Current Situation and Prospects of Regional Development in Mongolia: On the Example of the Eastern Region

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Abstract: The concentration of population, production and services in Ulaanbaatar, the capital city of Mongolia, has led to increasing economic inequality in the capital city and regional and rural areas and widening urban-rural disparitiesalthough thecountry's economy has been growing in recent years. 46 percent of the total population of the country (1,463,000) and 64.2 percent (50,467)of the active business entities and organizations [1] are concentrated in the capital city. Stimulating the local economy and ensuring sustainable growth in the medium and long termis necessary to reduce this concentration and development disparity. Therefore, it is crucial to analyze the needs and develop regional development policies and strategies.As the regional development policy is the primary policy to implement all Mongolia's sustainable development policies at the local level, regional and provincial development issues are significant.Mongolian regional development level is measured by regional economic growth, inflation, budget, investment, and key indicators of certain sectors of the economy such as population, density, births, deaths, migration, unemployment, poverty and human development index.
Keywords: Eastern Region; Economic Region; Regional Development Policy.

I. Introduction

Regional development is important for the comprehensive implementation of decentralization policies in Mongolia at the national level and should be implemented in coordination and cooperation with the Ulaanbaatar City government. The Mongolian Government is prioritizing the revision of the Concept of Regional Development, development of green industries through economic diversification, specialization and cooperation, and establishment of the foundation for regional economic integration. The government is also supporting the development of aprogressive tax system and the establishment of large local businesses through its policies.

The Regional Development Concept, adopted by the Parliament of Mongolia in 2001, established economic zoning in Mongolia for regional economic and social development throughintegrated and independent regional and urban-rural development systems. Subsequently the regional development program for 2006-2015 was approved and implemented. Regional development priorities were as follows:

- Elimination of urban-rural disparities;

- Equal development of production activities at local level;
- Creation of employment opportunities for low-income and poor people;
- Provision of professional support to small business owners;
- Creation of opportunitiesto get loan, financing and insurance services;
- Improvement of living conditions andenvironment;
- Improvement of living standards.

Until 1990, human settlement general planning from the urban developmentperspective and productive force and location general planning from the economic point of view were conducted while regional development planning was completed for each district, province, and region.The factors that defined the regional development policy before 1990 were as follows:

- Landlocked country,
- Poor market,
- Poor infrastructure development,
- Politically and economically dependent (alternately) on the neighboring two great powers and unable to make independent decisions,
- Closed and centrally planned economy,
- Poor information transmission (information exchange and dissemination systems are controlled and censored),
- Deficiency of information on mineral exploration and research. There were fewlarge deposits (except Erdenet) that can attract global mining businesses and investors.
- Weak economic and financing capacity.

According to the Regional Development Concept approved by the Parliament Resolution No. 57 of 2001, the territory of Mongolia are divided intofive economic zones including Western Region, Khangai Region (mountainous forest), Central Region, Eastern Region and Ulaanbaatar. [2] The 21 provinces of Mongolia are divided into the five economic zones as follows:

Western Region Provinces: Khovd, Uvs, Bayan-Ulgii, Gobi-Altai and Zavkhan. Pillar cities: Khovd and Uliastai.

Khangai Region Provinces: Arkhangai, Uvurkhangai, Bayankhongor, Bulgan, Orkhon and Khuvsgul. Pillar cities: Erdenet and Kharkhorin.

Central Region Provinces: Selenge, Tuv, Darkhan-Uul, Dornogovi, Dundgovi, Umnugovi and Gobi-Sumber. Pillar cities: Darkhan and Zuunmod.

Eastern Region Provinces: Dornod, Khentii and Sukhbaatar. Pillar cities: Choibalsan and Chinggis (Undurkhaan).

Ulaanbaatar: Nine districts of the capital city. Pillar cities: Ulaanbaatar.

Regionalizationis a form of spatial organization of territory for development purpose. According to researcher Hetzel.A, "regionalizationis an open system that consists of elements such as trade and exchange of goods and services, flow of productive force andeffects of interactions between territories".

Therefore, a region is a certain part of a territory which includes administrative units with socio-economic relationsamong differentsectors and population. The following aspects are considered in determining a region.

1. Nature, geography, climate, and landscape;
2. Economic and social relations;
3. Politics, governance, and geopolitics;
4. History, culture, and traditions;
5. Functional factors;
6. National security issues;
7. Spatial organization of territories.

The concept of regional development in line with the development vision, vision and objectives of Mongolia, reflected in the "Sustainable Development Goals 2030" approved by the UN in 2015 and "Mongolian long-term development policy-Vision 2050" approved in 2020 , there is a need to develop and implement policies.

Therefore, this study aims to study the historical trends of Mongolian regional development, legal environment, population and socio-economic development of the Eastern region, and to identify some issues to be considered in regional development policy and planning.

II. Literature Review/Study Site
A. Historical Trends of Regional Development of Mongolia
The regional development of Mongolia dates back to the establishment of the Mongolian State or the Great Mongol Empire [3], and the empire wasterritorially divided into 3-5 large provinces taking in to account ofthe unique nature and geography for the development.

Until 1930s, Mongolia had an administrative system based solely on natural animal husbandry inherited from the feudal era. The measures taken by the state on territorial administration and organizationuntil the 1960s prepared for a more scientific approach to zoning. Since then, economic zones have been established covering several provinces in response to the arising need for integrated economic planning. An economic zone meant "a component of a national economic territory specialized in certain areas of production and closely connected with other sectors and industriesin accordance with the division of labor" [4].

In 1961, joint researchers led by Sereeter.Ch from Mongolia and Alampiev P.A from the Soviet Union determined that Mongolia had three economic regions: western, central, and eastern regions. In 1964, the Soviet Union scientist Ovdienko I.Kh analyzed the economic geography of the Mongolian People's Republic and proposeda division of four regions including Western Mongolia, Northern and Central Mongolia, Southern Mongolia, and Eastern Mongolia reflecting the geographical locations of agricultural sector.

Academician Namjim.T believed that "the development of economic zones and territorial-industrial complexes depends on three groups of factors: natural resources, locationof the region, transport network, and development of productive forces". He said that the general criteria for sound economic zoning is ensuring a minimum level of investment andcost of production, transportation and sales of products relying on the most favorable environmental conditions and sufficient resources. [5] In addition to the general economic zoning, transport, economic, and fuel and energy supply sector zoning was carried out. Academician Namjim.T divided the country into four transport-economic zones: west, northwest, central and east regions.

The Productive Force Development, Location Methods and Research Institute in collaboration with the Council for the Study of Productive Forces under the USSR Planning Committee developed the updated version of economic zoning in 1976. The Central and Western regions were divided into several sub-regions based on the economic zoning developed in 1961. The network was used in the development and location planning of the country's productive forces until 1990 and 2000. [6] The above-mentioned studies on economic zoning have made significant contributions indetermining of the optimal use of the regions' natural and labor resources and identifying the initial objectives of the locations of productive forces.

B. Legal Environment for Regional Development of Mongolia

Mongolian regional development issues are managed under the framework of policy documents, laws and regulations such as the Global Sustainable Development Agenda 2030,the Constitution of Mongolia (1992), the Mongolian Development Concept (1996), the Mongolian Regional Development Concept (2001), the Law on Regionalized Development Management and Coordination (2003), "Theoretical Basis and Methodology for Regional Development Programs in Mongolia" (2004), "Regional Development Programs" (2005-2006), the Resolution No.15 of the Parliamentary Standing Committee on Economy of Mongolia dated 2017, the Law on Development Policy, Planning and Management (2020), the Government Action Plan for 2020-2024 (2020), and the Mongolia's Long-term Development Policy "Vision 2050" (2020).

According to the Mongolian Regional Development Concept (2001), "economic zoning" is an organization ofthe territory of Mongolia into economic zones in accordance with the regional development goals and based on the possibility of the geographical location for the development of the domestic market and proper connection with foreign markets, local business and traditional cultural relations and the commonality of economic and social development goals of the provinces, sub-provinces, cities, districts and villages, andthe possibility to use natural resources and raw materials and intellectual capacity within the boundaries of theadministrative, territorial and inter-sectorial cooperation.

Moreover, "an economic zone" means a territorial boundary defined in order to accelerate regional developmentat national levelfor balanced territorial development andto pursue common and differentiated policies to regulate the economy at local level, and "a region" means a specific part of the territory of Mongolia or an economic and social complex that consists of spatial development and range of locations withinterconnected social and economic relations amongcapital provinces, sub-provinces, capital city, districts, cities and villages and with coherence amongspecial protected areas, their buffer zones, human settlements, agriculture, tourism and other economic sectors (cross-sectoral coherence). [7]

The Goal No.8 of theMongolia'sLong-term Development Policy- Vision 2050is to "pursue a competitive and relatively well-balanced regional and local development, aligned into the regional economic integration, through respect for national culture, sustainable settlements, preserved nature and eco-balance to be inherited by future generations, and the coherent green production with combined economic diversification and specialization". To achieve these goals:

1. Create basic conditions for rapid economic growth by fully connecting to the regional economic integration through an integrated infrastructure network;

2. Develop regional and local tourism based on priority economic sectors and location advantages.
3. Develop agriculture as a leading sector of the economy that is environmentally friendly, adaptable to climate change, resilient, responsive to social development trends, needs and requirements, responsible, highly productive and sustainable.

We believe that the quality of life can be improved by incorporating the following two major issues in the regional development policy of Mongolia.

1. Improvement of living environment. Implement care and other support programs for the elderly by using service facilities for residents, information infrastructure, news and information system, education system, health systems, outdated building repairs and information technology.
2. Local development. Integrate development with the environment, culture and tourism (development of local food, arts and entertainment and cultural industries and production of uniquelocal products and souvenirs to attract tourists), and enhance local development by tying food and agriculture industry with health and welfare businesses, developing direct procurement of agricultural products from local producers, strengthening regional pillar cities, improving local retail outlets and public catering services,producing local brand products, developing agricultural products with public, private and academic partnership and promoting local production and trade that use local energy supply.

III. Materials and Methods

Current Status of Population, Social and Economic Development in the Eastern Region of Mongolia.

Regional development is measured by demographic data and social indicators includuing population, employment, unemployment, poverty, and human development index, and economic indicators including economic growth and decline, economic structure, Gross Domestic Product (GDP), GDP per capita, inflation, local budget and investment, and majoreconomic sectors.

Eastern Region of Mongolia comprises of Khentii, Sukhbaatar and Dornod provinces and account for 6.8% of the total population of the country. The region's 10-year population and human development indextrends and 5-year trends of some majorindustries' economic indicatorswere studied.

The population (Table 1) has grownand the human development index (Table 2) has increased in the Eastern Region over the last 10 years.

Table 1. Population of the Eastern Region (2010-2019)

Provinces	By location	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Eastern Region	**Total**	186,916	188,443	191,387	192,165	203,829	208,119	211,052	216,259	220,334	223,193
Dornod		69,55	70,21	71,27	71,52	75,19	76,47	77,57	79,44	82,05	

		2	4	5	9	4	6	9	5	4	
Sukhbaatar		51,422	51,782	52,646	53,147	57,423	59,034	59,810	61,131	62,322	63,182
Khentii		65,492	66,447	67,466	67,489	71,212	72,609	73,663	75,683	77,028	77,957
Eastern Region	**City**	**86,337**	**83,297**	**74,889**	**77,446**	**77,657**	**88,069**	**86,123**	**89,927**	**91,441**	**93,344**
Dornod		39,294	38,660	39,820	39,807	40,259	43,506	43,246	44,562	45,966	46,723
Sukhbaatar		16,421	14,042	14,290	14,708	15,240	19,827	17,161	18,304	18,168	18,791
Khentii		30,622	30,595	20,779	22,931	22,158	24,736	25,716	27,061	27,307	27,830
Eastern Region	**Countryside**	**100,579**	**105,145**	**116,498**	**114,719**	**126,172**	**120,050**	**124,929**	**126,332**	**128,893**	**129,849**
Dornod		30,258	31,554	31,455	31,722	34,935	32,970	34,333	34,883	35,018	35,331
Sukhbaatar		35,001	37,740	38,356	38,439	42,183	39,207	42,649	42,827	44,154	44,391
Khentii		35,320	35,852	46, 687	44,558	49,054	47,873	47,947	48,622	49,721	50,127

Source: National StatisticsOffice of Mongolia, 2020.

The population of the Eastern Region was sampled from a survey conducted in accordance with the "Methodology for Calculating Basic Population Statistics" (approved under the Order No. 01/149 of the Chairperson of the NSO dated 25 December 2013). The main indicator that illustrates a region's competitiveness is the Human Development Index.

Table 2. Eastern Region Human Development Index (2010-2019)

Province	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Eastern Region	0.706	0.646	0.655	0.674	0.691	0.689	0.688	0.690	0.693	0.704
Dornod	0.671	0.649	0.656	0.685	0.715	0.708	0.711	0.713	0.712	0.726
Sukhbaatar	0.736	0.653	0.662	0.668	0.678	0.678	0.674	0.681	0.688	0.693
Khentii	0.706	0.634	0.645	0.666	0.670	0.674	0.670	0.664	0.672	0.684

Source: National Statistics Office of Mongolia, 2020.

The Eastern Region Human Development Index (HDI) is a key indicator of human development in the Eastern Region and provides anoverview of the long-term human development trends. The HDI illustrates the development of human capabilities and is expressed

inthe three dimensions including long and healthy life, knowledge and a decent standard of living.

According to the National Statistics Office, GDP per capita is the lowest in the Western Region (46.9%), average in the Khangai Region and Central Region (over 60%), and high in the Eastern Region (80.8%) and in Ulaanbaatar (46.3%). Differences in living standards and inequality havebeen on the rise since 2010.[8]

Table 3. Gross Domestic Product Per Capita in the Eastern Region (million MNT)

Province	2015	2016	2017	2018	2019
Eastern Region	6,192.9	6,394.4	7,267.6	8,025	8,909.93
Dornod	7,900.6	8,778.6	10,162.5	10,355.1	11,446.73
Sukhbaatar	5,625.8	5,557.6	6,817.8	8,088	8.574.66
Khentii	4,850.5	4,557.5	4,589.5	5,521.1	6,491.9

Source: National Statistics Office,"Integrated Statistical Database", 2021 (August 29, 2020).

The GDP per capita in the Eastern Region is calculated by comparing the constant-price GDP with the annual average population of the Eastern Region. GDPper capita, a measure of economic growth and production value, has been increasinggradually in the Eastern Region but is still below the national average GDP per capita.

GDP is the sum of gross value added in a year by all resident producers in the economy within the territory. The following table shows the Gross Domestic Product of the Eastern Region for 2015-2019.

Table 4. Gross Domestic Product of the Eastern Region (million MNT)

Region	Sector	2015	2016	2017	2018	2019
Eastern region (Dornod, Sukhbaatar, Khentiiprovinces)	GDP at market prices	1,272,399.7	1,339,416.9	1,556.21 9	1,763,181.9	1,981,541.64
	Agriculture	457,253.7	411,437.8	443,445.1	559,886	690,239.79
	Crop farming	22,191	23,476.8	21,284.4	24,748.1	34,609.02
	Animal husbandry	433,659,9	385,796	420,880,6	529,929.1	655,169.04
	Production	519,802.8	653,864	823,475	888,865.1	923,977.44
	Mining extraction	384,577	494,905.9	688,031.1	662,969.6	639,564.91
	Processing	99,612.8	112.075.6	94.742.9	180,998.6	232,687.05
	Electricity, gas, steam and water supply, sewage and	21,930.1	32,244.4	35,012.7	34,023	39,056.01

	waste management and treatment				
	Construction	13.683	14,638.1	5,688.3	10,874.4	12,669.48
	Service Industry	295,343,1	274,115.1	289,298.9	314,430.8	367,324.41
	Retails, hotels and restaurants	46,749.1	37,083.4	36,549.2	43,812.2	54,772.78
	Transport, information and communication	12,096.6	10,337.8	12,258.7	16,302.4	15,289.9
	Financial and other business activities	68,539.5	55,631.9	64,266.3	71,716.4	80,412.77
	Other services	167,957.9	171,061.9	176,224.7	182,599.8	216,848.97

Source: National Statistics Office, "Integrated Statistical Database", 2021 (August 29, 2020).

The regional GDP expresses the economic performance of the units in the region. The study used the methodology for calculating GDP and Gross fixed capital formation by region (Appendix No.2 of the Order No. A/219 of the Chairperson of the NSO dated 26 December 2017). The regional GDP is calculated using a combination of aggregation, partial aggregation, and decomposition methods.

As of the third quarter of 2020, the employment rate in the Eastern Region was 60.4% and specifically 52.4% in Dornod province, 69.1% in Sukhbaatar province and62.5% in Khentii province. While the employment rate in the Eastern region increased [9], the poverty rate has not decreased significantly.

As of May 2020, the unemployment rate was 8.7% in the Eastern region and specifically 6.3% in Dornodprovince, 8.5% in Sukhbaatar province, and 11.3% in Khentii province [10]. The unemployment rate decreased.

The general development index is average at national level (0339). It is lowest in the Western and Eastern regions (0177-0182), average in the Khangai and Central regions (0251-0307), and the highest in Ulaanbaatar (0521) [11].

The Economic Policy and Competitiveness Research Center analyzed the competitiveness of provinces by using 180 criteria of four categories including economic performance, government efficiency, business efficiency, and infrastructure. The

competitiveness of the three provinces in the Eastern Regionas of 2019 [12] is show in the following table.

Table 5. Competitiveness of Eastern Region Provinces (2019)

Eastern RegionProvinces	Competitiveness Criteria \ 0-100 points \				Competitiveness rating (100 points)
	Economic Performance	Business efficiency	Government Efficiency Index	Infrastructure	
DornodProvince 14 soum, 64 bag	71	70.14	76	86	87.14
SukhbaatarProvince 13 soum, 66 bag	55	48.07	100	52	73.07
KhentiiProvince 18 soum, 89 bag	50	55.53	76	65	70.53

Source: Competitiveness Report of Provinces, 2019, Mongolia.

Sukhbaatar Province is leading regionally and nationally by its governance index. The Province Competitiveness Survey aims to draw public attention to urban and rural disparities and inequalities, provide policy makers with accurate research information and improve the competitiveness of provinces while evaluating the development levels of 21 provinces in Mongolia and determining the competitiveness of provinces comprehensively. The study provides the opportunity to identify the strengths and weaknesses of each province's development, assess competitiveness opportunities and capabilities, create a comprehensive database that can be used to formulate sustainable and long-term development policies, and monitor provincial and local competitiveness progress and change. In addition to comparing the competitiveness of provinces and determining the direction of competitiveness, the study also helps to identify indicators that are holding back or improving the competitiveness of the province, assess the strengths and weaknesses and find solutions on how to improve its weaknesses andutilize its strengths for further development.

IV. DISCUSSIONS

Some Issues to Consider in Mongolia's Regional Development Policy and Planning.

One of the challengesMongolia is facing in its transition to a market economy is the widening gap between urban and rural area development levels and continuous rural-urban migration. This is causingmany negative social and economic impacts. The fact that current development levelof the Eastern regionis lower than the national average although its key demographic data and social and economic indicators have increased indicatesthat there is a need to develop and implement regional development policies and plans taking into account the unique characteristics of each province in the region because regional development policy[13] is:

1. Measures to reduce inequalities and disparitiesamong the regions of a country and especially between the capital city and remote regions.
2. Government assistances to cities and towns in critical condition and other relatively small settlements.

To make the development and implementation of regional development policy and planning more effective, it is important to take into consideration the regional development criteria [14] based on the research of foreign and domestic scientists who have determined the regional development levels. Specifically the following criteria are crucial.

- Demographic indicators: Economically active population, unemployment and employment rate;
- Natural resource indicators: The amount and use of natural and mineral resources in the region;
- Capital (Investment) Criteria: Regional capital formation and investment;
- Infrastructure indicators: Industrial development level indicators (transportation, communications, energy supply) and social infrastructure development level indicators (education and average life expectancy);
- Regional income indicators: GDP and its growth in the region;
- Per capita regional income indicators: GDP per capita in the region;
- Level of agricultural development: Livestock and crop farming production (survivals of young animals, number of breeding animals, use of cropland, etc.);
- Level of industrial development: Sales and production of regional industrial products;
- Level of service sector development: Trade and service revenue, service accessibility, and supply.

Therefore, an integrated regional development policy and planning should be completed in the following areas [15]:

1. Society:
-   Labor and social security policy model
-   Health development and location planning model
-   Education, culture, science, and sports development and location planning model
-   Model of legal environment
-   Communication and information technology development model
    2. Economy:
-   Economic model, theory and methodology, spatial planning model
-   Model of foreign relations, trade and economic integration
-   Integrated industrial development and location planning model
-   Food, agriculture, light industry development and location planning model
-   Mining and heavy industry development and location planning model
-   Road transport, logistics development and location planning model
-   Energy development and location planning model

3. Environment:
- Analysis of the historical path of regional development of Mongolia and the current situation
- Model of physical geography and geo-ecological environment
- Urban development and land management model
- Local development policy model
- Tourism development and location planning model.

The Government of Mongolia (2020-2004) plans to implement a number of important measures to support regional, local and rural development, develop infrastructure and improve the quality of life of local people [16].

V. Conclusion

The Regional Development Policy of Mongolia focused on equal development in all territories since 2001, however, there is an arising need to establish economic growth centers, gravity axes, and clusters. Therefore, cluster analysis based on regional population and social and economic variables should be conducted.

In the past, environmental protection policies have been implemented throughout the whole terror of the country, however, today the focus is shifting towards development of environmental and economic collaborationmanagement based on ecosystems in strictly protected areas. While a policy of equaldevelopment of industries and services at all local levelwas implemented in the past, it has become necessary to create an optimal economic structure that meets the needs of the population, environmental conditions, resources and capacity nowadays. Furthermore, while production and trade used to rely on hard infrastructure, now we need to focus on developing production and services through soft infrastructure or electronic systems.

The issue of development is not a matter of one province alone but requires a joint effort for development at the regional level with integrated policy complementing each other

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