical Office, 2002

- **Bio** Located 28 km from downtown, Bio has a population of 4,170 and grew almost 7% in the past two years. This area was established in 1973 around the state owned factory BOKOMBINAT. BOKOMBINAT continues to operate as a state owned enterprise with over 200 employees. It's a major producer of veterinary medicine. The factory operates seasonally stopping in summer for repairs. The Bio Ger Area has 17 registered businesses in the Ger Area. Most are grocery stores.
- **Shuvuu** Located 37 km from downtown, Shuvuu has a population 2,760 people and is growing as rapidly as Bio (7%). Like Bio, this community was settled around a former state owned factory: the "Bokhog" chicken farm. The now privatized farm works at 20% of its former capacity. It has 73 employees. "Bokhog" is still the major egg supplier in Mongolia. Many shuvuu residents grow vegetables or sell dairy products for income. According to the khoroo social worker, there are 84 private entrepreneurs in Shuvuu. There are also 4 grocery stores, one bathhouse, one hair saloon, and one eatery.
- **Olziit** Located 25 km from Ulaanbaatar, there are 1,005 residents living in Olziit. This Area used to be associated with Nisekh, however last year it became a separate Ger Area. During the Communist Period, Olziit was a deer farm. There are no big businesses here and people have limited economic opportunities. Like Shuvuu, most people tend livestock and grow vegetables for subsistence.

MAP B – KHAN-UUL DISTRICT AND GER AREA

2.1.2 Bayangol

The Bayangol District is the religious and cultural center of the city. It has six religious centers including the Great Janraisag Gandantegchinlen (Gandan), the main monastery of Mongolia. The cultural centers include the Cultural Center of Mongolian Trade Union, Song and Dance Theatre of Railway officers, Top Ten, UB Palace and two cinemas. The current Prime Minister, Mr. Enkhbayar, represents the Bayangol District.

The District has a population of 147,453 residents. However unlike the other Districts a minority (only 24% or 35,707) of its population pertains to the Ger Area. The population of the District has increased 7.3% in the past two years with the Apartment Area growing 3.2% and the Ger Area increasing by 22.5%. Again the Apartment Area population growth may be understated due to the reasons described in the Khan Uul description. The Ger Area population may be understated due to the unknown number of unregistered residents.

Table 2.3 Bayangol Population by Year and Living Area

Area	Population		Growth Rate
	2000	2002	
Apartment Area	108,366	111,843	3.2%
Ger Area	29,141	35,707	22.5%
<i>TV Station</i>	24,591	27,431	11.5%
<i>Gandan</i>	4,550	5,600	23.1%
<i>Songgolon</i>	0	2,676	100.0%
Total	137,507	147,550	7.3%
% in Ger Area	21.2%	24.2%	

Bayangol Statistics Office 2003

Bayangol Ger Area

There are three main Ger Areas in Bayangol: the TV station, Gandan, and Songgolon. In the Ulaanbaatar City Development Plan for 2020, Bayangol District has set the objective to become a “Ger Free Zone” except for Gandan. Gandan is scheduled to house a small Ger Area to display traditional ger life to tourists.

- **TV station** The TV station area was first settled in 1966 and has many long time residents. However, migration to the area continues and in the past two years, the population has increased 11.5%. A former state owned vegetable storage center located in the area is now operated by a number of small private companies. There are over 50 trading companies, 5 construction companies, and a number of other small businesses in the area.
- **Gandan** The Gandan Ger Area has a population 5,600 increasing over 1,000 people in the last two years. Gandan is considered a part of the Ulaanbaatar downtown with the monastery, a Buddhist school, and over twenty businesses located in the area. Ten percent of the households live in apartments.
- **Songgolon** Songgolon is geographically the biggest Ger Area in Bayangol, although the population is only 2,676. Two years ago, this area was considered parts of other Ger communities. The area continues to be a rather small industrial park with state owned businesses now privatized and many new businesses moving to the area. The area’s infrastructure and proximity to downtown are appealing to the business community.

2.1.3 Songino Khairkhan

Songino Khairkhan District, similar to Khan Uul, was an industrial District in socialist times. This district housed the biggest petroleum warehouse, many food processing factories, construction material producers and transportation companies. Today, many of these businesses continue operating, however not at full capacity. Due to the District's infrastructure, a number of new large businesses have also moved to the area. Due to population density, the District has the second largest black market, "Khair Khorin," and a large lumber market, "Khangai." The new animal raw material market will be located within the District in Emeelt, 30 km away from downtown.

The Songino Khairkhan District is per capita the largest District in Ulaanbaatar with a population of 169,002 residents. Over the past two years, the District grew by almost 7%. The Apartment Area increased by more than 1,500 residents and the Ger Area's population increased by almost 9,000 residents. The Songino Khairkhan Ger Area accounts for 65% (109,251) of the total District population.

Table 2.4 Songino Khairkhan Population by Year and Living Area

Area	Population		Growth Rate
	2000	2002	
Apartment Area	58,177	59,751	2.7%
Ger Area	100,381	109,251	8.8%
<i>Tolgoit</i>	35,215	38,769	10.1%
<i>Bayankhoshuu</i>	42,167	45,769	8.5%
<i>Tov</i>	19,944	21,180	6.2%
<i>Jargalant</i>	3,055	3,533	15.6%
Total	158,558	169,002	6.6%
% in Ger Area	63.3%	64.6%	

Songino Khairkhan Statistics Office, 2003

Songino Khairkhan Ger Area

There are four main communities in the Songino Khairkhan Ger Area.

- **Bayankhoshuu:** Bayankhoshuu is the largest community with a population of 45,769 residents. Many residents moved to the area in 1982 from Zaisan when the government moved them. Although Bayankhoshuu is a well established Ger Area, the population continues to grow quickly increasing by 3,602 people (8.5%) over the past two years.
- **Tolgoit:** Tolgoit has 38,769 people living in the area and grew 10% over the past two years. There is no central marketplace and the population is dispersed. However, there are some big industries in the area including a brick producer and a meat producer. Many of the area's residents were formerly employed in the textile industry and retain marketable skills in sewing.
- **Tov:** Currently, there are 21,180 residents in Tov with an increase in the population of 1,236 residents over the past two years. Tov is a mix of Apartment and Ger Area. It is the close to the District's industrial section. "Khangai" lumber market is located here.
- **Jargalant:** There are 3,533 people living in Jargalant which is 47 kilometers from the city. It is connected to downtown by road and rail. Its population increased by 478 residents in the past two years. Most households work in agriculture and livestock production. Jargalant was home to Mongolia's largest milk producer and supplied all dairy products to Ulaanbaatar during the socialist time. It now operates as a private company. 77% of all Songino Khairkhan District livestock is located in Jargalant.

2.1.4 Sukhbaatar

Sukhbaatar District shares the heart of the city with Chingeltei District. Sukhbaatar District houses many of the national Mongolian Government offices, international organization headquarters and cultural centers. There are also 33 universities in the District including the Mongolian National University, Technological University, Pedagogical University, and the Medical University. The country's biggest hotels including Ulaanbaatar Hotel and Bayangol Hotel are also located here.

There are 96,076 registered and temporary residents in the District. This is an increase of 585 residents. The Apartment Area population purportedly decreased by 2,116 while the Ger Area increased by 2,701. Again, due to individual households undercounting in the Apartment Areas and to the inability to count unregistered residents, the growth rate is presumed to be low in both areas.

Table 2.5 Sukhbaatar Population by Year and Living Area

Areas	Population		Growth Rate
	2000	2002	
Apartment Area	41,028	38,912	-5.2%
Ger Area	54,463	57,164	5.0%
<i>Central Part</i>	<i>39,659</i>	<i>40,205</i>	1.4%
<i>Outer Part</i>	<i>14,804</i>	<i>16,959</i>	14.6%
District Total	95,491	96,076	0.6%
% Ger Area	57.00%	59.50%	

Sukhbaatar Statistics Office, 2003

Sukhbaatar Ger Area

Although the Sukhbaatar Ger Area is quite large, (population 57,164 or 59% of total District population), there are no large marketplaces or community gathering spots and the residents often buy goods and services in the markets located in the Chingeltei Ger Area. Chingeltei and Sukhbaatar Ger Areas run parallel to each other and are separated by the main road north. People often interact between the two areas.

- **Central Part:** This Area includes 40,205 residents and is located close to the downtown area. There are over 3,500 long time ethnic Chinese residents living in this area. The one major employer in the area is a wood processing plant with 60 employees. Some of the land is swamp area and there is danger of flooding in many parts of the area. There is little available land for new migrants, although the population increased by 546 in the past two years.
- **Outer Part:** The outer part includes 16,959 residents that are widely dispersed. The area is experiencing a high rate of migration from the countryside and grew by over 2,000 people in the past two years. 80% of the residents are herding or farming. There is a meat trading market located here and soil productivity is good. A forestry office is located in the area, and there are many resort houses and summer camps.

2.1.5 Bayanzurkh

The Bayanzurkh District is known for its science, health and educational institutions with 15 scientific institutions, 70 health centers and 20 Institutes and Universities located in the District. Historically, Bayanzurkh housed a large Russian settlement and many military institutions. There are 156 state owned entities and over 1,600 private companies engaged in trade and service in the District such as Chingis Khan Hotel, the National Wrestling Palace, Sky Supermarket and the central market “Naran Tuul.” SMEs and microenterprises are prevalent throughout the District.

The Bayanzurkh District population is the second highest in Ulaanbaatar Districts at 160,571. From the Table 2.2 the Bayanzurkh District Statistics Office reports that the population of the apartment areas within the District decreased by almost 2% although the overall population grew by more than 7%. The Bayanzurkh Ger Area population grew 14% from 2000 to 2002. Again, it is unclear why the apartment area population would fall over the last two years and it is estimated that both the Apartment Area and Ger Area populations are higher than reported.

Table 2.6 Bayanzurkh Population by Year and Living Area

Area	Population		Growth Rate
	2000	2002	
Apartment Area	61,243	60,124	-1.8%
Ger Area	88,404	100,447	13.6%
<i>Dari Eh</i>	12,190	16,451	35.0%
<i>District Department</i>	21,779	24,724	13.5%
<i>Amgalan</i>	25,422	27,826	9.5%
<i>Sharkhad</i>	22,293	24,454	9.7%
<i>Honhor</i>	2,600	2,869	10.3%
<i>Gachuurt</i>	4,120	4,123	0.1%
Total	149,647	160,571	7.3%
% in Ger Area	59.1%	62.6%	

Bayanzurkh District Statistics Office 2003

Bayanzurkh Ger Area

The Bayanzurkh Ger Area consists of many distinct areas. Some of the areas continue to house Russian communities while others have been repopulated as many of the military service institutions moved out. The first four areas are economically vibrant areas close to the city center while the last two areas are located farther out and are more dependent on a rural based economy.

- **Dari Eh** Located in the northern part of Bayanzurkh, Dari Eh has a population of 16,451. It is the fastest growing part of the Bayanzurkh Ger Area with a two year growth rate of 35%.
- **District Department** The District Department Ger Area has a population of 24,724. Economically, this is one of the most active Ger Areas due to the location of the central market, “Naran Tuul.” There are many Russian organizations located here.
- **Amgalan** Amgalan has a population 27,826. The area is known as a military service area and the police and military academies continue to operate here.

- **Sharkhad** Sharkhad has a population of 24,454. The major car market, “Da Huree,” and “Tsaiz” lumber/animal raw material market is located here. Although the animal raw material market will be moved out of the city soon, the lumber market at “Tsaiz” will continue to operate.
- **Honhor** The population of Honhor is 2,869. The area is 30 kilometers from downtown and there is very little economic activity taking place in the area. People are mainly involved in vegetable production and animal husbandry.
- **Gachuurt** Gachuurt is 18 km from the city center and has a population 4,123. It is a rural area with 22,555 domestic animals or 5.5 animals per person. Wealthy urban residents are building second homes in the area, and tourism is a healthy economic activity especially in the summer. Khan Brau is currently building a large hotel for tourism.

2.1.6 Chingeltei

Located in the heart of the city, the central part of Chingeltei District contains the majority of the government, financial, legal, communication, and nongovernmental offices and businesses. There are relatively few small and medium enterprises (SMEs) in the district. The district has 21 daycare centers, 11 schools, and many colleges and universities including the Labor Institute, University of Mongolian Studies, Arts College, University of Arts.

As of 2002, Chingeltei District has a population of 116,164 people. It experienced a growth of 7,405 residents over the past two years with almost a 1,000 resident increase in the Apartment Areas and 6,500 in the Ger Area. The Chingeltei Ger Area contains 76% (88,443 people) of the District population.

Table 2.7 Chingeltei Population by Year and Living Area

Areas	Population		Growth Rate
	2000	2002	
Apartment Area	26,847	27,731	3.3%
Ger Area	81,912	88,433	8.0%
<i>Zuragt</i>	10,577	11,692	10.5%
<i>Denjyn Myangan</i>	26,693	28,125	5.4%
<i>Khailaast</i>	28,327	30,425	7.4%
<i>Chingeltei</i>	16,315	18,191	11.5%
TOTAL	108,759	116,164	6.8%
% Ger Area	75.30%	76.10%	

Chingeltei District Statistical Office, 2003

Chingeltei Ger Area:

The Chingeltei Ger Area is divided into 4 geographical regions.

- **Zuragt** Zuragt is close to the Apartment Area and the central markets with a large, well established resident population of 11,692. Most of the area's economic and social activities are tied to the central city. With a small geographical area, businesses are relatively few.
- **Denjyn Myanga** Denjyn Myanga is a densely populated area of 28,125 people. It's population increased by 1,432 people in the past two years. The "Huchit Shonshor" food market, one of the biggest in Ulaanbaatar, is located in the area and many residents sell products at the market. A new wholesale food market is to start operations soon north of the existing food market.
- **Khailaast** Khailaast has a population of 30,425 people with the biggest population increase in the past two years (2,098). There are a number of organized marketplaces and businesses operating in the area.
- **Chingeltei** Chingeltei has a population of 18,191 with a population increase of 1,876 over the past two years. Due to the space available and good soil conditions, many households also keep livestock and produce vegetables in this area. An animal feed market and a firewood/coal market are currently being constructed to service the area. A number of local tourist businesses (summer camps, recreation centers) exist that take advantage of the area's scenic beauty.

2.2 Ger Area Infrastructure

Infrastructure services in the Ger Areas can vary greatly depending on location. Overall, compared to the Apartment Areas, all Ger Areas have poor infrastructure. In addition, many of the services are more expensive in the Ger Areas, especially water and heating in the winter.

Water

In the Ger Areas, there is no supply of hot or potable water. Water is generally transported by container truck to centralized distribution wells and residents collect the water from the wells for their household use. The cost is 0.5 tugriqs per liter. Overall, there are an insufficient number of wells to accommodate demand, and in the winter, container trucks often cannot reach the well sites due to the bad roads. Some areas are being connected to the main water supply line and the water will be pumped to the distribution wells. This is a part of the World Bank's Ulaanbaatar Services Improvement Project. The project is also building new water wells in certain Ger Areas.

Some individuals in the Ger Areas have private wells. Shallow wells are common where the water table is close to the surface and Ger Area residents take advantage of this to grow vegetables. The produce is generally grown primarily for home consumption and secondly, as source of income.

Transportation

Generally, the Ger Areas have one paved road that is from the city center connecting Ulaanbaatar to outside aimags. Unpaved roads make up the majority of the passageways to houses and businesses although some areas are situated on the sides of hills or in gullies where there are only walkways. Ger Area roads can be difficult to pass through by the car. Recently, due to population growth, households are being constructed in areas which block streets making roads impassable.

Using public transportation can be convenient if you live near a paved road, however many new settlements are further away. In these areas, it is necessary to change buses two or three times, or to walk quite a distance to the nearest bus stop (1.5 km). Bayangol Ger Area has the most access to public transportation due to its location. Khan Uul has the least access to public transportation.

Telecommunications

The Ger Areas do not have landline telephone service, so most Ger Area residents use fixed wireless phones for their telecommunication needs. As these services become cheaper and able to cover greater distances, telecommunications is becoming cost effective for Ger Area businesses. There are a few areas where the services still have not met demand for the phones and there are fewer Ger Areas where telephone service is technically not available for the population due to geographical remoteness (for example, Honhor in Bayanzurkh District).

Electricity

The Ulaanbaatar Electricity Distribution System provides reliable electric supply to most Ger Area residents. Bills are collected by the Ulaanbaatar Electricity Distribution System upon reading the installed electric meters. The Bayangol Ger Area (Sonsgolon) is the best served area due to the location of power plant Number Four.

Depending on the location of the Ger Area, however voltage drops and sudden break-ups hinder stable power distribution. Voltage drops are often due to too many users on existing

poles. This is especially true in newly settled Ger Areas where the population is “self-wiring” themselves into the electricity circuit. For example, in Amgalan, electricity voltage is lower due to many users from one pole. In a few areas, electricity supply is nonexistent.

Heating System

There is no centralized heating in the Ger Area. The Ger Area residents generally use coal and wood in individual furnaces to heat their homes. If possible, they buy a year’s worth of coal and wood in the fall, however poor families purchase the coal or wood by the sack. Government institutions such as schools, hospitals and khoroo administrative offices use private boiler heating systems through radiators.

Sewage and Garbage

There are no sewer pipes in the Ger Areas therefore almost all khashaas have outhouses. In Ger Areas where wealthy households are located, septic system services are available.

In terms of garbage, the District governments and City Public Service have agreed on two collections monthly however each household is required to pay 1,150 tugrigs per pickup with the khoroo administrator organizing the collection of fees. With little household interest in paying for the service, khoroo administrators rarely organize two pickups per month. Generally, pickup takes place once a month. Often, Ger Area residents will individually dump their garbage. There are no official landfill areas in Ger Areas. There are some Ger Area businesses that create hazardous wastes that are being disposed of improperly such as in the Sharkhad car market where car pieces and oil residues are often dumped near the marketplace

2.3 Migration

As described in section 2.2, the population of the Ger Areas in Ulaanbaatar is increasing rapidly. However, we were unable to obtain specific data on migration versus an increase in the natural population growth. Based on existing infrastructure, the city is growing more rapidly to the east and west versus the north and south. This is corroborated by the population data in section 2.2 above. Also, at this point it is unclear where the majority of migrants are moving from, although from conversations with new residents many said they were coming from the western aimags.

Migrants can be classified into three types: registered, temporary and unregistered. Registered migrants are those who have paid a registration fee of 50,000 tugrigs per adult and 25,000 tugrigs per child to move to the city. Considering the average family is two adults and two children, it is quite difficult for poor migrants to pay this fee. (This fee has recently been ruled illegal by the Mongolian Supreme Court, however khoroo administrative units are continuing to charge it.) Therefore, many migrants opt for a temporary registration that allows them to be eligible for services for up to six months at a time. For example, 13% of the population of Bayanzurkh Ger Area is temporary residents.⁴ To receive temporary residency, a migrant must pay 2,500 tugrigs person/month. Finally, there are unregistered migrants who have moved to the city, however they are considered still living in their old residences. Estimates of unregistered migrants to Ulaanbaatar vary between 10% - 25% of the total population depending on the Ger Area.⁵

⁴ For the purpose of this report, temporary residents are considered registered residents.

⁵ From khoroo administrators in Bayanzurkh and Chingeltei

2.4 Economic Status of Working Age Population

The national standard definition of the working age population is 16 to 60 years old. In Ulaanbaatar there are 458,080 persons of working age. This population can be grouped into four categories:

- **Employed population** – persons who are currently working at a job with paid employment or income earning self employment
- **Students of working age** – students of working age, college and university students, secondary and vocational schools students, trainees in training over 6 months
- **Disabled population of working age** – disabled population of working age, confirmed by authorized organizations regarding working ability lost over 6 months and permanently disabled non-working individuals under pension age who are subsidized by Social Insurance
- **Unemployed population** – persons with working ability and of working age, without paid employment or income earning self-employment. Includes non-active job seekers, but also active job seekers who are not registered at the Employment Office as unemployed.

From Table 2.8, 58% (263,774) of the working age population live in the Ger Area, 50% (131,549) are employed, 18% (46,882) are students, 5% are disabled and 28% (73,166) are unemployed as defined above.

Table 2.8 2002 Economic Status of Working Age Population and Employment/Unemployment Rates by Living Area

	ULAANBAATAR		
	Apartment Area	Ger Area	Total
Number of Working Age Persons (16 – 60 years old)	194,306	263,774	458,080
Of which: Students	43,504	46,882	90,386
Employed	108,956	131,549	240,505
Disabled	8,036	12,177	20,213
Unemployed	33,810	73,166	106,976
Unemployed people registered with Employment Office	2,004	3,163	5,167
Official Unemployment Rate	1.0%	1.2%	1.1%
Actual Unemployment Rate	17.4%	27.7%	23.4%
Employment Rate	56.1%	49.9%	52.5%

Bayangol, Bayanzurkh, Chingeltei, Khan Uul, Songino Khairkhan, and Sukhbaatar District Statistics Offices, 2002

The unemployment rate can be determined in many ways. For this assessment, we use the following definitions for unemployment.

- **Official unemployment rate:** 1.2% for the Ulaanbaatar Ger Area, 1.1% for Ulaanbaatar as a whole, and 1.0% for the Apartment Area of Ulaanbaatar. This unemployment rate is used by the Employment Office and is based on the International Standards definition of unemployment—active job seekers of working age, without paid employment or income-earning self-employment, and registered at the Employment Office. Unemployment registration must be updated monthly. This rate is quite low due to the registration

requirement. There is evidence that most unemployed do not register, and therefore real unemployment is clearly understated.

- **Actual unemployment rate:** 27.7% for the Ulaanbaatar Ger Area, 23.4% for Ulaanbaatar as a whole, and 17.4% for the Apartment Area of Ulaanbaatar. This rate defines unemployed as potentially active workers who are not working, whether they are registered as unemployed or not. This means all working age persons who are not working, minus disabled persons and working age students. This may overstate true unemployment because it includes persons who choose not to seek jobs or who work at home without payment. However, many persons do not actively seek work because they have given up and most subsistence workers would seek jobs if they felt there could get them. Additionally, this rate understates unemployment because it excludes retired persons, disabled, and students who want to work, as well as persons in part-time work who seek full-time work.
- **Underemployment rate:** This is the highest measure of unemployment and may be as high as 45% for Ulaanbaatar's Ger Area. This defines underemployed persons as anyone looking for a new job, including not only the unemployed and also those who are working in part-time, low-paid informal sector jobs who are seeking new, higher-paid jobs. The Ger Area is full of low-paid activities that keep people occupied, but barely pay subsistence wages, such as petty trading, part-time labor, small manufacturing or repair work with only occasional demand, etc. People working in such informal sector jobs do not consider themselves fully employed and actively seek "real" jobs.

Examining the unemployment rates by District and Living Areas, in Table 2.11, demonstrates some interesting characteristics. The Bayanzurkh Ger Area has the highest actual unemployment rate at 36% followed by Songino Khaikhan Ger Area at 29%. It is unclear why Bayanzurkh's unemployment rate is so much higher than the other Districts. The smallest difference between the actual unemployment rate of Ger Areas and Apartment Areas is in the Songino Khaikhan District where there is only a 2% difference. The Chingeltei Apartment Area has the lowest actual unemployment rate at 6.6%. The disparity between the unemployment rates between the two living areas is also the greatest in the Chingeltei District at 16.6%. Although all Ulaanbaatar Ger Areas have a higher actual unemployment rate than their corresponding Apartment Areas, many of them have a lower official unemployment rate. This could be due to the lack of assistance the Ger Area population has received at the Employment Office.

In examining the employed population, Songino Khaikhan Ger Area is the only Area which has a higher percentage of employed persons (58%) than the Apartment Area (57%). All the Districts' Apartment Areas have over 50% of their population employed while only Songino Khaikhan and Khaan-Uul Ger Area (52%) have over 50% of their population working.

Table 2.11 2002 Economic Status of Working Age Population and Employment/Unemployment Rates by District and Living Areas

	Songino Khairkhan		Chingeltei		Bayanzurkh		Khan-Uul		Sukhbaatar		Bayangol	
	Apartment Area	Ger Area	Apartment Area	Ger Area	Apartment Area	Ger Area	Apartment Area	Ger Area	Apartment Area	Ger Area	Apartment Area	Ger Area
Total Number of Working Age Persons (16-60)	37,186	68,093	17,435	56,379	36,226	56,978	13,416	27,080	28,574	36,589	61,469	18,655
Of which: Students	5,448	7,416	4,124	11,796	8,218	9,876	3,251	4,724	7,144	9,514	15,319	3,556
Employed	21,024	39,674	10,546	27,521	19,272	24,187	7,479	14,005	14,577	16,995	36,058	9,167
Disabled	620	1,043	1,609	4,006	1,325	2,417	637	1,904	1,900	1,906	1,945	901
Unemployed	10,094	19,960	1,156	13,056	7,411	20,498	2,049	6,447	4,953	8,174	8,147	5,031
Unemployed people registered with Employment Office	301	1,051	74	607	704	780	254	326	337	228	334	171
Official Unemployment Rate	0.8%	1.5%	0.4%	1.1%	1.9%	1.4%	1.9%	1.2%	1.2%	0.6%	0.5%	0.9%
Actual Unemployment Rate	27.1%	29.3%	6.6%	23.2%	20.5%	36.0%	15.3%	23.8%	17.3%	22.3%	13.3%	27.0%
Employment Rate	56.5%	58.3	60.5%	48.8%	53.2%	42.4%	55.7%	51.7%	51.0%	46.4%	58.7%	49.1%

Bayangol, Bayanzurkh, Chingeltei, Khan Uul, Songino Khairkhan, and Sukhbaatar District Statistics Offices, 2002

2.5 Registered, Licensed and Informal Businesses

In Mongolia, there are two tax classifications of businesses: registered and licensed. Registered businesses are required to pay taxes based on their sales receipts while licensed businesses pay a flat patent fee. There are 13,559 registered businesses and 13,853 licensed businesses operating in Ulaanbaatar. In 2002, registered businesses paid 47 billion tugriqs in taxes and licensed businesses paid 559 million tugriqs in patent fees.⁶

Registered businesses operate in all industrial sectors. They often have business to business sales that require registered receipts. For this reason, it is easy for the Tax Authority to monitor their income and base their taxes on this income. The Statistical Office collects data only on these types of businesses so this assessment will rely on the demographic information from these businesses.

Licensed businesses are service sector businesses that generally have “low markups” on their products such as kiosks, small traders, and PC games. (Please see Appendix 3 for a complete list of licensed businesses and fixed fees.) Licensing is a streamlined way for the Tax Authority to ensure these businesses pay a tax. These businesses are usually microenterprises that sell directly to consumers and do not use registered receipts in their sales. Therefore, it would be difficult for the Tax Authority to validate the sales of these businesses. The fixed patent fee is based on the type of business and size of sales space.

Additionally, there are many informal businesses that are neither registered nor licensed. These businesses tend to be small entrepreneurs that operate undetected by the Tax Authority. We were unable to determine an estimate of this type of business however, from our informal interviews detailed in section 3.2, 87% of the businesses we interviewed in the Ger Area were informal.

⁶ Mongolian Tax General Authority

2.6 Industrial Sectors of Registered Businesses

The private sector is growing quickly in Ulaanbaatar. It now makes up over 90% of Ulaanbaatar's registered entities with businesses (excluding NGOs) making up 79% of the entities. Sukhbaatar District has the most private businesses (and NGOs). Khan Uul has the least number of businesses.

Table 2.12 2002 Legal Status of Organizations by District

Type of Entity	by Districts						UB
	Songino khairkhan	Chingeltei	Khan-Uul	Sukhbaatar	Bayanzurkh	Bayangol	
State owned enterprises	21	37	42	54	38	60	252
Government organizations	97	476	88	215	158	110	1,144
Total State owned	118	513	130	269	196	170	1,396
Share holding companies	15	11	22	14	15	31	108
Limited liability companies	637	1,942	594	2,236	1,116	1,610	8,135
Partnerships	136	111	50	188	169	223	877
Cooperatives	96	83	25	118	63	81	466
NGOs	113	102	102	642	228	278	1,465
Private economic entities	128	149	32	164	89	202	764
Others	3	172	2	155	4	12	348
Total private	1,128	2,570	827	3,517	1,684	2,437	12,163
Total	1,246	3,083	957	3,786	1,880	2,607	13,559

Ulaanbaatar Statistics Office, 2003

In examining the industry sectors in Ulaanbaatar as shown in Table 2.13, there are 13,559 registered business entities, including private businesses in the trading, manufacturing and service sectors, of which 16.4% or 2,230 are located and operate in the Ger Areas and employ 2,455 workers. The three biggest business sectors in both the Apartment Area and Ger Area are trade, manufacturing and "other services." Other services include sports clubs, NGOs, foundations, associations, and religious groups. Ger Area businesses can be divided by type of business as follows: 224 businesses in manufacturing, 560 in services and 1,222 in trading.

Table 2.13 demonstrates that the existing businesses located in the Ger Areas are very small and do not support many employees. Although 16.4% of businesses are located in the Ger Areas, overall they generate only 1.1% of the jobs in registered businesses in Ulaanbaatar. The table also shows that most of the employed residents of the Ger Areas are working outside of the Ger Areas.

Table 2.13 Industry Sector Businesses with Number of Employees by Living Area

Industry	Number of businesses				Number of employees		
	Apartment Area	Ger Area	Total	% of business located in Ger Area	Total	Ger Area	% of employee in Ger Area business
Agriculture, hunting and forestry	120	72	192	37.5%	1,597	61	3.8%
Mining and quarrying	76	6	82	7.3%	5,911	22	0.4%
Manufacturing	1,083	224	1,307	17.1%	42,316	470	1.1%
Electricity, gas and water supply	34	7	41	17.0%	7,638	42	0.5%
Construction	373	92	465	19.7%	15,032	243	1.6%
Wholesale and retail trade	4,860	1,222	6,082	20.0%	33,335	925	2.7%
Hotels and restaurants	482	63	545	11.5%	8,816	91	1.0%
Transport, storage and communications	306	50	356	14.0%	18,298	188	0.1%
Financial services	289	24	313	7.7%	7,822	44	0.6%
Real estate, renting and business activities	738	81	819	9.8%	9,026	161	1.8%
Public administration and defense	199	36	235	15.3%	16,077	15	0.1%
Education	449	119	568	20.9%	21,333	92	0.4%
Health and social work	325	65	390	16.6%	9,744	26	0.3%
Other services	1,995	169	2,164	7.8%	23,553	75	0.3%
Total	11,329	2,230	13,559	16.4%	220,498	2,455	1.1%

Ulaanbaatar Statistics Office, 2003

2.7 Local Government Structure

The GER Initiative will work with the local government structures in the Ger Areas, therefore it is important to understand the structure of the local government units in Ulaanbaatar. These units are somewhat different than other urban areas of Mongolia due to the size of Ulaanbaatar city. The lowest administrative government unit is a khoroo and the lowest political government unit is the district level khural. There is also a city wide khural.

A khoroo is an administrative government unit that collects information on the residents and coordinates services for the residents. A khoroo is determined by its geographical area. Population can vary dramatically. Currently, the population of khoros range from 16,398 residents (in Khoroo #2 of Bayanzurkh District) to 824 residents (in Khoroo #11 in the Han-Uul District). In total, there are 121 khoros divided between the nine districts in the city of Ulaanbaatar. Each khoroo is managed by a khoroo administrator assisted by a secretary and a social worker. The khoroo administrators are proposed by the district level khural and approved by their respective District Governor.

The district level khurals are the lowest level elected officials in the city. The district level khural is responsible for the approval and supervision of the local budgets and effective implementation of district government activities. District Governors are elected from among the district level khural and approved by the Ulaanbaatar Governor. (Please see Appendix 2 for a chart of departments and offices that operate at the district level.) There are nine district khurals pertaining to the nine districts in the city of Ulaanbaatar. The six central districts of Ulaanbaatar (Songino Khaikhan, Bayanzurgh, Bayangol, Khan-Uul, Sukhbaatar and Chingeltei) each elect 35 members to their respective khural. The three smaller districts (Baganuur, Bagakhangai, Nalaikh) each elect 15 members to their respective khurals.

The city wide khural is also an elected government unit that is responsible for the overall direction of the city. The city wide khural is responsible for the approval, supervision, and implementation of the city budget. The city wide khural elects the Ulaanbaatar Governor from among the city wide khural and the Prime Minister of Mongolia approves the appointment.

Elections take place every four years for all khurals and all Governors at the different levels serve for a term of four years. The khoroo administrators can also change after an election of the khurals.

3 GER Initiative Client Base

This section provides a summary of the potential client base for the GER Initiative based on statistical information, interviews, and other information. Much of the information presented below is preliminary and represents only the first step in an ongoing process of registering and assessing new clients, most of which will take place during the implementation phase of the Ulaanbaatar Business Development Centers.

The GER Initiative main clientele are microenterprise businesses operating in the Ger Areas. In classifying business, the GER Initiative divides businesses into 3 groups by the number of employees.

Microenterprise	One to 10 employees
SMEs	11 to 100 employees
Large	More than 100 employees

We were unable to obtain geographical information on the 13,853 licensed businesses in Ulaanbaatar or an estimate of the number of informal businesses, however we believe these types of businesses will be the majority of our initial clients for two reasons:

- In GER Initiative informal interviews, detailed in section 3.2, 87% of interviewed microenterprises were informal, 13% were licensed and none were registered, and;
- The few registered businesses GER staff have talked to are hesitant to work with us because they feel they are doing well and do not want anyone to copy their success.

While we believe the majority of our clients will be licensed or informal businesses, the tables in this chapter provide statistical information only on registered businesses. Of all registered businesses in Ulaanbaatar, from table 3.1, 11,411, or 84%, are microenterprises. Of these businesses, 1,881, or 16.5%, are located in the Ger Area, and therefore, our potential clientele. The statistics on registered businesses also provide an indication of the most stable economic activity occurring in the Ger Areas, by geographic locations and industry sector and of potential linkages for our other clients.

Table 3.1 Registered Businesses by Size and Living Area

Businesses	Apartment Area	Ger Area	Total	% Businesses in Ger Area
Microenterprises	9,530	1,881	11,411	16.5%
Small and Medium Enterprises	1,540	292	1,832	15.9%
Large	259	57	316	18.0%
Total	11,329	2,230	13,559	16.4%

Ulaanbaatar Statistics Office, 2003

3.1 Existing Microenterprises

The GER Initiative primary clients will be microenterprises located in the Ger Areas. Table 3.2 details the Ger Area registered microenterprises by industry sector and District.

Table 3.2 Ger Area Registered Microenterprises by Industry Sector and District

Industry	Khan Uul	Chingeltei	Sukhbaatar	Bayangol	Songino Khairkhan	Bayanzurkh	Total
Agriculture, hunting and forestry	12	20	14	1	9	7	63
Mining and quarrying	2	1	1				4
Manufacturing	21	33	37	11	37	19	158
Electricity, gas and water supply		1		1	1		3
Construction		14	28	1	9	7	59
Wholesale and retail trade	129	256	290	118	231	155	1,179
Hotels and restaurants	6	9	19	4	8	7	53
Transport, storage and communications	5	6	9	3	4	7	34
Financial services	5	2	8		2	3	20
Real estate, renting and business activities	6	23	19	3	7	5	63
Public administration and defense	7	2			4	4	17
Education	3	3	11	2	1	7	27
Health and social work	5	5	23	3	2	7	45
Other services	22	31	42	14	29	18	156
Total	223	406	501	161	344	246	1,881

Ulaanbaatar Statistics Office, 2003

Of the 1,881 Ger Area microenterprises in Ulaanbaatar, 1,179 (63%) are working in wholesale or retail trade, 158 (8%) are working in manufacturing and 156 (8%) are working in other services. As in the District's overall statistics, Sukhbaatar Ger Area, the fourth largest per capita Ger Area, has the majority of registered businesses. Chingeltei, third largest per capita Ger

Area, has the second most number of registered businesses. These Ger Areas share the main road out of Ulaanbaatar to the summer house/resort area where many small trading businesses are located. Sukhbaatar and Songino Khairkhan each have the most manufacturing businesses (37). It is interesting to note that Bayanzurkh, where the Naran Tuul market is located, has 155 registered traders; only half as many as Sukhbaatar. This may be because traders working in the market only hold licenses (patents).

The following information gives more specific information about the different geographic Ger Area microenterprises and the potential for new business opportunities.

Khan Uul

Khan Uul has 223 microenterprises located in its Ger Area. 129 businesses work in the trade sector and 21 work in the manufacturing sector. In Yarmag/Nisekh area, we identified many microenterprises working in sewing, leather, European and traditional clothes, and shoemakers. In the other Khan Uul Ger Areas farther out of the city, the microenterprises tend to be concentrated in agricultural production.

Khan Uul Ger Area microenterprises have a competitive advantage of being located near some major industries although generally linkages between the small and large businesses have not yet been realized. The microenterprises may also have an advantage because they are located relatively far from the downtown area. If they have a good product or service at a reasonable price, people in the area will buy it rather than pay to go downtown to purchase it.

Bayangol

Bayangol Ger Area has the fewest registered microenterprises (161) in the city. Of those, 118 businesses work in wholesale or retail trade and 11 businesses work in manufacturing. From time spent in the Ger Area, we identified many service related businesses such as small restaurants as well.

Bayangol Ger Area has a number of competitive advantages in its location including the proximity to the Gandan monastery, to the downtown and apartment areas, and because it has a major power plant located in the Area. It also has a large number of SMEs, and large businesses operating in the immediate area that potentially need goods or services from smaller businesses.

Songino Khairkhan

The 344 Songino Khairkhan Ger Area microenterprises are predominantly traders. Of the registered businesses, there are 231 traders and 37 manufacturers. We interviewed many family owned businesses in carpentry, metal working, meat processing, jewelry, sewing, and bakeries in this Ger Area.

Songino Khairkhan Ger Area has an advantage in its well established marketplaces. The second largest black market "Khar Khorin," and largest lumber market, "Khangai," are located in the area. Also, the first district apartment area is nearby and there is much interaction between the Ger Area and this Apartment Area. Additionally, the animal raw material market is now

moving to the Songino Khairkhan District, there will be new business opportunities for small entrepreneurs.

Chingeltei

The Chingeltei Ger Area microenterprises are also mostly traders. There are 406 microenterprises in the Chingeltei Ger Area; 256 are traders, 33 are manufacturers and 23 are in real estate, renting and business activities. Chingeltei Ger Area has the most agricultural based businesses (20).

The competitive advantage of the Chingeltei Ger Area is its proximity to the downtown and Apartment Areas. It also has the Honshor Food Market that attracts many consumers.

Sukhbaatar

The Sukhbaatar Ger Area has the most registered microenterprises (501). As in all areas, the traders make up the highest number at 290 (58%). There are also 37 manufacturers and 28 construction companies in the area.

The competitive advantage Sukhbaatar Ger District is its proximity to downtown and the Zuunail Construction Market. Most of Ulaanbaatar shops here for their retail construction needs. The central part also has many car repair shops concentrated in one area. In the outer part of Ger Area the soil is rich have farming business so many households have wells and gardens in their yard. Also there are many animal production businesses. By the end of 2002, there were totally 6337 domestic animals, and 654 households with domestic animals. There are 2054 households and 33 small entrepreneurs grow vegetables.

Bayanzurkh

Bayanzurkh has 246 registered microenterprises in the Ger Area. 155 are traders, 19 are manufacturers and 18 are working in other services.

The Bayanzurkh Ger Area has a competitive advantage in trading due to the thousands of people from the city and the countryside visiting the Naran Tuul market and surrounding area daily.

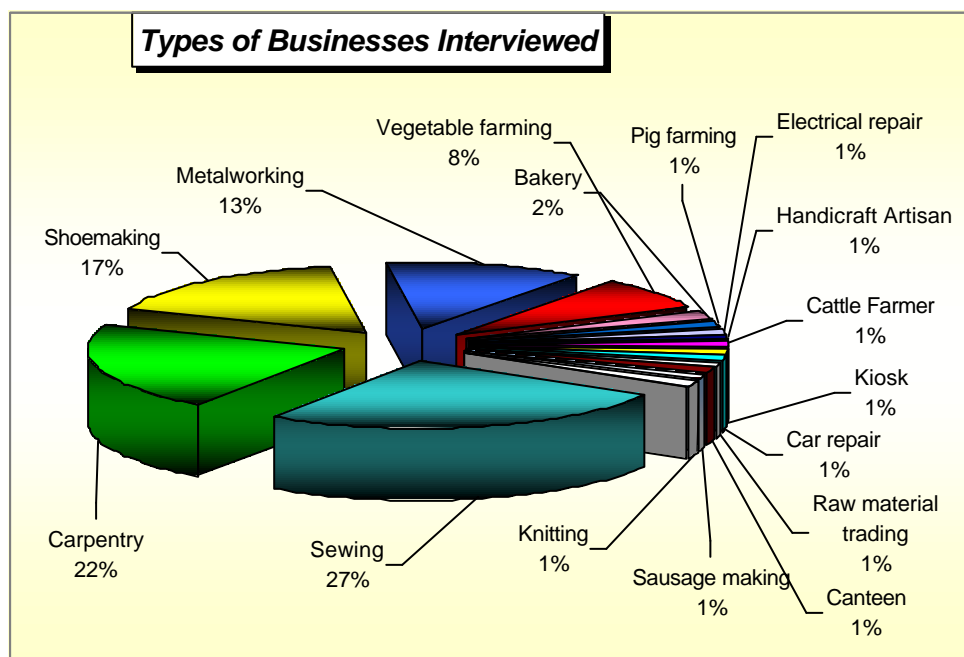
3.2 Microenterprise Informal Interviews

Ulaanbaatar GER Initiative staff conducted informal interviews with 79 microenterprises located throughout the Ger Areas. For the interviews, we intentionally chose types of businesses that we felt were the most likely to benefit from the GER Initiative rather than being representative of the true makeup of microenterprises in the Ger Areas. For example, although trading is the predominant business in the Ger Areas, the interviews were conducted primarily with manufacturing businesses, because these businesses are more likely to provide a demand driven product, and become sustainable sources of employment. We also chose businesses that were established so that we would better understand the longer term problems Ger Area microenterprises are having. The results of the interviews will assist in the fine tuning of program design.

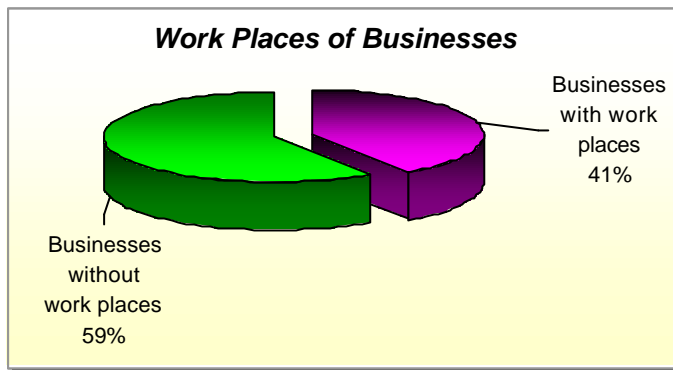
Of those businesses interviewed:

- 29.1% are in Chingeltei Ger Area
- 22.8% are in Songino Khaikhan Ger Area
- 20.3% are in Khan-Uul Ger Area
- 12.7% are in Bayanzurkh Ger Area
- 8.3% are in Bayangol Ger Area
- 6.3% are in Sukhbaatar Ger Area

All the businesses had been in operation for at least one year. Those interviewed described themselves as working in the following sectors.

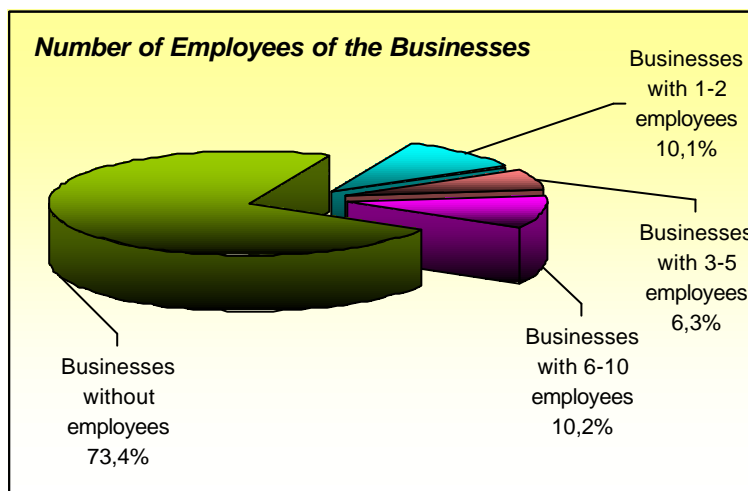


- Of the businesses interviewed:**
- **27% tailors**
 - **22% carpenters**
 - **17% shoemakers**
 - **13% metalworkers including jewelers**
 - **8% vegetable gardeners**
 - **2% bakers**
 - **and others**



**40.5 % of the businesses have separate work places to run their businesses
59% do not have a separate work place.**

Most businesses were family-based. Generally, they manufacture something together. Afterwards, one or two family members sell the product while other family members find raw materials to begin manufacturing again. When a profit is made, there is no special distribution of income between family members. In the few cases where the businesses hires help, the monthly salary was 30,000-80,000 tugrigs depending on the skill level of the worker.

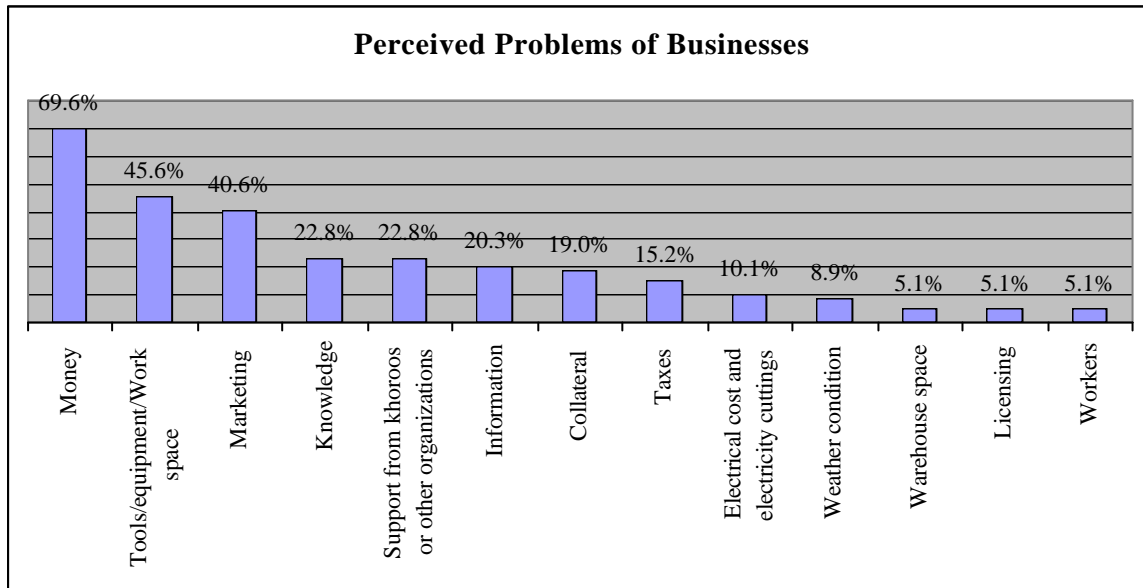


**Of the interviewed businesses:
73.5% do not have any employees.
10.2% have 6 – 10 employees.**

All of the businesses interviewed were unregistered. Only 13% (10) of the businesses were licensed. 87% (69) were informal. It was unclear why so many were informal. It may be because they are unsure how to register or obtain a license rather than not wanting to pay a tax. From this small sample, we can surmise that there are many microenterprise potential clientele for the GER Initiative.

6% (5) of the businesses had working capital between 0.5 million tugrigs and 7 million tugrigs. These were the biggest businesses interviewed and all were in the field of manufacturing (shoemaker, carpenters, and tailors). 48% (38) of the businesses estimated their working capital between 50,000-1,000,000 tugrigs. The remaining 46% (36) of the businesses did not have working capital and borrowed to cover operating costs.

The interviewed businesses identified lack of working capital as the number one barrier to expanding their business. Lack of Tools/Equipment and workspace was the second most common problem with marketing identified as the third biggest problem.



Obtaining a loan to solve the cash needs was seen as the most important way to improve or expand their business. 29.1% (23) of the businesses interviewed received loans in the past although as reported above 46% borrow from some source to cover operating costs. Businesses most likely do not consider this type of borrowing as receiving credit.

In terms of marketing, 68% sold their products only in the Naran Tuul market and products were often only available by special order. These businesses are limited by markets.

3.3 Startups

In addition to the established businesses, there are also many active families and individuals with strong motivations and entrepreneurial savvy to be clients, as new startup businesses. During the initial two months' implementation of the Ulaanbaatar Business Development Centers (BDC), we will focus business development services on pre-existing small businesses, generally with at least one-year's operating experience. After staff has gained sufficient experience, we will begin assisting business startups and new entrepreneurs.

Information on the feasibility of new startup businesses in Ulaanbaatar and the identification of capable entrepreneurs will be collected during our early implementation phase. However, our initial impressions are that there is good potential for several new businesses in the following areas:

- Low-income housing construction
- Apartment remodeling and renovation
- Vegetable gardening inputs: seed, fertilizer, irrigation equipment
- Small manufacturing: stoves, small appliances
- Business, Computer and Copying Services
- Office Supplies and Services
- Bath houses and Portable Home Baths
- Photo and Video Camera Services
- Newspaper and Magazine Sales
- Small Lumber Shops
- Water Delivery Services
- Non-Bank Financial Institutions
- Video Rental Services
- Sport Center Café or Bar
- Outhouse Cleaning Services

Based on our preliminary knowledge of the Ulaanbaatar business environment, we feel that the potential new startup businesses listed above either build on Ulaanbaatar's comparative advantage or fill important gaps in the local economy.

3.4 Small and Medium Enterprises (SME's)

The GER Initiative criteria for a Small and Medium Enterprise is any business with 11 to 100 employees. Overall, in Ulaanbaatar there are 1,832, or 14%, registered SMEs with 292 of them operating in the Ger Areas. We have identified these businesses to:

- Facilitate business to business goods and services interactions between microenterprises and SMEs;
- Provide employment opportunities for Ger Area residents with these businesses;
- Identify gaps in goods and services available to Ger Area residents; and
- Provide limited services to these SMEs.

Although the GER Initiative will be working with SMEs throughout the entire city to link them to the Ger Area microenterprises, Table 3.3 identifies registered SMEs within the Ger Areas of each District. Education is the largest industry in the Ger Areas followed by manufacturing and trading. In addition to the businesses included in the chart, there are many unregistered SMEs in each of the Districts because some hold licenses and some continue to operate informally.

Table 3.3 Ger Area Registered SMEs by Industry Sector and District

Industry	Khan Uul	Chingeltei	Sukhbaatar	Bayangol	Songino Khairkhan	Bayanzurkh	Total
Agriculture, hunting and forestry	2			1	1	5	9
Mining and quarrying					2		2
Manufacturing	10	3	19	3	11	9	55
Electricity, gas and water supply		4					4
Construction	1	5	14	5	4	2	31
Wholesale and retail trade	3	6	7		19	5	40
Hotels and restaurants	4		3		3		10
Transport, storage and communications	1		3		1	3	8
Financial services		1	1	1	1		4
Real estate, renting and business activities	3	2	2		1	3	11
Public administration and defense	7		2		2	3	14
Education	19	14	13	6	16	15	83
Health and social work	5		1		2	3	11
Other services	3		2		2	3	10
Total	58	35	67	16	65	51	292

Ulaanbaatar Statistics Office, 2003

Khan Uul

Khan Uul's SMEs are much more abundant than microenterprises partly due to the area's historical past of the industrial District. There are 58 registered SMEs and 10 of them are manufacturing businesses. The manufacturers are a soap factory, beverage factory, flour mill, cashmere processing, a fertilizer company, a bakery and two pharmaceutical companies for humans and one for animals. A number of the SMEs operating today were state owned large businesses during the socialist time.

Bayangol

There are 16 registered SMEs in the Bayangol Ger Area with three in the manufacturing sector. From interviews in the area, we discovered many more SMEs. According to the Songolon Governor, in 2001 there were 100 SMEs operating in the Ger Area and today there are over 250.

Songino Khairkhan

In Songino Khairkhan District, there are 65 registered SMEs including 19 wholesale and retail businesses. The District has the highest number of registered trading SMEs. This is because the area historically has many warehouses that continue to be used as well as two major markets: the lumber market and the "Khar Khorin" black market. The manufacturing registered businesses include a sewing factory, toilet paper production factory, vodka factory, pharmaceutical company, noodle factory, and iron working factory. There are many more businesses with over 10 employees, however it appears that these businesses either undercount their employees or they are unregistered.

Chingeltei

There are 35 registered SMEs operating in the Chingeltei Ger area. They are engaged in education, wholesale and retail trading, construction, private electricity sales and water supply. Only three of the registered businesses are in manufacturing including a bakery, an alcohol producer and a drug maker. In interviews in the area, we talked to a number of unregistered SME manufacturers. Most of the SME businesses are located in Denjiin Myanga and Khailaast area due to the proximity of downtown Ulaanbaatar.

Sukhbaatar

The 67 registered SMEs in the Sukhbaatar Ger Area are mainly engaged in manufacturing, construction and education. Manufacturing includes bakeries, carpentry shops, sewing, pasta production, cashmere production, publishing and printing, brick production, candle making and iron production. Most of Sukhbaatar Ger Area SME's are located in the central part due to the infrastructure, proximity to downtown and the Zuun Ail Construction Market and the auto market.

Bayanzurkh

There are 51 registered SMEs in the Bayanzurkh Ger Area including nine in manufacturing. The SMEs the GER Initiative staff visited included two pharmaceutical companies; three cashmere & wool processing companies; two publishing companies; four tanneries; one furniture maker; and three sewing companies.

3.5 Large Businesses and Major Employers

The GER Initiative classifies any large business as an entity that employs over 100 people. Many businesses in Mongolia are seasonal, however if they employ 100 or more people for any season, we consider them large. The GER Initiative will explore partnership opportunities with some of these businesses to:

- Identify employment opportunities for Ger Area Residents;
- Identify contracting opportunities for Ger Area microenterprises; and,
- Explore any viable linkages and business to business goods and service opportunities between these large businesses and the Ger Area microenterprises.

From table 3.1, 316, or 2% of the registered businesses in Ulaanbaatar are considered large business. Of these, 57 are located in the Ger Areas. Ulaanbaatar's large businesses employ 132,820 people. Of the 316 businesses, 24 employ over 1,000 employees. The biggest sector for the large businesses is manufacturing with 65 companies employing 35,271 workers. Major manufacturing includes textiles and related goods, leather and footwear, soap, paper, iron castings, cement, glassware, beer and spirits, and processed foods. Below is a brief overview of some of the major sectors most likely to work in partnership with the GER Initiative in Ulaanbaatar.

Transportation Sector

In Ulaanbaatar, there are a number of major employers in the transportation sector. The state run transportation companies include MIAT Airlines, Mongolian Railway Authority, and Autobus 1,2,3. There are 152 companies providing inner city transportation, 26 domestic transportation providers and 4 international transportation providers. Of the 152 inner city transportation providers, there are 89 van companies and 52 taxi companies. In 2002, the volume of freight and number of passengers increased by 14.6% and 7.3%.⁷

Trading Sector

The Mongolian Gross Domestic Product in wholesale and retail trading increased 11% in 2002. Much of this trading is attributable to the Ulaanbaatar economy. In Ulaanbaatar, there are 23 large businesses and major employers engaged in wholesale and retail trading employing 8,100 workers. Mon Hangai, Mandalkhangai, Raznoimpex, MCS International, Bridge group, Sky Trading, Durvun Zam, and Tenger Trading Company are the biggest companies in the trading sector. They mainly import food and other household products.

Food Processing Sector

In 2002, the total production in food processing increased 6.4% for all of Mongolia. Milk and dairy production increased 280%, followed by noodles 74.8%, flour 31.7%, meat production 30.7%, and beverages 16.5%.⁸ In Ulaanbaatar, there are nine companies with 2,600 workers

⁷ Mongolian Statistics Book 2003

⁸ 2002 Work Report, Ministry of Food and Agriculture

operating in the food processing sector. They are mainly located in Songino Khaikhan and Khan-Uul Districts. In meal processing, Makh Impex controls 13.5% of the market in Mongolia. In flour milling, Altan taria and UB Guril in UB accounted for 70% of the total flour production sales of Mongolia. APU and MCS are the leaders in beverage production and employ around 500 staff. There are two large bakeries employing 670 staff in Ulaanbaatar: Atar Urguu and Uguuj. AgroAmgalan and Devshil are large vegetable growers producing cucumbers, tomatoes, potatoes and carrots as well as other vegetables.

Health, Education, Other State Services Sector

There are over 80 large service providers located in Ulaanbaatar including 33 medical organizations with 7,408 workers and 39 educational institutions employing 8,555 workers. Most of these are state owned and operated institutions. The largest health organizations are the Scientific Center of Maternity, the Clinics Central Hospital, the Infection Clinic, and the Injury and Defect Central Hospital. In education, the major education employers are the Mongolian University of Science and Technology, National University of Mongolia, Medical Science University. In the utilities sector, there are 10 state managed institutions employing 6,571.

Textile Sector

In 2001, there were 74 wool and cashmere factories in UB and 55 sewing factories although not all of these employed over 100 employees. Gobi, Buyan, Ulaanbaatar carpet, Mongol Amikal and Mongol Nehmel are some of the biggest wool and cashmere factories. Many of the companies are foreign owned or joint ventures with foreign companies. AOCC, Durvin UUL, Temuugin Mench, Diorva Mongaol and Suljee are the biggest sewing factories. There are also some major leather producers located in Ulaanbaatar.

Construction Sector

Since the late 1990's the construction industry has boomed in Ulaanbaatar due to a number of factors including the privatization of apartments, offices and other business spaces, an increase in foreign investments in real estate, and now the privatization of land. From 2001 to 2002, construction company sales have increased by 23 billion tugrugs from 75 billion tugrugs to 98 billion tugrugs. There are a number of foreign owned or joint venture companies operating in the market however wholly Mongolian owned companies captured 74% of the market in 2002. The four largest construction companies operating in Ulaanbaatar are the Ulaanbaatar Construction JS company, Erel Construction, Barilga Corporation and Niislel Orgoo. These four companies all own and operate their own construction material factories that supply them with some of the needed materials.

There are a number of other large businesses operating in Ulaanbaatar in the communication, financial, mining and other sectors, however at this point we do not foresee a potential for linkages between our primary clientele and large businesses in these sectors.

4 Potential Collaborators

There are a wide variety of organizations that are potential collaborators with the GER Initiative. The following section summarizes the key institutions of the following types: credit providers, private business development organizations, local training providers, local government services, other NGO's and humanitarian organizations, and collaborators in Ulaanbaatar.

4.1 Credit Providers

The Mongolian Banking Law of 1991 established a two-tier banking system with Mongol Bank becoming the central bank. The law identified the rules for supervision by the Mongol Bank and reporting by the commercial banks. From the former monolithic state bank, five commercial banks were formed. One year later, nine more banks were established. In 1994, two bank mergers took place and in 1995, the first privately owned bank, Golomt, was established.

In the late 1990's, due to poorly trained management and staff, insider lending, insufficient risk assessment and overall sloppy lending procedures, the banking sector suffered several major blows. Banks were forced to close due to insolvency and withdrawn licenses. Of the 14 commercial banks created during the first two years of the two-tier system, 7 were either closed or liquidated. As a result, trust in the banking sector was extremely low. Many people lost their life savings and stayed outside of the banking sector. In 2000, of the estimated 220 billion tuggrigs in circulation, only 60%, or 130 billion tuggrigs, went through the banks, while the remaining 40%, or 90 billion tuggrigs, was either kept or circulated outside. Pawnshops continue to be popularly used in place of banks.⁹

However in recent years the banking environment has improved. Today 16 commercial banks, 66¹⁰ NBFIs and a large number of savings & credit unions (SCU) are engaged in lending in Ulaanbaatar. In 1999, total banking assets expressed as a share of Mongolia's GDP amounted to no more than 20%, by 2002, this share had improved to 40%. The number of current account holders and borrowers increased 2 and 2.8 times respectively in 2002. In 2002, banks issued loans worth 469.9 billion tuggrigs, this was 81.3% higher than in 2001. 41.5% of the loans were granted to the private production sector, and 58.5% to non-production sector. At the end of 2002, outstanding loans were valued at 231.4 billion tuggrigs, of which 193.4 billion tuggrigs (83.6%) were for loans disbursed in Ulaanbaatar. Non-performing loans amounted to 7.2% of total loans in 2002 while it was 23.8% in 2000.¹¹

Over the course of this assessment, we met with a number of lending institutions in Ulaanbaatar. All of the institutions expressed a willingness to work with us. We will focus on working with institutions that offer microloans with flexible interest rates and terms and preferably have branches in the Ger Areas. Currently, seven banks and three NBFIs meet this criterion. Of these institutions, one has already developed a specialized loan product for our clients and we are discussing potential new products with two of the other institutions. Our potential clients will have not only use credit services' of the institutions; they will also make

⁹ Casper Van Der Tak, *Analysis of Existing Funding Sources for Energy Efficiency Investments in Mongolia*, Ulaanbaatar, April 2003

¹⁰ 66 out of 76 Non Bank Financial Institutions are providing loans

¹¹ Mongol Bank, Monthly Bulletin, 2002

efficient use of other services such as savings, payments and transfers and risk mitigation. (Please see Appendix 1 for a complete list of loan products of each institution.)

Banks

Ag Bank

Ag Bank's lending program focuses on micro and small businesses, consumers, herders and pensioners. Presently, the bank is delivering banking services through 365 branches and sub-branches. Ag Bank has 28 branches in Ulaanbaatar including 13 that were opened up this year. A few of the branches are located in Ger Areas including Yarmag and Hailaast. As of the end of 2002, the bank had equity of 3.6 billion tugriqs, mobilized funds of 46.2 billion tugriqs, and had outstanding loans of 25.0 billion tugriqs.

Xac Bank

Xac Bank specializes in microlending and has SME lending specialists working in each branch. In Ulaanbaatar, Xac delivers its services through 9 branches including those in the remote Baganuur and Nalaih Districts. Xac is our closest bank partner in Darkhan and Erdenet and although they have no branches located in the Ger Areas, we expect the same will be true in Ulaanbaatar because of their collateral requirements and their interest in working with Ger Area microenterprise clients. In the Ulaanbaatar Ger Area, they currently have a total of 2,132 loans outstanding worth 919.8 million tugriqs. At the end of 2002, the bank had equity of 2.9 billion tugriqs, mobilized funds of 8.4 billion tugriqs (of which 6.2 billion tugriqs from customers), and had outstanding loans worth 5.5 billion tugriqs.

Savings Bank

Savings Bank, a 100% state owned bank, has not lent as aggressively as other lending institutions, however the bank has a network of offices in Ulaanbaatar with 32 sub-branches including many located in the Ger Areas. After discussions with the GER Initiative staff, Saving Bank has developed a loan product especially for our clients: a 12 month loan with 3% interest rate for first time borrowers. At the end of 2002, the bank had equity of 3.48 billion tugriqs, mobilized funds 47.6 billion tugriqs (of which 46.4-bil MNT from customers), and had outstanding loans worth 6.3 billion tugriqs.

Mongol Post Bank

In Ulaanbaatar, Mongol Post Bank operates through 6 branches and 2 cash counters¹². At the end of 2002 the bank had equity of 3.3 billion tugriqs, mobilized funds 27.2 billion tugriqs (of which 24.2-billion tugriqs from customers), and had outstanding loans worth 16.1 billion tugriqs.

Anod Bank

Anod Bank has 4 sub-branches and 1 card center in Ulaanbaatar. It is aggressively pursuing the microfinance market. Currently the portion of micro-loans in the total loan portfolio is 22% with a goal to increase that portion to 50% by the third quarter of this year. At the end of 2002 the bank had equity of 3.4 billion tugriqs, mobilized funds 34.1 billion tugriqs (of which 31.7 billion tugriqs from customers), and had outstanding loans of 24.5 billion tugriqs.

¹² Cash counter of the bank is a unit that provides limited banking service including acceptance of individual deposits, all other relevant and non cash settlements, however, it does not provide lending and current account service and business for legal entities.

Zoos Bank

Zoos bank offers microloans through its 3 branches and a sub-branch in UB. It is opening branches in the Ger Areas this year. At the end of 2002, the bank had equity of 3.3 billion tugriqs, mobilized funds 21.2 billion tugriqs (of which 18.9 billion tugriqs from customers), and had outstanding loans worth 17.9 billion tugriqs.

Capital Bank

Formerly Innovation Bank, Capital Bank changed its top management and name in May 2003 to become more marketable. Currently the bank has 4 branches in UB and is planning to open sub-branches in 2003. The Bank offers small and medium sized loans. The percentage of non-performing loans has decreased from 17% in 2001 to 4% in 2002. The Government of Mongolia owns 17.7% of the bank equity and private shareholders own 82.3%. At the end of 2002, the bank had equity of 2.1 billion tugriqs, mobilized funds 4.9 billion tugriqs, and had outstanding loans worth 2.2 billion tugriqs.

Non Bank Financial Institutions

The strength of the NBFIs sector is its low rate of non-performing loans – only 0.3%. Loan decisions are made quickly in 1-2 days and loan interest rates are comparable to bank rates. There are currently 66 NBFIs operating in Mongolia. The number of NBFIs has expanded quickly over the last years. Most of them lend however few of them provide only money transaction, finance leasing and factoring.

Credit Mongol NBF

Credit Mongol was established with EU-TACIS funding in 1999. At the end of 2002, Credit Mongol had equity of 696.3 million tugriqs, outstanding loans worth 649.9 million tugriqs. In Ulaanbaatar, all loans are provided through the head office.

Fin Invest NBF

Fin Invest has operated for 1.5 years. Its loan funding comes from the Credit Savings Unions. All loans are microloans. At the end of 2002, Fin Invest had equity of 76.0 million tugriqs, and had outstanding loans worth 500 mil tugriqs. It provides micro and business loans through the head office in Ulaanbaatar.

Trans Capital NBF

Trans Capital was established in 2001. As of the end of 2002, Trans Capital had equity of 250.5 million tugriqs, and outstanding loans worth 285.3 million tugriqs. In Ulaanbaatar, Trans Capital is offering business loans and microloans through its head office.

4.2 Private Business Development Organizations

There are a number of private business development organizations in Ulaanbaatar however few if any relate directly to the GER Initiative clientele. The three groups listed below provide business development services to the larger businesses that are their targeted audiences.

Mongolian Chamber of Commerce

The Mongolian Chamber of Commerce caters to the large business community in Ulaanbaatar. The goals of the Chamber are to promote a healthy competitive private sector, provide the business community with an influential voice to government, provide technical assistance and participate in international business events for the good of their membership. The Chamber has 500 members who pay 200,000 tugriqs per year for services. It offers a number of services to its membership including the inspection of export and import goods, the organization of foreign trade fair trips and the issuance of Certificates of Origins for companies interested in exporting their products. The Chamber has an SME Business and Investment Promotion Center, however as of this time it is inactive. The Chamber may provide good contacts to large businesses interested in pursuing linkages with microenterprises in Ulaanbaatar.

Mongolian Employers' Federation

The Mongolian Employers' Federation is a member based NGO with over 7,000 members. The Federation is very active in advocacy for their members. They also offer courses in business management, law and other topics. Occasionally, they offer courses for start-ups and other small businesses.

Enterprise Restructuring Project

The Enterprise Restructuring Project (ERP) is in its second phase and consults with large and SMEs sized businesses in a variety of sectors throughout Mongolia. ERP is funded through the Dutch Government. They currently have 46 clients. The project has two main goals of improving the private business sector in Mongolia and training a cadre of Mongolian Business Development professionals who can continue to work in the sector after the life of the program. We have discussed partnering with them in exploring linkages between GER clients services and production and ERP clients.

4.3 Local Training Providers

In Mongolia, to work in certain sectors, a certificate is required that confirms the worker is competent to provide the service. A certificate is earned after completing a training program. Many private organizations provide the training and certificate. These organizations are certified by the Mongolian Government. (Please see Appendix 4 for a list of positions requiring certificates and training organizations.) There are also a number of demand-driven training programs operating in Ulaanbaatar.

Training providers cover their costs through a number of ways. The Mongolian Employment Office issues vouchers to the registered unemployed who use the vouchers at certified training provider of their choice. The training providers then redeem the vouchers for cash with the Employment Office. Others training providers offer their services free of charge, and some providers charge fees directly to the trainees. Fees range from 500 – 1,500 per day for training.

At this time, this is only a partial list of the Ulaanbaatar training providers. A more thorough investigation of the providers training materials and methodology is being undertaken to determine the courses most relevant for our clientele.

Vocational Training Providers

“Futur” Training Center trains people to make felt jackets, felt boots, and felt carpets. After graduation, the trainees can bring their products to sell to the training center.

“House” Professional Training Center prepares home decorators, electricians, carpenters, plumbers and other residential repair workers. These short term trainings are geared for those who want to manage their own business. The center focuses on practical skills and provides internships.

Gun Shim Training Center provides 30 days short term, intensive trainings for preparing cooks, bakers, sales man, cashiers and procurers. After graduation, the center assists in job placements. This training center works in coordination with the Mongolian Employment office, the mayor’s office and many other NGOs.

Mongolian Farmers College offers specialized non-degree agricultural trainings in crop growing and animal husbandry. The College operates a demonstration farm with crops and livestock. Trainings take place both in the classroom and at the farm.

Mongolian Diabetic Association provides short term, intensive training for food service, mechanics, computer operators, and accountants. They also provide consulting services to people who want to run family businesses. They assist in job placements and have good contacts with bigger companies who provide internships and space for practical trainings.

Wood Processing Center trains and consults on financial and technical planning of saw-mills and other forestry production.

Textile research center provides training on wool production, textile designs, project proposals of small textile mills and information about large companies working in the field.

Publishing professional training center at Science and Technology University provides complete training for design, lay out and production of all types of publications. Individual and group trainings are available. This center has also information on managing a printing business.

Some private companies also provide informal trainings for their own employees or other interested outside people. Companies are interested in providing this service to people outside their own company to find potential workers. For example, **Armono Leather Corporation** and **Bosa Wholesale Company** offer this type of training.

Technical Business Training Providers

There are also a number of technical business training providers in Ulaanbaatar although we were unable to find any that are serving the Ger Area Residents. The three organizations listed below have expressed an interest in gearing their services towards the Ger Area clientele that we will serve.

InWent, until recently known as the Carl Duisberg Alumni Association, this non-profit organization provides training to entrepreneurs in the area of marketing, management and finance. The training courses appear to be geared towards more sophisticated businesses although the organization expressed an interest in designing programs for Ger Area residents. The trainers are all former students of the Carl Duisberg University in Germany. They have received funding from a German donor group and are now working on becoming self-sustainable. They have been active since 1996.

SME Training Center of the Technical University is operated by University professors. It focuses on providing specialized trainings for SMEs. The trainings and materials used are advanced and theoretical. The Center may be a resource for some of our bigger clients.

Mongolian Cooperative Training and Information Center provides information on cooperative structures as well as limited business trainings. The GER Initiative will collaborate with this center in developing potential cooperatives. They also provide agricultural related vocational trainings.

4.4 Local Government Services

Ulaanbaatar and District Employment Offices

The Ulaanbaatar Employment Office objective is to provide opportunities for unemployed to build their job skills and obtain employment. The Employment Office provides services through District Employment Offices that offer the following services:

- Employment matching services including job fairs, referral services and subsidizing the first six month salary of qualified applicants
- Vocational and entrepreneurial skills trainings, these trainings are both short term and long term (up to 1 year); qualified applicants receive vouchers valued at up to 40,000 tugriqs that the applicants can use with contracted training providers
- Microfinance schemes for self employed entrepreneurs, subsidized microloans are available for qualified applicants
- Temporary short term employment opportunities improving Ulaanbaatar's public works is available for qualified applicants
- Specialized vocational trainings and microloans targeted to self employed disabled and dwarfs

The GER Initiative hopes to partner closely with the Employment Office in employment matching and vocational and entrepreneurial skills training.

Other Government Services

- **Trade, Industry, Agriculture and Environment Policy Office** – implements national policy, decision and programs to support local manufacturing, trade, agricultural and environment policy.
- **Tax Office** – is responsible for new business registration, issuing of SME patents, and tax collection. We will work with Tax Office to obtain information about tax requirements of specific businesses and organizations, and assist clients with registration.
- **Statistics Office** – manages a large database of administrative statistics, official data at the khoroo, District and city level covering employment, demographics and registered businesses. We will continue to work with the Statistics Office to provide relevant information to our clients.
- **Business Regulation and Inspection Office** – acts as a monitoring agency for national and local government's regulation and laws. It provides a variety of supervisory and monitoring services. We will work with the Business Regulations and Inspection Office to ensure our clients' businesses are operating within the letter of the law.
- **Office for City Planning and Land Relation** – is responsible land related issues like registering and officially documenting the land to own or lease for citizens or entities. This office will be important to the GER Initiative clients' regarding land related issues.

4.5 Other Donor Organization Projects

There are a number of services being provided by other donor organizations in the Ger Areas of Ulaanbaatar. The projects mentioned below are those that offer economic development or opportunities to the Ger Areas. To the extent possible, the GER Initiative will collaborate with these projects.

UNDP

UNDP completed a skills training “voucher” pilot program to improve the skills of unemployed persons and create new employment opportunities. In 2002, they also funded a Microstart program to improve access to microcredit in both the rural and urban areas of Mongolia. Currently, UNDP in coordination with World Bank is undertaking a survey to focus on the needs of the Ger Area residents. This survey should be completed in late 2003. They will be designing community development programs that will also provide economic opportunities to the poorest Ger Area residents.

World Vision

World Vision is very active in the ger areas of Ulaanbaatar with programs in health, education, leadership, religion and economic development. In the economic field, they are beginning a group lending microfinance program in August 2003. This program will be an add-on to their present business training program. It will be operating in four Ger Areas including: Dari-Eh and Amgalan in Bayanzurkh District and Bayanhoshuu and Toilgoit in Songino Khairkhan District. It is scheduled to begin operations in other Districts next year.

Asian Development Bank

The ADB is implementing a Ger Area Improvement Project that offers sustainable opportunities for housing finance to the poor and for operating public bath houses in the Ger Areas.

JICA

JICA will implement an efficient stove and clean burning briquette project in the Ger Areas. The project will provide economic opportunities through the creation of the briquettes and improve the environment through providing Ger Area residents with cleaner burning fuels.

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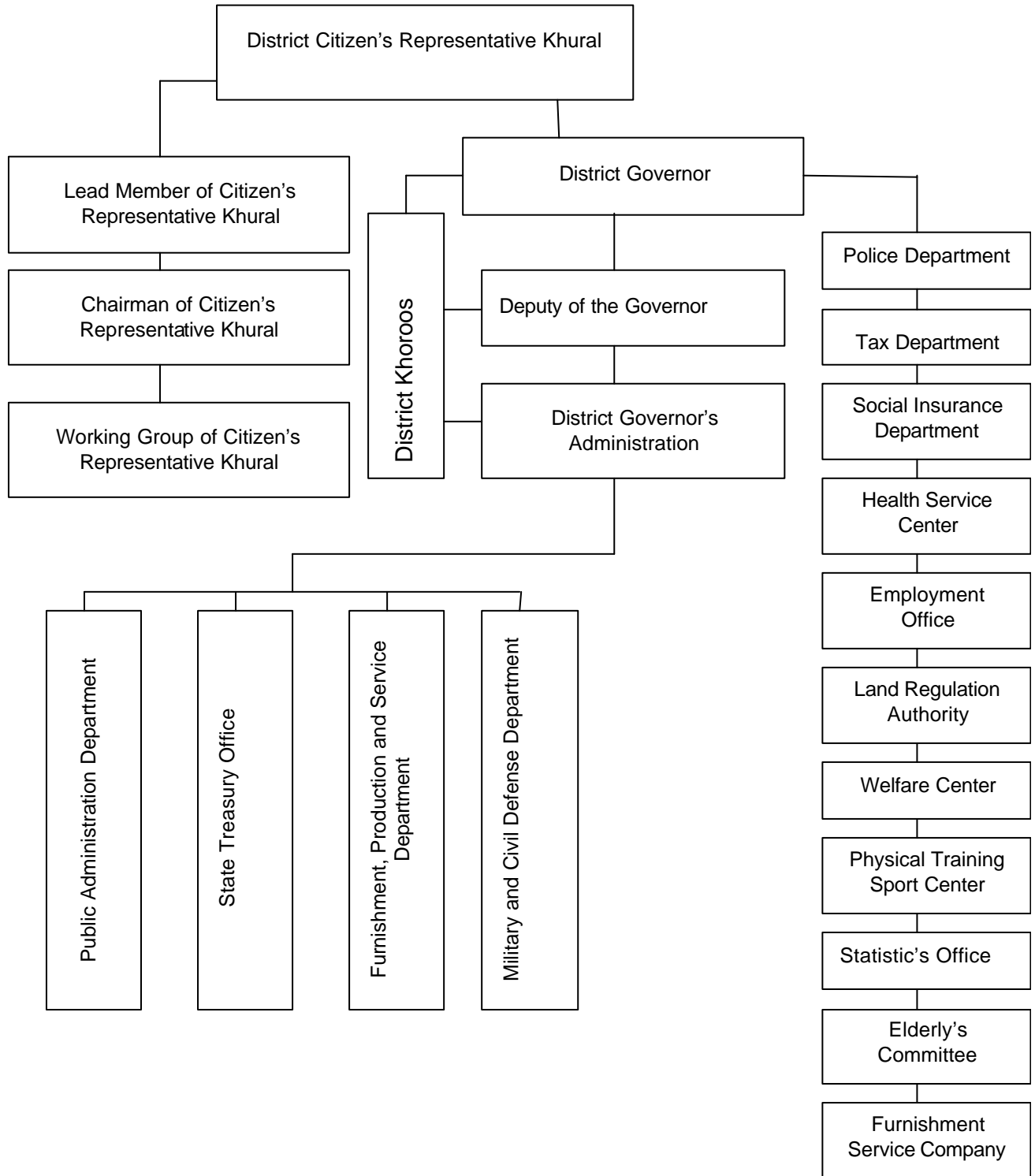
Banks, NBFİ	Loan Product	Loan Purpose	Disbursement to one borrower	Loan Term	Monthly interest rate	Special Requirements	Note
BANKS							
Ag Bank	Normal loan	Financing working capital and fixed asset needs	100.0 thous.-15.0 mln	Up to 6 months	4%	1. Have at least 1 year of business experience and 2. Sufficient collateral, no debt	Loan amount can be up to 100 mln MNT if the operation is reliable and with sufficient collateral.
	Good client loan		100.0 thous.-20.0 mln	Up to 12 months	3%	1. Have at least 1 year of business experience, 2. Good credit record of 9 months with Ag Bank, 3. With sufficient collateral and no debt	
	Apartment Secured loan	Business financing	Up to 10.0 mln	Up to 6 months	3.5%	Has own apartment, business and no debt	The loan repayment schedule is negotiated with the client
	Fixed assets loan	Investment financing	Up to 30.0 mln	Up to 36 months	2.5%	Similar requirement as normal loan, however, with at least 2 years of business experience	
	Apartment Secured salary loan	Business financing	Not more than the salary of 7 months	12 months	3.5%	Has own apartment, business and no debt	
	Speculator's loan	Financing working capital	Up to 10.0 mln	1-3 months	4.5% - 3.5%	Similar requirement as normal loan	
	Apartment purchase loan	Financing apartment purchase	Up to 30 mln	Up to 60 months	1.96%		Loan amount shall be up to 70% of the purchased apartment
XacBank	Start-up loan	Financing working capital and fixed asset needs	200.0 thous. - 1.0 mln	1-12 months	4.5-3.5%	1. Operational business 2. No debt	Take household goods, movable and immovable property as collateral Monthly interest payment, partial or bullet principal payment
	Growth loan		2.0 - 4.0 mln	1-18 months	3.5-2.75%	Operation of same business for last 6 months	
	Household loan	Household use	Up to 1.0 mln	1-12 months	4-3.5%	Every household with regular salary	Partial principal payment with equal amount in each month

	SME loan	Financing working capital and fixed asset needs	5.0 – 30.0 mln	1-18 months	3.0-3.25%	Experience of at least 1 year in business operation	Highly marketable movable and immovable property
	Wholesale loan	Financing Savings and loan coops	Up to 80% of the Coop. share holding asset	1-12 months	2.2-3.0%	1. Sustainable business in operation for last 6 months, 2. Operates in the selected aimags and sums	Take assets of Cooperative and it's members as collateral
	Savings Secured loan		Up to 80% of total savings	Do not exceed savings period	MNT loan-: Savings interest+ 6.6% per year USD loan-savings interest + 3.6% per year		
	Salary loan		5 times more than the constant income	2-12 months	3.0-3.5%	Not less than 75% of the loan amount shall assured with collateral of movable and immovable assets	Loan is repaid with equal amount in each month
	Consumer Loan	Cash need	Up to 95% of the monthly net salary	Up to 30 days	3.5%		
Savings Bank	Pension loan	Any	Equivalent to the pension of 3 months	Up to 3 months	Up to 2%	Has pension income	
	Salary loan	Any	Up to 80% of the 4 months' salary	Up to 4 months	Up to 2%	Works for organization with sustainable operation and to work permanently	
	Business loan	Financing working capital	Up to 10.0 mln	Up to 1 years	3.5-3.0%	1. Has business experience 2. Has own apartment 3. Regular and sustainable income	Highly marketable immovable collaterals.
Zoos Bank	Salary loan	Any	100,000 - 600,000 /equivalent to the salary of 6 months /	Up to 12 months	2.4-3.9%	1. Loan collateral shall be salary and other income 2. Salary confirmation of the organization 3. Guarantee 4. If a whole organization is to get salary loan the organization shall issue a guarantee.	

	Citizens' loan	Business financing	Up to 15 mln	Up to 1-1.5 years	MNT loan-: 3.2-4.2% USD loan- 2.9-3.6%	1. Citizen of UB. 2. Collateral shall not be transferred to others as collateral	Use own movable and immovable assets
	Job creation project loan	Business financing /to create jobs/	For the 1st time: up to 10.0 mln	Up to 1 year	2.2-2.5%	1. Have business experience 2. Sustainable business operation for last 6 months 3. Profitable operator for the previous period	Financed by ADB
			For the repeated: up to 15.0 mln	Up to 1.5 years	16% in a year		
	Private sector development project loan	Financing medium term investment needs	Up to 500,000 USD or it's equivalent in MNT	3-7 years	MNT loan- 1.7% USD loan- 0.9%	1. No past due loan OS 2. Have strong liquidity 3. Has constant and profitable operation	Financed by World Bank
	SME Development loan	Financing working capital and fixed asset needs	Not more than 20% of the bank capital	Up to 1-1.5 years	MNT loan- 2.5-4.2% USD loan- 2.2-3.6%	1. Operated for last 3 years 2. Situated in UB 3. Have sound business plan 4. Have no debt	
Mongol Post Bank	Micro loan	Financing working capital and fixed asset needs	Up to 500,000	Up to 1 year	3.45%	1. Operational business 2. No debt 3. Sound business plan guaranting the loan repayment 4. Sufficient collateral and guarantee	
	Small loan		Up to 10.0 mln		2.85-3.05%		
	Business loan		More than 10.0 mln		2.0-3.5%		
	Job creation project loan	Business financing /to create jobs/	500 thous.- 10.0 mln	Up to 1 year	2.2%	1. Have business experience 2. Sustainable business in operation for last 6 months 3. With profits	Financed by ADB
	Small loan financed by Employment promotion fund		Up to 8.0 mln	Up to 1 year	2.2%		
	Savings Secured loan	Any	Up to 80% of total savings	Do not exceed savings period	Savings interest+ 0.8%	Has saving account with the bank	
	Salary loan	Household use	100,000- 500,000 / Not more than the salary of 3 months /	Up to 6 months	3%	1. Worked for not less than 1 year in same organization 2. Permanent address 3. Legally capable	Loan shall be paid each month from the salary (the payment shall not exceed of 50% of the salary amount)
	Small business loan	Financing working capital and fixed asset needs /Small business	Up to 30.0 mln	Up to 12 months	3.5%	1. Operational business 2. Loan repayment capability is confirmed	3.0-2.5% interest rate discount (depending on the amount) for those who paid back the loan on time

	Large business loan	loan/	Up to 30.0 mln – 1.0 bln	Up to 2 years	3.5 - 2.0%	3. No past due loan OS	Loan may be granted for new businesses
Anod Bank	Start-up loan	Financing working capital and fixed asset needs	Up to 15.0 mln	Up to 6 months	3.8-4.0%		
	Expansion loan			Up to 8 months	3.6-3.7%	Received start-up loan no less than 2 times	
	Partnership loan			Up to 12 months	3.0-3.5%	No past due loan OS	
	Medium business loan	Financing working capital and fixed asset needs	Up to 50.0 mln	Up to 12 months	3.0-3.5%		
	Savings Secured loan	Any	Not more than 90% of the total savings	Do not exceed savings period	Savings interest + 1%	Has saving account with the bank	
	Salary loan	Household use	Equivalent to the salary of 3 months	Up to 6 months	4.5%	Works for organization with sustainable operation and to work permanently	
Capital Bank	Trade and industry loan	Business growth	Not more than 20% of the bank capital	Up to 12 months	2.7-3.0%	1. No past due loan OS 2. Operational business 3. With sufficient collateral	
	SME Development loan	Financing working capital		Up to 6 months	3.5-4.0%		
	Consumer loan	Household use	Up to 10.0 mln	Up to 6 months	4.0-4.5%	1. Has sufficient collateral 2. Loan repayment capability is confirmed	
	Salary loan	Any	Equivalent to the salary of 3 months	Up to 6 months	4.0%	Works for organization with sustainable operation and to work permanently	
	Savings secured loan	Any	Not more than 80% of the total savings	Up to 6 months	2.5%	Saving account with the bank	
NON BANK FINANCIAL INSTITUTIONS							
Credit Mongol NBF	SME loan	Financing working capital and fixed asset needs	1.0 – 25.0 mln	working assets loan: 3 months – 1 years fixed assets loan: Up to 2 years	3-4%	Sustainable existing business and profitable operation for not less than 2 years	

Fin invest NBFI	Consumption loan	Any	More than 2 mln	1-6 months	6.0-5.0%	Collateral in conformity with requirement	Highly marketable movable and immovable collaterals (automobiles)
	Business loan	Financing working capital and fixed asset needs				1. Sound implementable business plan and loan return analysis, 2. Collateral in conformity with requirement	
Trans capital NBFI	Medium loan	Financing working capital and fixed asset needs	1.0 – 100.0 mln	Up to 6 months	4.5-5.0%	Highly marketable movable and immovable collaterals	
	Small loan		Up to 1.0 mln				
	Consumption loan	Any	Up to 1.0 mln				
	Repeat loan		Up to 10.0 mln	Up to 12 months	3.0-3.5%	Good small business loan history	
	Agricultural loan		Up to 3.0 mln		4.0%	Collateral in conformity with requirement	
	Consumption loan	Any	Up to 10.0 mln	Up to 6 months	5.0%	Highly marketable immovable collateral	



Type of Business	Professions	Monthly Fixed Fee
Art Related Businesses	Artists including painters, sculptors, toymakers	3,000
	Florists	1,200
	Engravers	2,400
Household Repair Services	Furniture and Machine Repair Persons	4,500
	TV and Radio Repair Persons	6,000
	Watch Repair Person	3,000
Jewelry Service	Gold and silversmiths	16,000
	Other Jewelers	8,000
Teaching	Private Tutors, Trainers and Photocopy Service Providers	2,000
Media	Photo and Video Sales and Service Providers	7,000
	Audio Rental Providers	2,400
	Video and Audio Copiers and Resellers	10,000
PC Video Arcade	PC Video Owners	12,000
Clothing and Fashion Accessories Services	Clothing and Shoe Repair Persons	4,000
	Tailors	6,000
	Shoe Polishers	900
Car Wash	Car washers	3,000
Transportation Services	Packagers, Porters, Movers (w/o any equipment)	2,800
	Movers (without an engine)	5,000
Warehouse and	Warehouse and Storage Providers	15,000
Small Trading	Kiosk Traders	6,000
Small Trading	Street Traders	6,000 per
Currency	Money Changers	25,000
Fortune Telling	Fortune tellers	1,200
Small Trading	Grocers (cannot sell alcohol)	2,400

Profession	Certified Training Providers
Cook, Bartender and Waiter and Waitress	Oyungoo Company Ltd Delgerkhangai Trade Company Ltd Association of Mongolian Cookers Mongoliin Sain Sanaat Emegteichuudiin Holboo “Erdmiin titem” Training Center “Glob” Training and Information Center Abuky Training Center Khairkhan Training Center Gun Shim Training Center
Hairdresser	“Zaluus S?l?n” “Vella” Company Ltd. Delgerkhangai Trade Company Ltd. “Totune” Company Ltd Abuky Training Center Khairkhan Training Center Gun Shim Training Center
Beautician	“Zaluus S?l?n” “Vella” Company Ltd. Mongoliin Sain Sanaat Emegteichuudiin Holboo “Totune” Company Ltd. Sarnai Center Abuky Training Center Khairkhan Training Center Gun Shim Training Center Mongolian Cooperatives Training and Information Center
Salesperson	Delgerkhangai Trade Company Ltd Mongoliin Sain Sanaat Emegteichuudiin Holboo “Erdmiin Titem” Training Center Abuky Training Center Khairkhan Training Center Gun Shim Training Center Mongolian Cooperatives Training and Information Center
Watch Repair Person	Mongolian Cooperatives Training and Information Center