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Family Name :	Tseelei
First Name :	Enkh-Amgalan
Institution :	ETH Zurich
Name of the PhD supervisor:	Prof. Dr Bernard Lehmann
Title of the PhD work	Building value chains in the countryside of Mongolia for pro poor economic growth

Rationale

The existence of pastoral livestock economy is under threat

The perspective of the pastoral livestock sector, the backbone of the national economy remains weak. A herding community of Mongolia is expanded by three fold with the joining of many thousands people who lost their job places during the transition period in early 1990s. The countryside of Mongolia is overwhelmed by new herders with a small herd of livestock which has become their only source of livelihood.

Mongolia is one of the few countries in the world that maintains a truly pastoral livestock keeping. This centuries old, historic and traditional system has been the sole means of herders in Mongolia to maintain the balance between fragile ecological environment and their livelihoods. The invasion of many thousand new people into the herding business has started to distort the system and take its toll on it.

In the recent years, the pasture land, the basis of rural economy has seen an alarming rate of degradation. According to research findings, the pasture land which makes up 80% of total territory of Mongolia is subject to 70% of severe to medium levels of degradation. The vegetation cover and species composition of pastures, which are the main feed source for livestock has been declined by six times. This strong tendency of feed shortage for the livestock increase vulnerability of herder livelihood to natural disasters. The severe winters and drought occurred between 1999-2002 years has caused the death of 11 million livestock to leave about 12000 herder households stockless. But without alternative options of employment these people often re start the herding business. As of the end of 2005, some 70% of herder households own less than 100 heads of livestock which generate an income much below to maintain a subsistence livelihood. An average herder households needs 200 livestock according to the research assessment (UNDP 2003). The carrying capacity of pasture land has already reached the limit and can not endure further increase of livestock number.

Mongolians have been keeping nomadic livestock for centuries and it has become an inseparable part of our culture and tradition and it is in symbiosis with the carrying capacity of fragile ecological environment of the country. Poverty and social crisis in the rural areas has exploited the sector to the fullest and it is at the edge of total collapse if pasture land degradation, the very basis of its existence, continues in the same speed.

Limited income and employment opportunities is major cause of poverty and vulnerability in rural Mongolia

Poverty in the rural areas (43%) is associated with the serious limitations in income and employment opportunities as well as basic social service access. Nomadic herding is almost the sole employment opportunity in rural Mongolia.

Unemployment rate in rural areas is about 40%. Moreover, most of those who are employed in the pastoral livestock sector and small-scale retail or other small business activities, are frequently underemployed or employed seasonally, with resulting implications on the size of income and livelihoods.

Those migrate to urban areas in the search of income opportunities often end up even in a worse situation with the failure to find a decent job due to lack of skills.

Each year many of young people graduating from high schools join the unemployed or find refuge in herding in order to escape poverty. Therefore, the existing herder population of over 800 000 is likely to increase in the future.

Emergence of eco products value chains in the countryside of Mongolia

The policy of the national Government and donor programs in Mongolia is giving rise to active emergence of added value production initiatives among local entrepreneurs. In particular those engaged in eco products value chain for health market has seen visible advancements and several enterprises have initiated an access to neighbouring markets in Japan and Russia.

Livestock origin raw materials and medicinal plant enterprises are making a rapid progress. Many limiting factors, however, such as terms of trade, lack of infrastructures and skills, and the experience of entrepreneurs in the business management effect in the development.

A strong science and research sector backing is a missing gap in the development and marketing of the products.

Results application

This research is specific in the sense that the idea of it originated from real life experience and will be undertaken in the framework of the development program will be implemented by the Swiss Agency or Development and Cooperation in Mongolia to support income generation opportunities for poor rural population. The ultimate goal of the program is to contribute to the revitalization of Mongolia's rural economy by facilitating market production and better linking the products to major markets. This provides the research team with an opportunity to combine theoretical methods and approaches with the real life experience and possibly to produce reflective of and a real life tested theoretical methodology and approaches.

Research questions

- 1) What are the key comparative and market competitive advantages of Mongolia to underpin its economic development with the focus on sustainable rural development and natural resource management;
- 2) What are the state of art of the competitiveness and marketing theory in the field of its relevance and compliments to development economics, social and natural resource management sectors;
- 3) What are the state of art of theory and its practical implications on the ways of transforming comparative advantages into the market competitive advantages of any given country;
- 4) What is the applicability of available methodological tools and approaches from developed countries in value chains in the context of Mongolia;
- 5) How to measure and what are the dimensions (economic, social and environment) of the outcome or outputs of such products or value chains development in the context of qualitative and quantitative indicators for Mongolia;

- 6) What are the benchmarks to use in order to monitor the performance processes:
 - Market analysis (international and domestic)
 - Competitiveness
 - Performance measures
 - Process mapping
- 7) What are the driving forces in the context change, what are the relevant strengths, weaknesses, opportunities, threats such as professionals which could affect positively or negatively market competitiveness and the development of the selected products and value chains;
- 8) What are the key bottlenecks in the competitive building or improving the selected products or value chains along in the areas of technology, physical infrastructure; utilities; logistics (including customs procedures and facilities, technical barriers to trade such as standards for product quality and testing, certification processes, etc); credit; policy and regulatory impediments, administrative bottlenecks; labour market rigidities; etc;
- 9) What are the specific policy reforms, institutional changes, and public investments are needed to enhance performance of the value chain;

Methods and tools

The research will focus on the value chain development of selected up to three products. Key criteria in selecting the products or value chains to be supported could be found in following fields:

- 1) marketability in large urban centres and beyond, especially international markets, or products which constitute important inputs to such end-products;
- 2) prospect of broad-based beneficiaries and economic impact;
- 3) use of Mongolia's comparative advantages such as uniqueness of products, eco-friendliness and ecologically clean products;

Classic methods and approaches in marketing research and strategy will be reviewed and their implications in the context of Mongolia will be discussed.

Case studies comparison methodology developed for sustainable food chains (European research projects) will be reviewed, discussed and implemented.

The researcher will make a wide use of already available literature on Mongolia which will be supported when and where necessary by additional data collection and interviews with relevant informants.

Best practices and success stories of other countries with similarities to Mongolia will be used in developing benchmarks to monitor the progress and measure the final outcomes.

Discussion

Could Geographic Indication (GI) be the way for a small and emerging economy of Mongolia to gain access to international market?

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