

# State of the State in Mongolia

*Line Brøgger, Ole Nørgaard*  
&  
*Sally Cummings*

In collaboration with Dr. Munkhmandakh Myagmar  
of the Press Institute of Mongolia

**DEMSTAR RESEARCH REPORT NO. 23**

Department of political science, University of Aarhus

December 2004  
[www.demstar.dk](http://www.demstar.dk)



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## Introduction

During the autumn of 2002 the DEMSTAR research program conducted a survey consisting of structured interviews with centrally placed, high ranking officials in core government institutions in Mongolia. The research was conducted in association with a local expert team of interviewers headed by Dr. Munkhmandakh Myagmar of the Press Institute of Mongolia. A total of 103 individuals were interviewed, 81 of whom worked in the ministries and 22 in the Presidential Office.<sup>1</sup> The survey applied the standardized questionnaires (Russian versions) also used in other (post-communist) countries as part of a larger comparative research project. The overall objective of the project is to provide a picture of the roles, the strengths and the weaknesses of core state administrations in the aspiration of post-communist countries to simultaneously construct viable democracies and market economies.

This research report presents the results of the Mongolian survey. The aim is to situate the responses of our interviewees in the context of present-day Mongolia, the legacies it carries from the past, the present economic, political and social situation – and in particular in the context of what is today often perceived as one of the most surprising success stories of the post-communist transformations. Considering Mongolia's unfavourable starting position, it is today one of the relatively most successful post-communist states in the common quest for stable democracies and viable market economies. Most recently, this was summarized in a report in *Newsweek* (2003: 48), stating that *"no former Soviet state has come so far, and no former communist country in Asia has shown so much commitment to reform as Mongolia"*. This outcome is even more surprising if we consider that the Mongolian administrative reforms were designed along the lines of New Public Management theory with its emphasis on privatization, liberalization and introduction of market principles in the public sector, and using New Zealand as a sort of benchmark. This design is by definition (and in accordance with the underlying theoretical assumptions) a-historical, and does not anticipate that historical particularities may play a part, or rather, it assumes that certain prerequisites are in place: legal and administrative infrastructures (contractual and commercial law) and an individualist political and administrative culture. This contravenes the classical Asian mode of reforms epitomized by China's top-down approach and Vietnam's bottom-up approach and adaptation to local circumstances. Why is it that a reform based on new public management principles works in Mongolia, an Asian country without established legal and administrative infrastructure and a reportedly

collectivistic culture? And in particular, what has been the role of the state administration in attaining this success? These are the core questions we address in this report.

The report is based on the fundamental belief that states and state administrations are crucial for the overall success of political and economic reforms. What is at stake in this process is not necessarily a larger or smaller state system. Size and scope of activities will always depend on context and circumstances. What is needed is rather a state that is different from the one that was one of the legacies of communism, a state able – and with the capacity – to deal with the challenges of post-communism. The (Mongolian) state's capacity is thus central to the report. However, as explicated in section one, capacity is a relational concept, the value of which can only be established in a specific (and specified) country context. To understand and interpret the responses we got we therefore must start by summarizing the context of the present state administration in Mongolia – path dependencies linking the past to the present as well as the institutional, political and cultural framework, domestic and international.

The report consists of five sections. Section one summarizes the theoretical framework of the research project: the core concepts, the questions asked, why we ask them and the theories that motivate the questions. Section two briefly summarizes the historical, political, and economic features of Mongolian society that are relevant for the questions in the survey. Section three develops a number of hypotheses by combining what we know of the starting points inside the state and in its relations to society when reforms were launched. Section four describes the data obtained in the survey and the insights they provide into the structure and workings of core state institutions. Section five summarizes the findings and discusses in a comparative perspective causal models behind the capacity of the Mongolian state administration.

## **1. Conceptual and theoretical and perspectives.**

This section summarizes the conceptual and theoretical perspectives that informed the empirical research on the core executive in Mongolia. They will, together with the specific features of Mongolia, form the expectations (hypotheses) and analysis (causal models) applied to interpret the responses to the survey.

The concepts applied in the following analysis are fairly mainstream and basically derived from a classical input-output model, as also applied by for example Pollitt and Bouckaert (2000) and Pierre (1995). In this context, the state is seen as a system consisting of officials and structures serving as a

conduit transforming social needs and political objectives into policy outputs (decisions on policies). These policies will produce outcomes, the successes (or lack thereof) of achieving the intended political objectives. This outcome will eventually impact society, reflecting both the suitability of the policy chosen to address the broader social needs and the ability of the state administration to implement that policy. The term *effectiveness* here denotes the state's ability to design policies that, if loyally implemented, will turn political objectives into the desired outcomes, whereas *efficiency* denotes the ability of an administration to (cost-efficiently) implement a decision, whatever the adequacy of that policy in relation to the overall objectives and social needs. The ultimate effect on society and social needs will reflect the broader social utility of a policy, but will also have a large normative element in the perception of what constitutes real 'societal needs'. Following these definitions we will denote a state as *effective* if it is capable of turning politically formulated objectives into adequate policies that, in turn, achieve these objectives. A state may, however, be *efficient* without being effective if it can (cost-efficiently) implement policies without considering their qualities in relation to societal objectives. The term '*state capacity*' in the following encompasses both terms, and high capacity implies a situation in which the state is both effective and efficient.

The present report deals with the effectiveness and efficiency of the state administration in Mongolia. It examines the capacity of the state administration to design and implement adequate policies by looking at the human and institutional resources, but does not question the established objectives as such. These broad objectives, a market economy and liberal democracy as the way to welfare and human development, have been accepted by all major forces in Mongolia today and it is outside the scope of this analysis to question this assumption. Such an analysis would require not only a longer time span and a broader comparative perspective, but also a normative discussion about the merits of alternative societal values.

But what causes a state to be effective and efficient? Overall, efficiency and effectiveness have to do with the relationship between the state and the environment in which it functions. In answering this question we must distinguish between two analytical perspectives. The first perspective is intra-organizational. State effectiveness and efficiency are here formed by the structure and norms of the administration in conjunction with the individual qualities of its civil servants. It is the structure and norms of the administration that define which resources and beliefs of the individual official and civil servant are assets or liabilities in the daily work inside the administration. We require concepts capable of classifying and assessing the

impact of these intra-organizational relations on state effectiveness and efficiency.

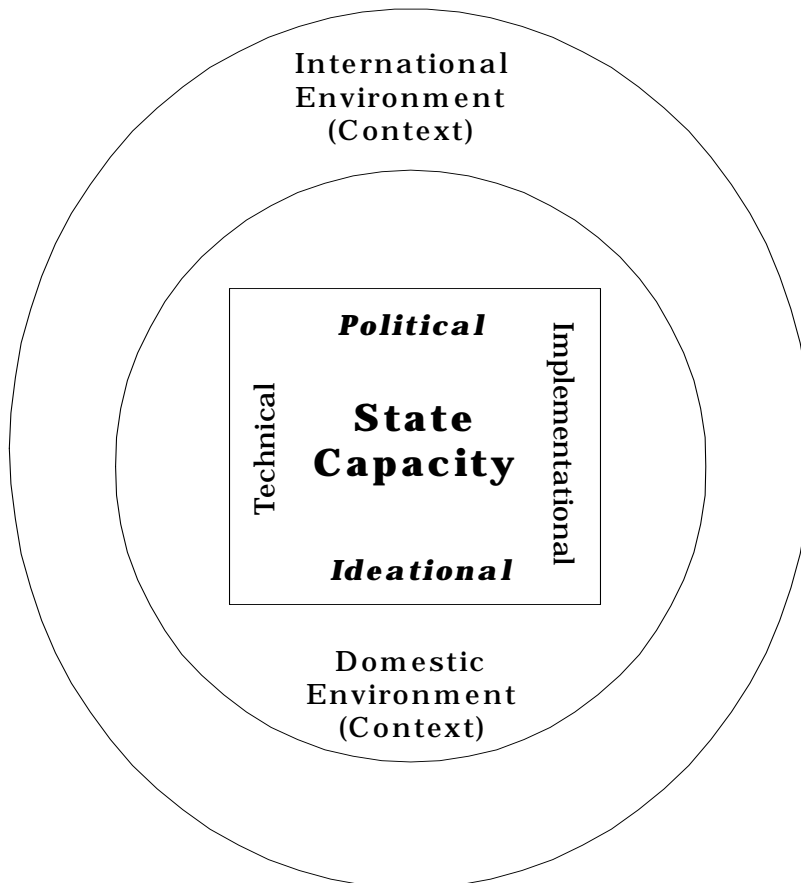
The second perspective is extra-organizational, the relation to the context in which the administration functions. Also here we may ask if the structure and norms of the administration as well as the individual qualities of individual civil servant are adequate to realize policies and broader objectives in a given context. Defining context, however, is as elusive as catching the wind. In theory, context or environment encompasses everything that is not part of the topic under study but at some level impacts that object – in practice everything! The secret to solving the context puzzle is to structure and to prioritize what we conceive of as the *relevant context*. We must structure (or deconstruct) the environment of the state administration into manageable components that can be operationalized and measured and we must prioritize them according to their (anticipated) influence on the effectiveness and efficiency of the administration. In this conceptual introduction we only distinguish between those parts of the context that originate in the domestic environment and those that come from foreign or international sources.

To measure intra- and extra organizational capacities we distinguish in the following between four generic types of state capacity: Technical and implementational (termed administrative capacity), political and ideational. Technical and implementational capacity have to do with efficiency alone (ability to design and implement policies that reflect the political objectives). Political capacity encompasses the design of adequate policies that reflect social and economic needs, while ideational capacity, the role of the identities and beliefs of individual officials, is reflected in both the effectiveness and efficiency of an administration, as described in further detail below. While analytically distinct, these capacities are interlinked in complex ways. The general analytical model is outlined in Fig. 1, followed by a more detailed introduction of the four types of capacities that were the subjects of the empirical enquiry into state capacity in Mongolia.

**Political capacity** (PC) is the effectiveness of public officials to design and implement policies that meet the genuine needs and concerns of society without being influenced by particular interests, be they domestic or international. PC has two dimensions. The vertical dimension deals with the autonomy or interdependence vis-à-vis organized interests in civil society and the international community (Nordlinger, 1987: 167). The horizontal dimension pictures the internal structures within government ranging from segmentation and conflict to coherence and coordination between agencies and policies. It is also a relational and ultimately normative concept, because

an assessment of political effectiveness requires that we stipulate the social and political needs of a country and that we understand the true scope and nature of the interests manifest in the context of a given country (and international system).

Figure 1. The analytical model.



**Ideational Capacity (IC)** captures the impact on state capacity of the role perceptions and preferences of individual officials. *Role perception* is how the official sees his own role in his dealings with organizations and individuals in society and other units of government. The individual official may perceive his own role as that of a loyal servant as in a 'Rechtsstaat model' (Pierre 1995: 8). He will typically be trained in law, and the entire administrative system is based on legality, hierarchy and legality control. Alternatively, the official may see his own role as that of a 'broker' in what Pierre (ibid.) terms 'a public interest model', that is, a system where he balances the competing interests in society with the primary objective of obtaining legitimacy and support for government policies. Role perceptions may hence cause loss of elite legitimacy, and thus effectiveness, if there is conflict between how the official sees his own role and the established administrative culture. Role

perception may also influence efficiency and effectiveness by how it 'fits' or does not 'fit' the tasks faced by the state. *Preferences* describe whether the official's own interests and/or policy preferences are consistent with the policies he is dealing with. To the extent that such a correspondence exists, we may infer that he will be more effective and efficient in his everyday administrative work, and vice-versa if there is a conflict between the official's personal political inclinations and the policy he is charged with administering.

**Technical capacity** (TC) denotes the ability (efficiency) of the state administration to design coherent, viable and politically feasible policies by means of its own resources or through institutionalized relations to extra-governmental bodies (think tanks, universities, NGOs, etc.). TC is contingent in the sense that the strength of the resources embedded in the internal operating system can only be assessed in relation to the problems in a concrete politico-administrative setting and/or a concrete policy area.

**Implementation capacity** (IMC) measures the ability (efficiency) to implement the chosen policies. An administratively efficient state will establish institutions endowed with the resources and competences needed to implement a policy and the ability to remain autonomous despite pressure from various groups and interest groups in a specific context and to escape corruption during implementation. IMC is also contingent in the sense that the strength of the resources embedded in the internal operating system can only be assessed in relation to the implementation barriers in a concrete country context and in specific policy areas.

There is a paradoxical connection between TC and ADM (the overall **administrative capacity** - ADM) and a state's overall capacity to launch and implement reforms. As observed by for example Huang (1994: 445) and Pachamonov (1998), a weak and poorly equipped central bureaucracy often finds itself in a position that forces it to move slowly and implement reforms stepwise because the leadership does not have sufficient information about the state of the society to launch a large-scale, comprehensive transition. In contrast, a large, well-equipped and relatively competent bureaucracy provides the leadership with the capacities needed to launch comprehensive reforms. Once the need for reforms is accepted politically, relatively dependable information about the state of the economy gives the political decision-makers the confidence needed to launch an immediate, large-scale program. During the subsequent reform process, the relationship between the speed of reforms and administrative capacity is reversed, however. The IMC of the well-equipped system becomes a liability when entrenched bureaucracies with vested interests in the old system choose to turn into political actors

bent on crowding out the emerging private sector. Conversely, in a country with a weaker IMC, this weakness leaves room for the private sector to evolve. Hence, the administrative capacity that is an asset during the initial stages of reforms can turn into a liability during later stages. In less developed countries, the situation evolved the other way round. The technical weakness of the administration is a liability during the initial stages of the reform process because it prevents any grand scheme or blueprint from being developed. In the later stages of the reform process, however, the weak IMC becomes an asset because there are fewer and weaker institutional interest groups with vested interests in the old system and fewer veto points where reforms may be blocked.

## **2. The context of the core executives in Mongolia – an overview**

The following section provides a brief summary of the general and more country specific components that may form our expectations to data and, additionally, provide a basis for interpreting the findings. By combining these contextual factors with the theoretical perspectives outlined above, the aim is to create a basis for developing the hypotheses that will be presented in section three.

### *2.1. The institutional legacies of the communist mode of government*

Mongolia belongs to the group of countries that from the late 1980s entered a period of radical transformation from authoritarian state socialism towards democracy and market economy. In that process it shared with other post communist countries a number of intra- and extra-organizational barriers to any reform initiative (Eatwell et. Al, 1995; Hesse, 1993; König, 1992; Obolonski, 1999). Technical capacity was restricted by the technical knowledge of the officials, who may have known how to turn the wheels of a state owned and state managed economy, but had few clues about how to design policies adequate for a decentralized market economy under the constraints of a pluralist democracy. Implementational capacity was hampered by a host of technical, human and financial factors and by vested interests, which were able to block reforms because they controlled critical veto points. Politically the state's ability to implement reforms was thwarted by the intrusion of sectoral and regional interests into the core of government and by the departmental conflicts that were endemic to all communist regimes. In contrast to official ideology the political capacity of communist regimes was actually quite low on both the vertical (autonomy) and horizontal (coordinating) dimensions. The same ambivalence applies to ideational capacity. The official picture of the state administration was one of an ideologically

legitimated and controlled *Rechtstaat* model permeated by hierarchy and legal-ideological control. Ideally such a system would be populated by politically loyal officials promoted on the basis of merit and competence alone. In reality, however, ideology and politics and not merit and competence penetrated all levels of the system, producing strongly politicized administrations, as demonstrated so potently by the semi-official nomenclatura system. Ideational capacity at the beginning of reforms then depends on how the official defines his own preferred role: as that of an official in an ideal type *Rechtstaat* or as a political broker in a public interest model (what Oblinsky (1999) terms a 'realistic' or 'modern' model), similar to the role he was actually performing. Ideational capacity will also depend on how he relates to the actual course of reforms. In all these aspects previous research finds that the state bureaucracy has to a large extent preserved the role perceptions and preferences it inherited from the incumbent system. Also on the horizontal aspect, research has shown that the disappearance of the 'master' (ibid: 571) has led to serious problems of coordination and control of the behaviour of individual officials.

All post-communist countries were beset by these legacies and dilemmas at the beginning of reforms. Still, Mongolia had a number of country specific features that somehow changed the starting position. The scope and depth of these features first relate to the specific social characteristics of the Mongolian society. Second, it relates to the concrete reform strategy pursued by Mongolia in the 1990s. In the following we will briefly summarize these specific features.

## *2.2. The societal and geopolitical features of Mongolia*

Mongolia's modern history has been dominated by its geopolitical position, situated as it is between Russia and China. For 200 hundred years until the early 20th century the Mongols were under the suzerainty of the Manchu dynasty. After the war of independence from Chinese rule in 1921, Mongolia soon became deeply integrated into the Soviet political and economic system, probably given both the disunity of the Mongols, the lack of a skilled domestic opposition as well as fear of Chinese interference. Mongolia thus represents the longest living communist regime after Russia and the deep integration into the Soviet system effectively turned Mongolia into a client state of the Soviet Union (Nørgaard, 2000: 184f; Laking, 1998: 3f).

When the communist party came into power Mongolia was largely a pastoral country, a majority of the population herding livestock on the vast mountainous plains. In the mid 1980s when the wave of reforms started, the country had been transformed. Although nomads still wandered the

steppes, the majority of the population had settled, some export oriented industry (copper, cashmere and gold) had developed and a working central government and state apparatus were in place. However, more than other transition countries the Mongolian government was dependent on subsidies and on foreign experts in core positions. Until the collapse of the Soviet Union in the late 1980's, Russia was Mongolia's principal benefactor, contributing up to a third of Mongolia's national income through aid and in 1990 the Soviet trade bloc, The Council of Mutual Economic Assistance (CMEA), mediated up to 90 percent of all trade. In addition, external advisors from the Soviet Union numbered about 50,000 workers and non-military specialists, making up 7.7 per cent of the workforce (Boone, 1994: 334). Russian assistance thus contributed significantly to the social and economic development of Mongolia during these 70 years, in particular with regard to achieving relatively high standards of public health and literacy. However, when the Soviet bloc disintegrated and cut off aid, Mongolia experienced the most serious economic disarray of all the CMEA countries (Ginsburg, 1995: 459, Nørgaard, 2000: 184).

### *2.3. Political, economic and administrative reform strategies*

Prior to independence the communist party, The Mongolian People's Revolutionary Party (MPRP), succeeded in reforming itself, making a generational change in its leadership. By adopting a law amending the Constitution, the party laid the foundation for building a democratic multiparty system, ending 70 years of totalitarian political regime (Bruun and Odgaard 1996: 29). From the early stages of transition, the party successfully shed its old image of repression. Early elections were scheduled in 1990, which made it difficult for the newly established opposition to organize, and the MPRP won a clear majority, gaining much more than its share of the parliamentary seats due to the first-past-the-post electoral law. Although the MPRP dominated the Great Hural, the government included four members of the opposition parties and continued with its reform program, initiating fundamental political, economic as well as administrative reforms (Nørgaard, 2000: 185).

The political reform process was set in motion with a new constitution<sup>2</sup> drafted by the parliament as a compromise between all parties during one year of sessions in the Great Hural, supported by an extensive number of foreign advisors (Chuluunbaatar, 2004: 16f). The new Constitution was adopted in 1992 and was designed as a semi-presidential system with a strong parliament patterned on the French Model, but with a more powerful legislature, indicating strong elements of checks and balances. Hence, the

Mongolian Constitution largely represents western values and thus differs from other constitutions of Central Asian republics that have strong Presidencies.

Concurrently with political reforms the government initiated radical macroeconomic adjustment reforms. Mongolia followed the so called 'shock therapy' strategy consisting of liberalization, deregulation and privatization, but with recurring reinstatement of the levers of a planned economy: price control, rationing etc. (Collin, Nixon, 1993; Korsun, Murrell, 1995; Poole, 1998). The initial reform process was, however, not a success, primarily because of the withdrawal of Soviet aid and the collapse of the CMEA in 1991. Hence, in the four years up to 1993 real GDP declined by a quarter (Laking, 1999: 4). The economic reform program was blamed for the economic recession, and the pace of reforms was slowed down without changing direction. The following years saw some recovery in the economy with improved agricultural incomes, growth in private trading and real growth in GDP aided by increasing support from western foreign aid and credits. In the period up to 1995 total foreign aid implemented totalled around USD 720 million, compared to a GDP in Mongolia estimated at 700 million in 1994 (Nørgaard, 2000: 186).

In 1996, the Democratic Union Government won a landslide victory and they revitalized and reenforced the radical economic reforms. Mongolia had by 1997 shown substantial progress in most spheres of economic transformation. Economic growth picked up in 1997-1999 after having stalled in 1996 due to a series of natural disasters and declines in the world prices of copper and cashmere, and in the following years the economy was stabilized. Despite drought in 2002, GDP rose 4.0 percent, followed by a 5 percent increase in 2003 (CIA Fact Book). Politically power changed hands again in July 2000 when the democratic reformers were voted out in favour of the MPRP in Mongolia's third election. It was thus the second peaceful transfer of power since the collapse of communism.

In the administrative sphere the reform package reflects the tenets of new public management, following in particular the New Zealand model of administrative reform (Nixon & Walters, 1999). It was initiated by the Democratic coalition after their victory in 1996 and the reforms have been modelled along four set principles: 1) Separation between policy and operation. 2) Separation between funding, purchasing and provision of service. 3) A belief in the need for competition between service providers. And 4) A need to provide a clearer focus for the core administration (Nixon & Walters, 1999: 166). Following these general guidelines a number of administrative reforms have since been launched. At the top level, the civil service was

restructured into nine policy ministries, and new laws regulating the relationships between various levels of administration were initiated. New accounting systems have also been instituted, governed by the NPM's ideas about service contracting between different sectors and levels of government. In addition, the government proposed widespread decentralization and market based wages at all levels of government.

### **3. Setting the research agenda: generating hypotheses**

Having briefly summarized the political and societal context, the ambition is through interviews with a subset of centrally placed executives in core institutions to map the four state capacities identified in section 1. Our expectations are generated and explained in the following.

#### *3.1. Political capacity.*

Political capacity describes how the state manages to take effective decisions that reflect the needs in society without being captured by specific interests and without losing the internal coherence of sector specific policies. In a post-communist democratizing system political capacity in particular has to do with the state's ability to maintain the liberal and pluralist prerogatives of a democracy without losing sight of economic and social developmental objectives. It is essential to control the access of vested interests from the incumbent system and their control of veto points in the politico-administrative system, and to provide a substitute for the policy coordinating role of the communist party. In some of Mongolia's neighboring countries the developmental tasks have taken precedence over democracy. In the former Soviet republics of Central Asia, we have witnessed a development where strong presidencies have eroded democratic participation and rights and replaced the coordinating role of the Communist Parties with powerful presidential administrations. Mongolia, however, has managed to transcend the seemingly incompatible objectives of development and democracy, and in the process witnessed two instances of power transfer between the incumbent MPRP and a nationalist Democratic Party (1996) and back again (2000). Democracy has on all counts been consolidated and the structural adjustment process and ensuing policies have moved further than expected in view of the huge transition costs incurred. A number of authors have tried to identify the roots of this unexpected success story (Fish, 1998, 2001; Pomfret, 2000, Chuluunbaatar, 2004). Common to these explanations is a host of structural, institutional and actor based causes that in complex interactions provided the present democratic Mongolian state with a relatively high capacity. Fish (1998, 2001), for example, in two articles

published with a three year gap, points to two sets of causes whose presence or absence explains the Mongolian anomaly. On the positive list he puts factors like a vibrant civil society, an increasingly robust multi-party system where power now twice has changed hands between the two main blocks, a fortuitous choice of a semi-presidential constitution that imbued the system with strong elements of checks and balances that, in effect, prevented the worst cases of corruption and further reinforced the consensus oriented political culture. On the negative side he lists a number a features that we normally consider to support democracy, but whose absence in a Mongolian context has proved to be a blessing: Natural resource endowments, geo-strategic significance often in conjunction with an external patron, regional power pretension, the existence of a father figure and concentration of the executive. Others, for example Chuluunbaatar (2004: 2), emphasize the nomadic egalitarian tradition in Mongolia as a positive factor, because it is based on a political culture of power sharing, which makes them more adaptable to a pluralist democracy. Ginsburg (1995), on the other hand, points to the stabilization, MPRP's regionally unique ability to transform itself into a democratic party and its potential to 'develop along the lines of the classical ruling parties elsewhere in democratic Asia' (471) (see also Batbayar 2002: 327). In sum: Because of the overall impact of these factors we may in a regional context expect political capacity, the ability to produce effective policies, to be high.

### *3.2. Ideational capacity.*

Instinctively we would expect the successor to the second longest living communist system to harbour severe conflicts between role perception and preferences of officials on the one hand, and the reality of the new evolving administrative system on the other. This expected ideational dissonance has also recently been the subject of two articles that, from different perspectives, deal with the conflict between role perceptions and preferences of the bureaucracy and current political demands. Korsun and Murrell (1996: 176) study price policy in Mongolia, and argue that developments have been strongly influenced by what they term 'The culture of Policy making'. This 'culture' is defined as the effect of incomplete information, because 'when past decisions are known but the information that spurred these decisions are hidden [-] the history of past decisions can come to dominate present information in the calculus of decision makers'. Especially in times of rapid institutional change and leadership turnover, the contrast between generalized statements and preferences may become acute, because general statements need not reflect the policy history or culture in a particular field

whereas actual choices often will. Therefore, we often see generalized statements from Mongolian political leaders emphasizing the virtues of free markets and prices, but actual behavior that, with broad consensus, contradicts these statements, for example through price controls, rationing, etc. They conclude that the 'culture of policy making' better than alternative explanations, in particular rent seeking and the vested interest thesis, explains the actual development in Mongolian price policies in the 1990s.

Nixson and Walters (1999) examine the policy preferences of the radical reform government elected in 1996, and in particular their ambition to model public administration reform along the lines of New Public management, using New Zealand as a role model. They argue that these reform initiatives probably will fail to meet the objectives of better and more cost effective government, because the reformers have not taken into account that practically all preconditions for success are absent: the physical resource bases to implement the budgetary and administrative reforms, the necessary human resources, as well as an accepted body of commercial and contractual law. In short, the design of reforms has been driven more by ideology than by pragmatic considerations about what is viable and feasible under the present circumstances. Especially the preferences of the politicians as revealed in the administrative reforms are likely to lead to discontent among bureaucrats who are neither trained nor motivated to work in a structure nurtured under completely different conditions. Hence, both regarding role perception and preferences, we expect conflicts between official structures and policies and attitudes of the state bureaucracy.

### *3.3. Technical capacity*

Beginning in 1991, Soviet Aid was partly replaced by aid from bilateral and multilateral donors, who dispatched experts that, on a more modest scale, came to replace the Soviet advisers and transmitted new economic and political ideas into the local context. However, in contrast to the previous regime, the foreign advisors were not at all a coherent group providing consistent advice. Rather, advisors – and advice – were split between what is summarized by Collins and Nixson (1993: 401) as 'advocates of the 'shock therapy' approach', notably USAID and 'the more steady hand of the UNDP' with its longer term objective of institution capacity building. Hence, considering the tasks faced by a traditional communist government apparatus, the brain drain following the opening of reforms and the radical nature of the Mongolian reform strategy, we would not expect the technical capacity of the core administration to be particularly high.

### 3.4. Implementation Capacity (efficiency)

Mongolia is a key example of the paradox of administrative capacity described in the first section – with one important exception: despite weak technical capacity the leadership decided at an early stage to launch comprehensive and radical reforms of the economy and the administrative system, although policy reactions at critical moments often reflected traditional modes of thought, as described below. Once these reforms had been launched, however, the second part of the paradox became operational. As described by for example Boone (1994: 332), the weak IMC was a contributing factor to the relative success of the economic reform strategy, because when the government as a response to undesirable consequences tried to halt or to slow down reforms ‘...with the loss of control mechanisms, government agencies [were] forced to abandon their policies. In effect macroeconomic liberalization has been led by microeconomic change’. At the same time, it was the pastoral lifestyle and a flourishing informal sector that made the reforms politically and socially sustainable because the flow of goods and services was maintained, alleviating the social hardships that otherwise might have rendered the reforms socially and politically unsustainable (Pomfret, 2000: 152). Also the remaining local presence of the former communist party, The Mongolian Peoples Revolutionary Party (MPRP) in the regions, an ethnically homogeneous population and the broad political consensus that characterized much of the 1990s contributed to an overall picture where we would not expect major obstacles to policy implementation.

In sum, by combining our general knowledge about the legacies of post-communist administrations with the specific preconditions and policies of Mongolia, we are led to believe that the state administration is characterized by a relatively high political and (more controversial) implementational capacity, but by lower ideational and technical capacity.

## 4. Empirical findings

In the following we will investigate the roles, the strengths and the weaknesses of the core state administration in present-day Mongolia based on the responses obtained in our survey of centrally placed high ranking state executives in the Mongolian state administration. The four sets of hypotheses described in the previous section will guide the presentation of the empirical findings. First we will focus on *political capacity*.

#### 4.1. Political Capacity

As defined in the methodological section, political capacity consists of two dimensions. The vertical dimension deals with the autonomy of the state or its interdependence with organized interests in civil society and in the international system. The horizontal dimension describes coherence, or lack thereof, in the internal decision-making structures.

##### 4.1.1. The vertical dimension: Interdependence with civil society

In order to characterize the Mongolian state's political capacity, the first questions to be addressed are the extent to which external actors are involved in policy-making, and who these external actors are. And how can we characterize the collaboration taking place between the officials and organized interests?

Our empirical findings demonstrate that it is common practice for ministerial officials to have close working relationships with external actors (Table 1). However, the kinds of external actors/organizations involved seem to be rather sector specific. Whereas most sectors point to NGOs and professional organizations as consultancy and input collaborators, the Ministry of Defence talks more about general contacts and communication, and tend to focus more on collaboration with other ministries and state agencies as well as with foreign organizations. If we look at the comments to the question of *why* the officials have close relationships with organized interests, the findings generally reveal that the ministries need to gather essential information from concerned interests in the policy-formulation process. Another common purpose is well described by the statement: "*work connections and professional contacts are the basis for success*" (Ministry of Food and Agriculture). This quotation reveals a common feature among the respondents' answers, namely that it is necessary to consider the opinions of concerned NGOs and other interest or professional organizations in the policy-formulation process in order to achieve a successful, coherent implementation. These findings may indicate that the different sectors have close contacts with organized interests to the extent that collaboration appears useful to policy-formulation and implementation in the sector in question. Hence, the survey reveals that in ministries with *sectoral regulatory functions* (e.g. ministries of agriculture, trade, and industry), close contacts with organized interests are seen as more common than in the other sectors. Links to organized interests may be essential in this policy area if the state is to obtain important information from, for instance, organizations of industry and agriculture.

However, as illustrated in Table 3, the relationship between the officials and the concerned interests appear much more institutionalized in the Presidential Administration than in the ministries, in that 81.8 percent from the presidential administration survey describe collaboration with the concerned interests as an institutional forum for discussion and corporation, compared to only 45.7 percent in the ministries. In the ministries, collaboration is mainly organized in formal but irregular meetings called at the discretion of the ministry. Even though these findings at first glance appear to mirror a state-society relationship corresponding closely to what we would expect in any developed democracy, the findings may also reflect that the executives are to some extent captured by particular interests. We therefore have to examine the *character* of these state-society linkages (Tables 4, 5, 6 & 7).

The great majority (89.3 percent) of the participants declare that they have never experienced attempts to bribe them into favoring specific groups or individuals. Compared with other post-communist countries, including the East- and Central European countries, this is a very clear dismissive statement indeed. What blurs this picture somewhat, however, is that 43.7 percent have heard of such attempts in other ministries (Tables 4 & 5). This contradiction may be explained by the fact that while it is easy to denunciate others, it is evidently more difficult to admit it when oneself has been exposed to illicit behaviour. The survey also indicates severe problems with misuse of status position (other than bribes) in the administration, where 43.2 percent of the participants either agree or strongly agree with the statement that misuse of status position is common in Mongolian politics (Table 6). It appears to be common among intermediate level officials, and secondly, among lower level officials (Table 7). Sixty percent of the respondents identify 'too low salaries' as the main cause of corruption, and secondly, they point to 'low moral quality of civil servants' (Table 8). Few see the legacy of the Soviet system as a major cause. With regard to whether current laws are perceived as sufficient for combating corruption, the answers are rather contradictory: Whereas a majority of the respondents from the presidential administration survey have confidence in the legal framework set up to counter corruption, 60.6 percent from the survey of ministries indicate that laws are not sufficient for combating corruption (Table 9). What is the explanation of this difference? It may be found in the division of work between the ministries and the presidential administration. The presidential administration is generally concerned with designing the legal basis, but the ministries typically manage the laws in practice. An in-between variance in the ministries lends credence to this observation as a

plausible explanation: Hence, a majority of the *ministries with general regulatory functions* (including the ministries of justice, environment etc.) generally perceive the legal basis as sufficient (56.3 percent) just like the majority of respondents from the presidential administration. As in the presidential administration, these line-ministries most likely participate in the process of formulating laws against corruption, whereas the other sectors have more 'hands-on experience' with concerned interests, and thereby corruption.

#### 4.1.2. The vertical dimension: Interdependence with the international community

Another aspect of the vertical dimension dealt with above is the question of how the relationship with the international community is perceived. Generally, surprisingly few state that foreign actors have tried to influence policy or regulations in their ministry. Only 1 person out of the 22 participants in the presidential administration survey finds this to be the case, and 28.8 percent of respondents in that ministry have experienced such an influence (Table 10). When foreign actors did seek influence, international financial institutions are, not surprisingly, emphasized as the most important international actors (Table 11). The attitudes expressed towards the influence wielded by international actors on domestic policies appear contradictory: Whereas the majority from the survey of the presidential administration declare that they mostly saw negative effects on solutions of domestic problems when foreign actors had influence, the majority of the participants from the ministry survey declare that it rarely had negative effects (Table 12). At the same time, the ministries are somewhat divided as regards achievable positive effects, in that 46.8 percent of the respondents from the ministry survey find that foreign actors' influence in *most cases* has a positive effect, while another 46.8 percent state that their influence is *rarely* positive (Table 13). What are the implications of these contradictory statements? Comments by the interviewees to this question indicate that while it is perceived as positive that foreign actors provide badly needed finance, technical assistance etc., many executives seem to want to dissociate themselves from externally formulated policies where the particular features of Mongolian society are not taken into account. As one respondent explains: '*Regular external advice can both result in positive and negative outcomes. If it is used properly in consistency with Mongolian conditions, the result may be positive*' (Ministry of Justice). Thus, the contradictions in attitude concerning the effect of the influence wielded by external actor may reflect a fear of external domination. Mongolia's recent history being what it is, fear of external domination is a quite plausible and understandable reaction: '*Since Mongolia*

*is an independent country, it has a right to implement its own decisions'* (Ministry of Nature and Environment). Another respondent adds that, *'Decision-making relates to national domestic politics, in other words; external intervention is not proper'* (Ministry of Nature and Environment).

#### 4.1.3 The horizontal dimension: Decision making structure

Decision-making structure is a map of the decision-making forum/fora and looks into whether decision-making is concentrated within the government, within a unitary actor (the presidency) or is embedded in a pluralistic structure of competition and checks and balances. The questions to be addressed here are whether the Mongolian power structure in reality mirrors the formal pluralistic design characterized by semi-presidentialism, and the extent to which activities are coordinated across different agencies and institutions of the Mongolian government.

First of all, our data clearly demonstrate that representatives of the legislative branch of government are generally regarded as the most influential political players today, as they were under communist rule (Tables 14 & 15). Representatives of the executive power are ranked as the second most influential political players. As revealed in the power index (Table 16), the president and his office are also at the core of the power structure in contemporary Mongolia. President Bagabandi is thus ranked as the most influential political actor since the regime change, and the fact that his former legal advisor, Purev, is perceived as the third most influential political actor is also a strong indication of the president's influential position (Table 16).

The respondents from the presidential administration do not attach great importance to either the Prime Minister or the line-ministers as regards influence on decision-making, while participants from the ministry survey find these institutions very influential. Hence, whereas the interviewees in the presidential administration predominantly regard the president as the *most important* decision maker affecting decisions in the different ministries, the ministry survey attaches greater importance to the Prime Minister (Table 17). The same pattern is seen in Table 18, which shows the decision-making fora of greatest relevance to the ministries: The presidential administration survey predominantly points to the president, but the majority of the survey participants from the ministries point first to the government (67.9 percent), and secondly, to the president (12.8 percent). However, as Table 19 reveals, there is relative consensus about meetings in the ministry as the most important *informal* decision-making forum, indicating that the ministries actually play an important role in decision-making. Additionally, the data

demonstrate that Mongolian ministries are relatively institutionalized, with 87.41 percent of the participants insisting that the ministry itself initiates policy proposals. In the ministry survey, 95.1 percent insist that this is so, compared to 59.1 percent from the presidential administration survey (Table 20). Our findings here indicate that decision-making is subject to considerable bargaining and negotiations between the ministries. Not surprisingly, the Ministry of Finance is regarded as the most influential ministry/department. However, while the great majority from the ministry survey point to the Minister of Finance, the presidential administration attaches just as much importance to the Ministry of Justice (Table 21).

The pattern described above indicates that the decision-making forum is not concentrated within a unitary actor, but is characterized by a pluralistic structure. However, it is significant that the president is perceived as being so powerful in the ministries. Nonetheless, the state can be conceived of as an arena for bargaining rather than as a singular entity. This indicates that the decision-making process is characterized by checks and balances as initially expected, given the constitutional design.

What does the survey reveal about coordination across different institutions and agencies in the Mongolian government? (Tables 22, 23, 24 & 25). First of all, the survey reveals trust in the other ministries. There is widespread agreement that civil servants in one ministry should be allowed to provide information to colleagues in other ministries without prior permission (Table 22). In addition, as Table 23 shows, the participants are quite confident that no third party is allowed to interfere in the decision-making when other ministries or parties interfere in the business of their own ministry. Hence, information seems to flow quite freely and each ministry seems to be intent on cooperating rather than obstructing and playing political games. This indicates great trust between the different branches and institutions in government, which suggests a relatively coherent structure with a high degree of coordination between the different agencies.

Asked about what complicates decision-making, three obstacles stand out as most critical: Lack of qualified staff, lack of financial funds and lack of information are all perceived as very critical obstacles to effective and efficient decision-making (Table 26). Also disagreement in the decision-making process and lack of coordination are mentioned as critical to effective decision-making. Overall, however, the survey conveys the impression that lack of expertise and lack of experience with an institutional democracy and market economy are perceived as the major obstacles to effective decision-making (Table 26). The Mongolian state does not as yet have either the practical experience and know-how or the expertise or financial funds

needed to design and implement effective and efficient policy-decisions. However, seen in a post-communist – and not least in a regional – context, decision-making in Mongolia seems both pluralistic and relatively effective, although still lacking the necessary expertise and funds required to be efficient.

#### 4.2. Ideational Capacity

In section one, *ideational capacity* was defined as the impact of role perception and preferences of the individual official on the state's capacity. How does the official or minister in Mongolia perceive his or her own role in dealing with organized interests? And secondly, are these preferences consistent with the current policies? If there is a conflict between how officials see their own roles and the established administrative culture, and between their own political orientations and official policies, it may lead to a loss of elite legitimacy and efficiency. The following section examines the perceived attitude to societal participation and relates these preferences to the perceived real participation described above. In this context we do not address the issue of policy preferences and official policy because an exploration of this relationship would require a sector specific approach.

The overall *attitude* to the involvement of organized interests in society is positive. With regard to the policy-formulating process, the presidential administration seems more unequivocally positive than are the respondents in the ministry survey. 81.8 percent of the respondents from the presidential administration survey compared to 51.9 percent from the ministry survey find that decisions are *mostly* improved when concerned interests are incorporated, whereas 40.7 percent from the ministry survey find that this is *sometimes* case (Table 27). This pattern may reflect the fact that collaboration with concerned interests was seen as more institutionalized in the presidential administration compared to the ministries (section 4.1). In addition, a large majority either 'agree' or 'strongly agree' with the statement that private business organizations and/or other concerned interests should participate in the implementation process to ensure compliance in implementation (Table 28). Involvement of concerned interests is thus by many perceived as a necessary procedure to prepare progressive, viable and feasible policies. Most participants focus on the positive impact on efficient decisions: One participant argues that, '*It is proper to hear opinions of particular subjects, because they know the issue concretely. Lack of hearing them may lead to wrong decisions*' (Ministry of Education, Culture, and Science). According to another participant, '*Opinions of all related subjects should be considered in making policies. If taking one side, it will be improper and wrong*' (Presidential

Administration). This last comment illustrates a general feature of the comments on this issue; that it is necessary to approach an issue from all angles and not be inclusive only towards particular interests. The reservation is particularly outspoken when applied to the term *lobbying* in relation to questions of societal involvement (Table 29). Here the majority of the participants disagree with a statement saying that lobbying is positive, because it provides the information you need to make the right decisions. And the survey does indeed reveal a very varied understanding of the concept of lobbying. Negative perceptions of lobbying point to effects like, *'Lobbying is an interest of a particular subject and lobbying is never in favour of common interests'* (Ministry of Education and, Culture and Science). Several participants also voice criticism concerning the legal framework. As one respondent puts it, *'the ground for using lobbying fairly and justly has not been created'* (Ministry of Food and Agriculture).

However, many respondents point out positive factors concerning the involvement of organized interests. *'Parliament composition can not involve representatives of all organizations. Thus, they have less knowledge of certain sectors. I think lobbying is useful in these occasions'* (Ministry of Justice). Overall, the respondents express differentiated attitudes towards lobbying in favour of public organizations and NGOs versus lobbying on behalf of private interests. This distinction is evident in the following statements: *'Lobbying has two sides: Among them lobbying that reflected personal interest is harmful but the one that reflected public and branch organizational interests is useful'* (Ministry of Education, Culture and Science), *'Lobbying is used in favour of private interests. It is right if it will be used for public interests'* (Ministry of Food and Agriculture).

The attitude to lobbying depends on how lobbying takes place and for what purpose, as also argued in the following statements: *'It can be considered negative in case of affecting my official duties from a view of interests. It can be considered positive in issues in favour of organizations, staff and societal interests'* (Ministry of Defence). A similar argument is used by a participant from the Ministry of Defence: *'Business sector's attempt to influence legislative or high ranking officials is of negative outcome. State organization should study and hear opinions and ideas stated of public organizations, NGO and citizens'*. These findings indicate that officials/ministers in general are aware of the balancing act needed when involving concerned interests in policy-making without becoming captured by particular interests. This awareness and concern fits well with the perceived extent and character of collaboration.

However, the conflicting attitudes to alternative modes of participation described above may also be interpreted as a political conflict between old

patterns of institutionalized interaction with organized interests, enterprises, etc. and new emerging private interests trying to make their way into the decision-making process by lobbying. The positive attitude to the participation of organized interests could indicate a continuance of links formed under the old system, whereas the negative attitude to lobbying could be seen as scepticism towards private enterprises whose attempts to influence decision-making might threaten traditional partnerships. This interpretation finds support in Table 30. Asked about what role the public should primarily play in politics and government, 44.7 percent indicate that the public should elect representatives and let them run the country, while 38.8 percent state that the public should become engaged in organizations and try to gain influence. These findings reflect conflicting role perceptions among the executives. The data thus reveal that the largest group actually would like to confine popular influence to voting, which is in conflict with the perceived involvement of organized interests. The top down perspective revealed here indicates that a large group of domestic decision-makers have yet to overcome the communist legacy, in which the goal of the totalitarian state was to penetrate society and to use the state to transform society. Accordingly, this group does not perceive themselves as 'brokers' between competing interests in society on the one side and legitimacy and support for government policies on the other. Rather, they seem to see their role as that of a loyal servant of a *Rectstaat* model where the administrative system is based on hierarchy and control of legality.

Concerning the preferred degree of state involvement in the economy and in society, 42.7 percent would like *more* or *much more* individual initiative and 36.9 percent *some more* or *much more* involvement in the economy (Table 31). This indicates that the executive is positive about continuing the economic reform initiatives towards liberalization and privatization. As regards state involvement in *society*, a majority of 70.9 percent favour *some more* or *much more* state involvement compared to just 19.4 percent preferring more individual initiative (Table 32). This is a clear response to a very poor economy unable to deliver even basic social security to its citizens. When asked what country they saw themselves as most resembling in ten years, 24.3 percent of the executives point to Russia/other CIS countries and the same number, 24.3 percent, say Central/Eastern Europe (Table 34). The state identity thus seems more European than Asian.

#### 4.3. Technical Capacity

We now turn to the technical capacity of civil servants and central governmental executive institutions. As previously defined, technical capacity

denotes the ability of the state administration to design coherent and politically feasible policies, either by using its own resources or through institutionalized relations to non-governmental bodies.

A core issue here is whether the civil servants have the necessary competences to provide valid and reliable advice in technical and political matters. The question is whether executives and higher officials trust the competences of their civil servants (Table 35.) According to the survey, a majority of the respondents declare that this is *mostly* the case. However, 61.3 percent of the ministerial participants declare that they *mostly* trust the competences of their civil servants to provide reliable and intelligent information, while only 45.5 percent of the respondents from the presidential administration find this to be *mostly* the case.

In response to questions about how the quality of the civil service has developed since regime change, a great majority from both the ministries and the presidential administration say that there has been some or even significant improvement (Table 36). Many argue that it has significantly increased the quality of civil servants that personnel are now appointed through competition. They also emphasize improved skills in English and computer literacy. In addition, several respondents point to the positive impact of civil servants participating in international meetings and seminars, increasing their knowledge and exchanging experiences. A respondent from the Ministry of Education, Culture, and Science made the following comment: *'Civil servants have been enrolled in foreign and domestic training and seminars related to socio-economic and political changes and reformations. Thus, formation of civil servants who may hold policy-making is being created/specialized.'* At the same time, however, the responses and comments revealed that the civil service is not sufficiently trained to provide advice in a market economy and liberal democracy. Nineteen percent of respondents in the survey of ministries say that there has either been no change or that the quality of civil servants has in fact declined (Table 36). Several respondents claim that the reason for the decline or *satus quo* is that the civil servants are not qualified to handle new tasks. *'People who matched for central planned system worked before and met requirements then. Today a transition has taken place. They met requirements at the time – not today'*, as a respondent from the Ministry of Education, Culture and Science said. Another commonly expressed reason for the decline is that many highly skilled bureaucrats have left for jobs in either the private sector or in international organizations; some have even found work abroad. A respondent from the Ministry of Food and Agriculture captures the pattern described above very well with the summarizing statement that, *'Whereas computer skills and language know-*

ledge have been improved, professionals and experimental practices have been worsened, and experience is lacking in making policies'. Hence, although improved skills are observed in some areas, lack of practical experience and professional skills are reported as being critical to efficient policy-design.

The administration makes extensive use of external advisors, especially academic specialists (Table 37). The ministries seem to make use of them to a larger extent than the presidential administration. The pattern is the same for the use of NGO specialists. As an example, a respondent from the ministry of Finance and Economy explains: '*Advice is taken from the World Bank, JICA, Asian Development Bank and International Monetary Fund on sophisticating tax laws and regulations and enhancing tax monitoring and imposition*'. Another example comes from a respondent from the presidential administration: '*Experts were made use of when governments changed, when amendments were made to the Constitution and during parliament discussion on President's veto*'.

The participants agree by a narrow margin that civil servants should advise on technical matters, while the great majority find that civil servants should advise on political strategy (Tables 39 & 40). It is striking that so many participants emphasize political advice and neglect technical advice since civil servants in the ministries were technical advisors under the old system. This pattern is in part explained by the high degree of political competition in the Mongolian political elite. Power has changed hands twice since regime change, and the posts of President and Prime Minister held by the same party-coalition for only one year.

By a narrow margin, a majority disagree with the statement that it is better if the ministers themselves can appoint civil servants (Table 41). However, the statement received quite a lot of support among the ministries (40.8 percent) as opposed to the figure from the presidential administration (22.7 percent). So, although the majority seem to prefer a merit-based, professional civil service, a substantial part prefer a politically appointed staff. This finding corresponds with the fact that the great majority of the participants find that civil servants should advise on political strategy, as noted above.

Finally, the legal culture was addressed by asking what was believed to have been the general response in the various ministries when solutions to problems were blocked or could not be solved by current legislation. The majority believe that the general response is to initiate a change of legislation *before* addressing the problem, indicating a robust legal culture in the administration. Significantly, however, the ministries are divided on this issue: The majority of ministries with sectoral regulatory functions (52

percent) and ministries with production functions (68.4 percent) state that a general response would be to solve problems by administrative means and initiate legislative change *afterwards* (Table 42). They would hence tend to solve problems by administrative means even if it contravenes current legislation.

#### 4.4. Implementation Capacity

Implementation capacity measures the ability (efficiency) to implement the policies that have been chosen and the ability to remain autonomous in the face of pressure from societal interests and to escape corruption. We therefore first examine the extent to which the state is able to implement political decisions; and secondly, what are considered the major obstacles to implementation. Third, we will take a look at the impact of corruption on implementation.

Our data reveal that 97.1 percent of the interviewed executives are confident that their staff will implement decisions as intended (Table 38). At the same time, however, and as indicated by Table 38a, a majority declare that they have often found it necessary to control the work of their staff. The mistrust is particularly outspoken in the ministries survey, where 77.8 percent agree with this proposition, compared to 57.1 percent in the presidential administration. A majority also find that civil servants implemented political decisions more efficiently under the communist system than under the current one. One respondent (from the presidential administration) explains that in his opinion, policy implementation was more efficient under the communist system '*because the policy was definite*'. He may have an important point here. It would seem plausible that in a democratic country – and perhaps especially in a system of shared executive power as is the case in semi-presidential systems – policy-decisions are often the result of compromises and are hence often more difficult to implement efficiently than is a policy-decision characterized by a clear ideology delivered straight from the general secretary's office. This interpretation is supported by the fact that a majority find that poor policy-design is an obstacle to effective policy-implementation (Table 39). In addition, and not surprisingly, inadequate resources are widely perceived as an obstacle to implementation of policy-decisions, and to a lesser degree lack of coordination and information. Table 39b concerns the question of whether local or regional interests are the greatest obstacles to efficient and effective policy-implementation. Although the majority disagree, it is noteworthy that almost half of the respondents from the presidential survey and almost one third from the ministries survey actually

declare that this is so. The majority of the respondents have assumed responsibility when a policy program ran into difficulties (Table 40).

Our survey strongly suggests that non-state actors like individuals, interest organizations, business actors etc. are able to escape regulatory measures (Table 42). One participant elaborates: *'There are hundreds of examples of individuals and businesses escaping regulatory measures. Violation of tax, customs- and labour laws etc.'* (Ministry of Justice), expressing a view commonly held by the participants. Another respondent illustrates escaping regulatory measures like this: *'Some individuals, businessmen or business organizations try to use loopholes in tax laws, for example; there are individuals and organizations tried illegal spirit, hid tax income, violate duties and responsibilities of agreements and contracts'* (Ministry of Defence). Another respondent elaborates: *'...There is no one who has been charged since 1990 till now'* (Ministry of Finance and Economy). Other examples include *'Not all companies implement the duty of restoring nature during gold mining'* (Ministry of Justice); *'First of all, I would like to say that fences and houses were built in any places as if there were no law'* (Ministry of Justice); *'There is no organization which pursues labour time in Mongolia'* (Ministry of Education, Culture, and Science), *'Wood preparation has been defined in laws, though there is nothing that is being implemented. Woods are carried away. Besides, schools without permissions are still conducting activities'* (Ministry of Education, Culture, and Science).

The most striking problems thus seem to be insufficient legal restrictions and lack of administrative control and penalties. A respondent from the presidential administration illustrates the observed lack of administrative capacity to hinder widespread escape from regulatory measures, stating that: *'There is no human or organization beyond legal regulation. But law-implementing organizations are not working, and organizations without laws are working'*. Hence, the comments do not generally point to corruption as the major obstacle to implementation, even though it is perceived as quite common in the country's politics (section 4.1.1). As the comments to questions in connection with Table 51 reveal, the executives generally have heard about corruption attempts in the media or have received letters of complaint. Corruption is thus part of Mongolian politics. However, it is not seen as a major obstacle to implementation.

## **5. Conclusions**

The survey of the Mongolian central government's capacities revealed both strengths and weaknesses. The vigorous (vertical) interaction between the state administration and groups in society is a positive and healthy sign because it improves the information base of decision makers and embeds

policies in the broader society. Also the pluralistic (horizontal) nature of relations between various branches can be interpreted as a healthy sign, showing that the intensions intrinsic to the semi-presidential system are in fact working in practise. It goes without saying that the opposite side of this pluralism is the lack of coordination and coherence that also have been criticized as part of Mongolian government.

The generally positive attitude to input from social groups further strengthens the state administration because ideational capacity is augmented when state actions are perceived as legitimate by civil servants. However, there are also negative aspects of the political and ideational capacity. In particular the high level of mistrust or belief that colleagues in the administration misuse their position reduces political capacity to the extent that branches of government are influenced or even captured by illegitimate groups. This may undermine ideational capacity to a point where there is dissonance between openly expressed norms and actual standards of behaviour. While the political and the ideational are first order capacities in that they set the goals and underpin the legitimacy and social embeddedness of the state, they also set the framework for the ability of the state apparatus to design adequate policies (technical capacity) and to implement (implementational capacity) them. In the first instance (technical capacity) our survey revealed serious deficiencies in the skills and training of the civil servants to match the new tasks engendered by the changing political and economic system. In the second instance, lack of implementational capacity was primarily ascribed to deficiencies in the legal base, in part caused by a lack of clarity and in part due to the lack of adequate controls and sanctions.

However, the status and perspectives of the capacity of the Mongolian state can only be appraised in the domestic and international context. In the domestic perspective, the survey reflects most of the 'normal' trials and tribulations of transition: inadequately qualified bureaucrats and not having the legal basis necessary for dependable implementation of reforms, and hence the danger of capture by external groups. On the positive side, the nature of Mongolian society, the natural conditions and the importance of kinship provide for close interaction between the bureaucracy and society – but also leaves it exposed to capture by particularistic interests. This danger is also evident in the (positive) ambiguity that could be observed between the positive attitude to interaction with society and the rampant scepticism towards certain types of lobbying. In the international sphere we experienced a certain reluctance to accept imported solutions where blueprints designed abroad were seen as incompatible with local conditions. This

attitude is certainly nourished by recent Mongolian experiences with massive Soviet influence, a negative experience now transferred to advisers from Western countries and international organizations.

Overall, our observations of the four types of capacities match our initial expectations well. In a regional context, our findings pointed to a relatively high 'score' on both the vertical and the horizontal dimensions of political capacity, just as we initially expected. However, technical capacity was, as anticipated, not particularly high in Mongolia, and we observed more critical obstacles to implementation than we expected. On the other hand, the observed conflicts between the official structures and policies vis-à-vis the attitudes of the state bureaucracy matched our expectation of the ideational capacity.

The findings therefore also support Nixon and Walters' (1999) initial observations, that a public sector reform modelled along the principles of new public management (with New Zealand as model case) was problematic in a Mongolian context. While the historical (cultural) and present institutional pluralism provided a benign environment for the adoption of reforms that called for competition, deregulation and privatization, our findings also confirmed that the legal, human and institutional preconditions for successful implementation are still absent. This in particular applies to the criticism about the deficiencies in technical capacity (skills and training of civil servants) and implementation capacity (shortcomings in the legal base and the means of control and legal sanctions).

However, despite weaknesses in some of the four state capacities examined here, Mongolia still defies all theories of regime change and democracy and presents quite a puzzle: How has the country managed to stick to the democratic reforms despite the fact that but few of the factors normally considered favourable for democratization were present in Mongolia at the onset of regime change? Besides positive factors such as a vibrant civil society, a traditional culture based on power sharing, a robust multiparty system, and a semi-presidential constitution with strong elements of checks and balances, it may in a wider perspective be argued that one important explanation for the successful transformation is the absence of major natural resource endowments, as also emphasized by Fish (1998). Hence, Mongolia is perhaps a positive illustrative example of the 'representation follows taxation' dogma, according to which it is considered to be positive for the accountability relationship between state and society that the state relies on taxation of the population rather than on rents from oil, gold or other natural resources as its main source of income (Ross 2001, Leonard & Straus 2003). When the political elites are financially dependent on the general production

in the country, as is the case in Mongolia, they have an incentive to bargain and to be accountable towards the needs of the population and to develop their country. This is not necessarily the case in so-called rentier states or enclave economies characterized by large deposits of oil or other natural resources, because the political elite in such countries get rents from oil etc., regardless of the welfare of the population. The former Soviet states neighbouring Mongolia in Central Asia, Kazakhstan, Uzbekistan and Turkmenistan, are prime examples of this problem.

## Notes

1. In the line-ministries, 2 ministers, 7 former ministers, 7 deputy ministers, 13 state secretaries, 6 minister's advisors, 34 heads of department, and 8 deputy heads of department were interviewed, and in the presidential administration 1 head of the presidential office, 12 advisors to the president, 4 assistants to the president and 5 heads of department.

2. According to the new Constitution, the highest organ of state power is the legislative branch (the unicameral State Great Hural), to which the 76 members are elected by popular vote to serve four-year terms. The Great Hural can override a presidential veto if two-thirds vote in favor, and can remove the president, who is nominated by parties in the parliament and elected by popular vote for a four-year term following elections to the legislature. The president can veto Hural decisions (subject to override by a two-thirds majority) and he nominates the prime minister in consultation with the largest party or coalition in parliament. The leader of the majority party or majority coalition is usually elected prime minister. The president is chief of state and serves as commander-in-chief of the armed forces, whereas the government is the highest executive body of the state (The Mongolian Constitution). The constitution provides for an independent judiciary, which according to Nations in Transit (Freedom House, 1998) is respected in practice.

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