

BUILDING A NATIONAL VISION FOR THE RIGHT TO HOUSING IN MONGOLIA



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Even before coming to the University of Illinois at Urbana-Champaign to pursue my master's degree in urban planning, I was struggling to understand why and how our beloved city- Ulaanbaatar became the most polluted city in the world. It seemed to me that with the resources and opportunities we have as a country and with only three million people, we have a lot of potential to be living much better than we are now.

Over the years, I learned that the ways in which our city is designed and formed has a lot to do with current housing issues. This triggered me to learn more about the underlying reasons of current urban development issues, especially housing issues and seek for possible solutions.

I would like to use this opportunity to express my special appreciation and thanks to my advisor Professor Dr. ANDREW GREENLEE, you have been a tremendous mentor for me. I would like to thank you for encouraging my research and for supporting me to grow as a housing researcher. Your advice on both research as well as on my career have been priceless. I would also like to thank my academic advisor Professor Dr. Marc Doussard for his advice and support at times when I need it the most and the Department of Urban and Regional Planning at the University of Illinois at Urbana-Champaign for partially funding a portion of the travel. I would especially like to thank all interviewed participants for your willingness to donate your time.

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INTRODUCTION

Access to adequate and affordable housing is a growing challenge in all countries around the world, particularly in Asia. The Asian urban population has increased from 229 million in 1950 to 1.7 billion in 2010; and it is estimated that the number of urban residents in this macro-region will reach 3.3 billion in 2050 (Rydin, 2012). Most housing problems in Asia are largely related to affordability- where housing is expensive and household incomes are too low. Although the enabling approach underpins many contemporary Asian housing policies, access to affordable housing for the poorer sections of society is still a big challenge (Bredenoord, Van Lindert, & Smets, 2014). Moreover, low- and middle-income households are priced out of land markets in vast majority of Asian cities (UN-HABITAT, 2011). Ulaanbaatar, Mongolia is one of the cities that face the growing challenge of affordable and adequate housing in the face of rapid urbanization. It is estimated that more than 60 percent of Ulaanbaatar's population lives in informal settlements "with limited access to basic urban services" (Galimbyek, 2015).

Historical solutions consisted of both demand and supply side policies and other internationally funded programs that support the upgrading and improvement of the living conditions of Ulaanbaatarians. Post-socialist policies have led to the inception and growth of a mortgage market, however low-income households, particularly those who currently live in the informal settlements have virtually no access to capital for housing. While the programs

and policies intended to solve housing related problems, the reality shows that little progress has been made. The government, international organizations, non-governmental organizations (NGOs) and financial organizations are actively seeking to create more affordable and accessible housing system for the population including new housing construction and development programs, policies to increase access to financing through mortgage loans, upgrading programs in informal settlements and participatory redevelopment project.

This research examines perceptions of institutional representatives participating in Mongolian housing system on the current challenges, policy and program effectiveness and future strategies to create more inclusive and complete housing system. Using interview data, the research answers the following questions: 1) how have institutions defined and acted upon housing problems in Mongolia? 2) What are the current challenges facing the Mongolian housing system? and 3) What structural and programmatic changes might lead towards a more holistic vision for housing in the future?

Analysis suggests that policies and programs intended to solve housing issues failed in terms of its completeness and design, objectives and enforcement, as well as reaching the low-income households. The analysis also reveals that while the current housing challenges are derived from external factors like rapid urbanization and inadequate planning, the main challenges have



been the larger systemic deficits including legal, financial and institutional systems. Finally, in terms of recommendations, analysis suggests that more complete and integrated system, better designed and targeted policies as well as stronger institutions are what would it take to create affordable and accessible housing system for ALL. This research has wide reaching applicability not only in Mongolia but to other developing countries facing housing problems.



OVERVIEW OF MONGOLIA'S HOUSING SYSTEM

Mongolian urban housing system before market reforms was a government-funded and government-run welfare housing system. During the 70 years of Socialist Rule, Mongolia consolidated its urbanization process through redevelopment and the establishment of new cities and towns. This included construction of modern government buildings, residential apartment blocks, and in several cases commercial and industrial buildings, which now form the “built-up core” of almost all cities and towns (UN-HABITAT, 2010). All land and housing resources were entirely owned, produced, and delivered by the state or state agents, such as local entities and work units. Until 1990, under this socialistic housing policy most urban families were provided housing through government housing administration or self-managed housing built, distributed, and managed by state-owned enterprises and institutions for their employees and families (MUB, 2011).

A dramatic economic and political transformation that began in the 1990s have resulted the removal of Soviet subsidies. During this transition period, radical economic changes were introduced which included the privatization of state property and other assets, scaling back and removal of many state subsidies, currency convertibility, and the introduction of the free markets for many goods (Dore, 2006).

Now, Mongolia is a country that has 3

million people of which more than 40 percent (1.3 million) live in the capital city (Table 1). According to World Bank report (2010), the city population projected to grow to 1.7 million in 2025. The continued growth and expansion of the city has placed enormous strain on land and housing supply. The total administrative area of the city is now estimated at about 4,700 km² (1,815 mil²), which is more than 35 times larger than the original center of the city that was around 130 km² (50 mil²). This outward growth has not been followed by basic services and did not meet the urban standards common in the traditional part of the city, thus creating a different kind of settlement that became known as GER area. The implications and challenges this informal settlement poses to the overall urban development will be discussed later in a separate chapter. While Mongolia has experienced strong economic growth, especially over the last decade, the benefits of this growth have not been shared equally. With the economies growing throughout Asia, the cost of key inputs to housing, particularly land and construction materials, which has made formal, market-produced housing prohibitively expensive for a vast proportion of the population (UN-HABITAT, 2011).



Table 1: Ulaanbaatar Population Growth (1990-2015)

	Mongolia	Ulaanbaatar	Population share of UB in Mongolia (%)
1990	2,153,400	586,200	27%
1995	2,243,000	642,000	29%
2000	2,407,500	786,500	33%
2005	2,562,400	965,300	38%
2010	2,780,800	1,131,200	41%
2015	2,923,273	1,345,000	46%

Source: National Statistics Office of Mongolia

While the historic trajectory of Mongolian housing sector is similar to that of other developing countries, there are differences that set it apart from most Asian countries. In general, Mongolian housing system development can be divided into four phases in terms of its large-scale changes in the housing, legal and financial sectors.

BEFORE 1990S

From the 1990s onwards, housing theory and practice was underpinned by a focus on direct government provision of housing, mostly for sale. There are not many stakeholders in the housing system at this time due to the state government being fully responsible for the housing construction and finance. Housing allocation was free for citizens through employment. These capital-intensive project was largely planned and financed by the government and aimed at providing housing at a large-scale to reach the greatest number of people. However,

direct housing provision had limited success due to its pressure on public resources and the poor did not benefit because such housing simply too expensive to buy and maintain relative to their low income (UN-Habitat, 2011).

1990-2002

During this period, Mongolian national housing supply was at halt and market relations, legal environment and national housing supply policy were under concern. Public investment in residential housing projects with was stopped in 1991. State-owned housing was privatized to tenants free of charge from 1997 (Tsagaan, P., 2000). With the help of international organizations, after the 1997 Asian financial crisis, Mongolian government made a great effort to stimulate housing and promote marketization of housing. Following the international housing policy trend, Mongolian government was focusing on shifting its role away from direct providers of serviced land and housing towards enabling a wider range of market actors to produce housing. Associated with this policy shift, Mongolian government begin to see the importance of the housing sector for economic and social development. The law on allocation of land to Mongolian citizens for ownership adopted in 2002 that marks the beginning of great rural-urban migration trend.

2003-2008

This period is considered to be the preparation period for fully realizing market-



based housing system. Even though the law on housing privatization was approved in 1999 and the first commercial mortgage loan was issued in 2001, it was not until 2006 that the real estate sector started booming in Mongolia. During this time, systematic, technical and funding support from international organizations, especially from Asian Development Bank was still going on shaping and forming the foundation of market-based housing system in Mongolia. By 2005, the Ulaanbaatar population almost doubled from 1995. This has stressed the government to take more vigorous actions towards housing. Development of secondary mortgage market started in 2006. Accordingly, the Mongolian Mortgage Corporation was established in the same year. In addition, government approved its New Development medium-term target program in 2008 in accordance with Millennium Development Goal agenda. This marks the start of many housing policies and programs including “40,000 Homes” and “100,000 Homes” projects.

SINCE 2008

This phase, which I call it “the new phase”, comprises of progressive policies and programs that have had the largest impact in shaping today’s housing system. From the first mortgage issued in 1999, the steady increase in mortgage lending in the banking sector continued until 2008. However, due to number of reasons the mortgage lending slowed down. First reason was that banks reached their limits in housing and construction loan, second, there was lack of additional funding for banks and the pay-

back period was long (5-10 years). This has left many construction companies without funding source and many of the construction projects left unfinished around that time ((Enkhbayar.Ts, 2013).

However, series of actions taken by the government along with additional funding from other investors helped both construction and mortgage system get back to their feet. On the other hand, many low-income households lacked to access opportunities to purchase housing. Mining industry boom resulted in increased housing demand while the increased price of imported construction materials both resulted to double or triple the housing price becoming more unaffordable for low-income households. By the end of 2015, the population of Ulaanbaatar reached 1,350,000- almost tripled since 1995. However, this outward growth has not been followed by the basic services and did not meet the urban standards common on the traditional part of the city, thus creating a different kind of settlement that became known as GER discussed below.

The population of the Ger areas is now estimated to make up about 60 percent of the total population of Ulaanbaatar. In other words, about one-fourth of the total population now reside in Ger district in the outskirts of the capital city.



WHAT IS GER AREA INFORMAL SETTLEMENT?

It would be easier to understand Ger Area informal settlements if we know what Ger is. Ger is a traditional felt-tent houses that has been used for centuries by nomadic Mongolians. The use of Ger is considered sustainable and adequate for a nomadic household and building process involves only three to four people for few hours. As Ger being the easiest and cheapest option for most of migrants from rural areas to the city, the number of Ger area households have increased dramatically over the past two decades. As of 2014, nearly 736,000 people or approximately 180,000 households live within Ger areas of Ulaanbaatar (Galimbyek, 2015). In Ger areas, there are two main types of dwellings: gers and houses. Houses are generally constructed from wood or brick. According to Urban Poverty Profile study (2010), in a typical Ger district, 19.9% plots have houses, 47.1% have Gers and 33% plots have houses and Gers.

Depending on its proximity to the city center, there are three types of Ger areas in Ulaanbaatar: city central, middle and fringe ger areas (Figure 3). City-center ger area is the closest to services and jobs while fringe area is the furthest from most urban services. Moreover, because of the location, the land value is different in each area, city-center being the most expensive and the fringe area being the least.

As Fernandes (2012) put it, the lack of commonly agreed understanding on what

constitutes informality is still a problem, however, to regularize the existing informal settlements as well as to prevent it from expanding, it is important to define the phenomenon. As I try to define Ger area informal settlement, I have employed his way of categorizing the set of characteristics: development features, physical and socioeconomic characteristics and legal aspects.



GER AREA CHARACTERISTICS

DEVELOPMENT FEATURES

In this category, it is apparent to assume that the development of informal subdivisions happen incrementally and shape its form over time. The land tenure situation in Mongolia is completely different from any other developing country. Traditionally, land is controlled by the state or used commonly by the inhabitants in a nomadic context. However, since 2002 “Law on Allocation of Land to Mongolian Citizens for Ownership” every citizen is legally entitled to 700 sq.m land one time in his or her lifetime.

Thus, the issue of occupying public, private or communal land is not as common as in many Latin American informal settlements. The most common feature is to occupy the vacant land in the fringe of the city and the official entitling process starts after the settlement. Though most people tend to go through this process, due to heavy bureaucracy as well as associated costs on the process, many low-income households tend not to do go through the process of land entitlement and remains informally.

The most interesting aspect of the developments part of informal settlements is that according to Fernandes (2011) the widespread occupation of riverbanks, water reservoirs, mountain sides, and other environmentally protected areas is considered “informal” settlement. In Ulaanbaatar, there is an increasing number of luxury apartments and house complexes happening to the Southside of the city. The irony is that any kind of construction development to that area is legally prohibited due to environmental reasons. However, the number of people willing to live in that part is increasing year by year. This is because on one hand, there is a common understanding that the South part has much better air quality, on the other hand, the existing social understanding that people who live in that part of the city is “better off” group of the society. Many young people aspire to live in that area and due to that increasing demand, the cost of apartment complexes in the South and the other parts of the city is incomparably uneven. Among the residents of the South part are the current politicians and social elites who are trying to legalize the land ownership and residence in that area. A lot of media coverage have been made on this topic, yet nothing seems to be done to address this informality of rich people.



PHYSICAL CHARACTERISTICS

In this section, we will look into the physical conditions of Ger area including urban infrastructure and essential public services. These services include water and sewerage supply, public transportation, solid waste management as well as heating and electricity. According to World Bank report (2008), there are about 500 public water kiosks that provide water to Ger area households. As the study analyzed, this is the most efficient way of providing water with the existing housing system. Otherwise the cost of connecting each household to the central water supply system would cost between US\$4,000- US\$11,500 per household. Solid waste management is the most pressing issues among Ger districts as it is collected solely by vehicles once every month or sometimes once every three months. If you walk through Ger districts, you will see piles and piles of wastes concentrated in corners of vacant lots adjacent to surrounding land plots. In terms of heating and electricity, most households in Ger area use heat-only boilers or heating stoves. Small percentage of households use water heaters (individual heating system) and even fewer households in Ger districts use centralized heating system. Except for central heating system, all other types of heating systems use raw coal as fuel which worsens the air quality of the whole city significantly. Each ger family burns an average of 5 tons of coal and 3 m³ of wood per year (Guttikunda, S. K., Lodoysamba, S., Bulgansaikhan, B., & Dashdondog, B., 2013). The level of Ulaanbaatar air pollution clearly exceeds all international air pollution standards (D. Tsendsuren, 2015).

Finally, a poor condition of unplanned and unstructured earthen roads in ger areas is one of the most serious concerns expressed by Ger residents (WB, 2010). The roads have drainage problems, pose traffic safety hazards and causes substantial amount of dust. Moreover, ger residents have much lower access to public transportation compared to apartment residents putting them into even more disadvantaged situation.



SOCIOECONOMIC CHARACTERISTICS

This section is far more complicated than the others due to its complex nature of defining informal settlement in terms of socioeconomic characteristics. As Fernandes stated, residents in many informal settlements represent a wide range of socioeconomic categories, especially in high-value established urban locations where many residents are considered more middle-class. This applies to Ger areas of Ulaanbaatar as well. Though studies (WB, 2010) show that the ger area median income is 43 percent less than for apartment area households, in some cases, city center ger area households have similar sometimes even more income than the apartment households. However, in general, the social services such as health and education are worse in ger areas than the apartment areas. For example, schools in ger areas lack facilities to absorb the increasing number of students. There are very limited number of hospitals around ger areas, especially in the fringe areas.

LEGAL ASPECTS

Unlike millions of residents in many Latin American or South East Asian informal settlements, informal settlement in Ulaanbaatar is something that could be measured properly if there is a good system and institutional capacity. The whole population of Mongolia is 3 million, which could easily be same size of a slum cluster in India or China, suggesting that the scale of informal settlement in Ulaanbaatar is smaller compared to other countries. Despite the existing legal environment, roughly half of Ger residents of Ulaanbaatar have no official ownership of their plot of land (T. Bayartsetseg, 2015). As reported by the Government of Mongolia, by 2013 about 11.8 percent of the total population and only 7.5 percent of Ulaanbaatar residents have had their land privatized for their personal as well as for family use since the approval of the first Land Law in 2002 (T. Bayartsetseg, 2015). Thus, the complexity of land ownership issue is still prevalent even when there is an existing law that enables residents to own piece of land legally. The official agency in charge of land administration and management is Administration of Land Affairs, Geodesy, and Cartography (ALAGaC) which runs under the Ministry of Construction and Urban Development.



WHY DOES IT MATTER?

Why do we have to discuss the issue of informal settlement in the first place? What kind of implications and consequences does the expansion of Ger area bring to the public? These questions are important to shed lights on the existing barriers and burdens to a healthy and adequate living condition that is faced not only by Ger area residents but also by the larger society as a whole. In order to assess the current barriers and burdens, let us look through five aspects as which Fernandes (2011) categorized 'the burdens of informal settlements'.

LEGAL: DO GER AREA RESIDENTS HAVE TENURE SECURITY?

According to UN-HABITAT (2006), informality in housing and land occupation is a multidimensional phenomenon involving challenging issues related to insecure land tenure; noncompliance with urban standards and regulations (such as minimum lot sizes or occupation of restricted areas that pose environmental or physical risk); inadequate provision of public services and infrastructure; overcrowding of housing units; and improvised building materials and processes. However, the informality in Ger area is not similar to many other informal settlements in the Third World in a sense that the land is occupied "legally". According to Smolka and Biderman (2009), informality in housing and land occupation refers to illegal (lack of proper tenure rights), irregular (noncompliance with urban norms), and/or clandestine (not permitted) activities that access

and occupy urban land typically lacking minimal services and infrastructure. In the strictest sense, each of these situations would seem to entail deliberately breaking the law. However, as they put it "informality is not illegal in a straightforward way".

Land ownership in Mongolia has gradually been privatized since the country's transition to a market economy. As mentioned above, the current land ownership in Mongolia is based on the 2002 "Law on Allocation of Land to Mongolian Citizens for Ownership". According to this law each household is entitled to the land ownership: up to 700 sq.m in Ulaanbaatar, up to 3,500 sq.m in aimag (province) or up to 5,000 sq.m in total. The associated land fee is very low- about 90 percent of the land fee up to 700 sq.m is exempt. Thus, unlike many other informal settlement residents, Ger area residents do not have fear of forced eviction per se.

SOCIAL: IS SOCIAL EXCLUSION PRESENT IN GER AREA?

According to Mongolia's infrastructure System report (2013) approximately 55 percent of Ulaanbaatar's resident have no central heating system or sewage and running water. In addition, recent study (Terbish. B, 2014) on social exclusion in ger districts revealed that ger area residents feel socially, spatially and institutionally excluded from the services that could have been easily accessed if they were living in apartment areas. This study states that some of the most prevailing exclusions are exclusion from mainstream society due to a limited accessibility



and availability of public transportation services to peripheral areas, limited access to financial institutions due to complexity of land ownership in ger areas, limited information and other services access due to territorial disorganization and poorly developed address system and finally lack of advocacy organizations in the peripheral areas to increase the inclusivity of ger area households.

ENVIRONMENTAL: IS THERE A SUBSTANDARD LIVING CONDITION IN GER AREA?

Among all the issues that are associated with Ger area, environmental issue is the most pressing and harming one. Many studies have been done by international environmental organizations especially on the public health sector. The results from these studies show that unless significant actions taken to remediate environmental issues, the quality of life of the Ulaanbaatar citizens are on the edge. Air pollution in Ulaanbaatar during winter is 2.5 times the permitted rate of carbon dioxide and nitrogen dioxide (Central Laboratory for Environmental Monitoring, 2009). As a result of the increasing air pollution, respiratory diseases are one of the five most common causes of death in Ulaanbaatar (Pearly, 2011). In addition to air pollution, soil pollution is another issue that is largely associated with Ger districts. Soil pollution in Ulaanbaatar is mainly attributed to the lack of sewage and sanitation system. As the large majority of Ger households use pit latrines (large hole in the ground used in a toilet in each households land plot) the soil pollution in Ulaanbaatar is more bacterial than chemical.

It is very clear from these evidences that the pollutions related to Ger districts are affecting public health as a whole and unless serious actions taken, the conditions seem to be worsen over the years.

POLITICAL: IS POLITICAL MANIPULATION PRESENT IN GER AREA?

When Edesio Fernandes (2011) talked about political clientelism, he referred that due to the ambiguity of legal and regulatory system and the vaguely defined rights, the residents of informal settlements are highly prone to political manipulation. Though there is not an extensive research on the political manipulation or clientelism in ger districts, in general, high degree of clientelism in forming parties inhibits their effectiveness of the parties. While this practice applies to general public, not purely Ger residents, the 80 percent of the poor living in Ger district implies that they are much more vulnerable to political manipulation due to lack of social connection and disenfranchisement.

The widespread practice can significantly shape careers, as much depends on an individual's party affiliation. This creates a situation in which individuals join parties only to benefit from the spoils. It is important to note that lack of research on political clientelism does not mean there is low level of clientelism or absence of it for that matter. Further research has to be made as the poorer groups are more vulnerable to manipulation.



ECONOMIC & FISCAL: INFORMAL DEVELOPMENT GENERATES INTRINSICALLY INEFFICIENT CITIES AND COSTLY URBAN MANAGEMENT. IS THIS THE CASE IN ULAANBAATAR?

Many researches admittedly reported that it is more expensive to upgrade a settlement than to build a new development (UN-HABITAT, 2011). This is evident in Ger districts of Ulaanbaatar. All of the prior mentioned infrastructure and urban services issues raise substantial cost burden for the municipality of Ulaanbaatar as well as local agencies. Looking at the cost of connecting households to district heating system, which varies between 2.8 million tugrug (Mongolian currency) and 5.6 million tugrug (US\$2,000- US\$4,000) shows how costly and unaffordable this service is.

It is clear from these section that while some burdens are affecting Ger area residents more than the apartment residents, in general the cost of social, environmental and economic burdens are affecting every citizen of Ulaanbaatar.

CAUSES OF THE EXPANSION OF GER AREA: DIFFERENT PERCEPTIONS

From various studies and academics articles, we learned that there are many reasons that could cause informality around the world. Whether it be poverty or lack of social policies or political clientelism, the actual cause is dissimilar in each country depending on their local context and cultural aspects. The most commonly

discussed reasons are low-income, sociospatial issues, lack of social housing and affordable housing policies, formal market outcomes, political clientelism, unrealistic planning, problems of urban management as well as dysfunctional legal and institutional system.

Accordingly, the causes of informal settlement of Ulaanbaatar are derived from political and economic shift from centrally planned to market, harsh environmental conditions for herders and unequal development and investment of urban and rural areas over time. The decision made by migrants to move to urban centers, especially Ulaanbaatar is caused by set of factors rather than one.

The change in political economy resulted unprecedented changes and smaller towns and cities started to lose population to larger cities as their erstwhile-protected economies deteriorated (Cities Alliance, 2010). Besides large international donor agencies, there are several scholarly articles published on the causes of rapid rural urban migration and Ger area expansion. For example, B. Mayer wrote “as the massive financial support from the USSR suddenly came to an end, the industrial sector collapsed, public services were interrupted, half the government employees were laid off, and unemployment and poverty skyrocketed. The privatization of the livestock and the sudden recognition of the freedom of internal movement caused havoc in the structure that supported nomadic animal husbandry. As a result, Mongolia’s transition was described as a transformation from a middle-income to a poor country, as if the process of



development had been put into reverse “(2015, p5).

While there are various causes and causes of the causes that triggered a rapid expansion of informal settlement in Ulaanbaatar, from a broader perspective, the development and expansion of Ger districts can be explained through political economic shift in the 90s, climate change and the pastoralist livestock drop-out, and the uneven rural urban development over the years. In general, several interrelated factors generated this outcome. This does not mean these are the “only” reasons behind the informal settlement in Ulaanbaatar, there are other reasons that are embedded and layered within these reasons too.

The first and foremost reason is associated with the political economic change in the country that enables residents to move freely within the country. The economic and political shift from centrally planned, socialist system to a democratic, market system encouraged privatization, free market trade, foreign investments, and many other activities happened for the first time in Mongolia. There are many pull factors that attract migrants such as better job opportunities, access to better education system and urban services as well information. According to the national statistics office report, 30 percent of total migrants are school-aged children. Moreover, there are not many colleges and universities in the rural areas. High quality and nationally renowned schools are all located in Ulaanbaatar, thus though people want to stay in the countryside, they have no choice but to send their kids to school in the city and end up

following their kids as well.

The second main reason is the loss of livestock in numerous harsh winters. Since 1999, total number of livestock had been decreased by 16 million (altogether 31 percent of total livestock) according to the United Nation’s Country report. When the herders lose their livestock, they have no choice but to seek for other ways of living in the city.

Finally, over the past two decades there has been an extremely uneven development between rural and urban areas. While billions of dollars have been invested in Ulaanbaatar due to market privatization, abundant mining resources and foreign investment policies, not much has been invested in rural areas. On this, B. Mayer said “when the Soviet Union collapsed, it opened up an access for western capitalists to push Mongolian development to unbridled neoliberal ideology”.

Proper understanding of Ger District-informal settlement is crucial as the most pressing housing issues are associated with it. Moreover, it is necessary to understand the logic behind formation of informal settlements when carrying out public intervention. If this logic is not understood properly, the solutions to this problem will not be addressed properly.



A BRIEF HISTORICAL SNAPSHOT OF MONGOLIAN HOUSING POLICY AND PRACTICE SINCE THE 1990s

The search for solutions to urban and social problems driven by informal settlement is gaining importance in the development agenda of most developing countries. The significance of the issues is emphasized by the inclusion of an objective in the Millennium Development Goals to reduce the number of slums by 100 million by 2025 (Magalhaes, F., & Rojas, E, 2007). In Mongolia, the target is to house 67 percent of the population in proper dwellings with basic urban services by 2020 (MCUD, 2013). To achieve this goal as well as to address the complexities of the informal settlements within the Ulaanbaatar city, Mongolian government has developed various policies and interventions.

To give an overall picture of the historical snapshot of the housing system development and to give an idea of what those policies and programs looked like, summary table is provided. It includes information on legal acts and related articles from the government, housing policies and the related implementing institutions and programs and supporting and guiding projects that are funded by international organizations as the housing issue is a multisector issue.



Table 2. Timeline for Mongolian Housing System Development

TIMELINE FOR HOUSING SECTOR DEVELOPMENT

Year	Before 1990	1991	1996	1997	1998	2000	2001	2002	2002-2008	2006-2009	2009-2012	2013	2013-2015
Legal Acts		Law on privatization of state properties adopted				Housing Law, National Housing Strategy, Housing Privatization Law, Condominium Law were approved			Law on allocation of land to Mongolian citizens for ownership adopted	Development of secondary mortgage market	Mortgage Law adopted (2009) Assets Backed Security Law (2011)		
Housing Policies	Central government provided housing for all							First commercial mortgage loan was issued		"40000 Homes" program	4000 Homes program	8% mortgage program	100,000 Homes Project (2010-2016)
Institutions										Housing Finance Corporation established MIK was established	State Housing Corporation established Development Bank of Mongolia established (2011)		
Projects by international organizations			ADB Intensification of Land Use Policy TA-2458	ADB Housing Policy TA-2890	ADB Housing Sector Institutional Strengthening TA-3090	ADB Housing Finance Sector Project TA-3406	ADB Integrated Development of Basic Urban Services in Secondary towns TA-3685	WB City Development Strategies for Secondary Cities	ADB Housing Finance (Sector) Project Loan-32017	UN-HABITAT Ger Area Upgrading Strategy and Investment Plan (2006-2010)	ADB Urban Development Sector Project TA-2301	JICA Urban Development Sector Capacity Building Project (2010-2013)	China's Concessional Loans (2010-2015)

Following a 1990s reform and during the transition period in the 1990s, housing policies were introduced to encourage private housing ownership and commercialization of housing stocks. The policies that are being studied under this research are the ones that have had the large-scale implication and target. In order to understand how these policies perceived the

nature of housing problems and how it reacted upon, it is important to look at the objectives, implications and the overall impact of these programs.



Table 3. Basic profile of past and present housing policies

Housing Programs	Funded by	Implementing Institutions	Target group	Duration	Comments on Effectiveness (Measurement)
"40,000 Homes" project	Government issued bond (Ministry of Finance)	Housing Finance Corporation	Initially public servants but expanded to include all	2006- 2008	Government announced it almost reached the objective of 40000 homes, however, it counted ALL new constructions built within these years (including private sector constructions)
"4000 Homes" project	Funded by government (approx. 180 billion MNT=approx. USD \$90 million)	Housing Finance Corporation	civil servants	2009-2012	complete, according to statistics total of 4200 housing stocks were given
"100,000 Homes" project	Initial plan was to get issued 800 billion MNT= approx. USD \$400 million bond to be issued by the Development Bank of Mongolia. However, in reality, approx. 30 billion MNT= USD \$15 million was issued	Housing Finance Corporation and State Housing Corporation (later on)	the target group is really uncertain- it was initiated under the "New Development" medium-term target program	2010- 2016	it was a political promise of Mongolian People's Party. Many perceived this program as a continuation of '40000 Homes' program. Due to lack of funding, the program stopped after giving approx. 1000 housing stocks
8% interest rate mortgage policy	Within the framework of 'Government Action Plan', Ministry of Construction and Urban Development along with the Ministry of Economic Development announced 'Housing Mortgage Program'	Bank of Mongolia and commercial banks, Mongolian Mortgage Corporation	for those who are willing to buy old and new apartments (under 80 sq.m) Middle-income group	2013- present	According to the Bank of Mongolia's statistics, total of 67000 residents got 8 percent interest rate mortgage by May, 2015.
"Ger District Redevelopment" program	Initiated under the City Mayor's agenda 2013-2016	Ger Area Development Agency	Ger area residents	2013-present	this is an ongoing program
10% downpayment policy	It was announced that the citizens would pay 10% and 20% would be guaranteed by the government, which to be funded by the Development Bank of Mongolia (which has announced to have initial 200 billion MNT fund= approx. USD \$100 million)	Similar structure as 8% interest rate mortgage- through commercial banks	lower income, younger households who are not able to pay 30% down payment	was announced in 2015 but has not started yet	whether this program will start as announced or not is uncertain

“40,000 Homes Program”

This was the very first large-scale government housing supply program since the transition to market economy. The main objective of this program was to improve the livelihood of the citizens, provide them with stable jobs and decent housing as well as to create healthy

economic environment in housing market. According to the initial plan, the 90 percent of the new housing construction is to be developed in Ulaanbaatar and the remaining 10 percent to be developed in regional centers, 200 homes in each province (called ‘aimag’). To support this program, there were several policy discussions to change and improve the legal and institutional



environment. This program was to be funded by government bond equals to 60 billion tugrug (approx. USD\$40 million at that time).

At this time, government has already realized the importance of housing sector in the national economy, Mongolian government established government housing development Corporation called “State Housing Finance Corporation” to construct, finance and deliver housing stocks at large scale. One of the biggest criteria for 40,000 Homes project was that the apartments had to be built by State Housing Finance Corporation (SHFC). Other elements of the program are focused on supply-side subsidies and public provision of housing, particularly for public employees, and some limited resettlement programs for ger inhabitants (WB, 2012).

“4000 Homes program for civil servants”

Due to lack of additional funding and the loan limits, construction companies had a hard time financing and completing its construction projects. To add to that, 2008 global crisis had a significant impact throughout countries and the construction companies were among the sectors that were hit harder. To support the construction sector and house civil servants, government announced 4000 homes program in October 2009 which became effective by April 2010. It was implemented through State Housing Finance Corporation and the main criteria was for civil servants that has at least three years of working experience in civil organization. Since the program was based on quota for each civic

institutions, it was perceived that there was less corruption and complication in terms of implementation. Among other programs, 4000 Homes project is observed to be successful one. Total of 4200 households were provided new homes including 200 journalists added to the initial 4000 households.

“100,000 Homes Project”

This is one of the most controversial policies in Mongolian housing policy history. The program has been initiated based on the state mid-term development agenda called “New Development 2010-2016”. There was no specific target group which means the program was open to all people who wanted to own apartments and who could meet the requirements. According to this program, 25000 homes to be built in aimags and soums, and the remaining 75000 were to be built in UB. Building 25000 homes in rural areas will help reduce the rural-urban migration. Moreover, the program will mitigate the air and soil pollution, unemployment and provide adequate living conditions to all residents release lands in Ger districts by housing them. The program was to be funded through bonds that were issued by the Development Bank of Mongolia, which was established to support this and other development related programs. However, since the program was initially based on a political promise without having proper assessment of the potential funding sources and sustainability, only 1000 households got 6 percent interest rate mortgage under this program. Another 2000 households were registered on the program and



already paid their down payment, however, due to lack of funding at that time, they could not get their homes.

Many organizations and other researchers made comments on these programs in the past. For example, World Bank noted “during 2007-2011 the volume of mortgage lending and construction finance in the context of four programs—“40,000 units”, “100,000 units”, “4,000 units” and “Housing for Veterans” — accounted for 25 percent and 30 percent of total national loan origination and unit construction, respectively. The main implementing institution for these taxpayer-funded initiatives is the Mongolian Housing Finance Corporation (MHFC), which provides for both mortgage loans on subsidized terms and conditions, as well as for developer and construction finance. A key target for these initiatives has been the ger-dwelling population in UB. This group in particular poses a significant social and environmental challenge, as coal heating during winter contributes materially to air pollution (WB, 2012)”. From this note, it became unclear whether the target group of these programs were really ‘ger residents’ or not. Due to unclear target and criteria, it was a messy process and those ‘who were lucky’ to understand the process and fulfill the requirements got new homes.

“8% interest rate mortgage policy”

This policy was approved by the government in 2013 in order to support demand side in housing market as well as to develop sustainable,

long-term housing finance infrastructure. Before this program, the average mortgage interest rate was 14-16 percent, but this program allows to have mortgages at 8% (+-1) interest rate with 20 years maturity rate. The loan would be provided by commercial banks that have been accredited by the Bank of Mongolia. The main criteria for this program was the applicants must have a constant income and have to apply for apartments no larger than 80 square meters. Moreover, citizens who have already been involved in the mortgage agreement whose interest rate is higher than 8% but not finished yet, can change the agreement into this 8% (+-1%). While the rate of the mortgage has slowed down, the program is still continuing. It has been stated that there are total of 67,000 applicants who received mortgages through this program.

“Ger District Redevelopment Project”

The government interventions before Ger District Redevelopment project, in general, ignored the existence of informal settlement. While most of them were initiated in response to the increasing needs of housing, the informal settlement residents were not the target of these policies. It was not until 2013 that the very first policy designed specifically for Ger district residents of Ulaanbaatar. In some ways, this was the first step towards recognizing and accepting the Ger district as an ‘informal settlement’ that has become a serious problem of the urban development.



The main objective of the program is to develop Ger districts as international standard ecological, socio-economic and educational and cultural settlement areas. According to the latest Master Plan, there are 8 deputy-centers to be redeveloped and within the framework of this program there are 24 locations to be redeveloped. This will house 13488 households. The scope of this program consists of four main areas of development: new land-use system, construction projects, demolition of old, non-standard construction and re-develop it and develop new settlement areas. The program is still continuing and some of the challenges as stated by the Ger District Redevelopment Agency, districts in the periphery or fringe areas are hard to redevelop as they are less connected to the necessary infrastructures.

“10% down payment program”

This program has been announced in May 2015 and was supposed to start in July, 2015 after the applicants' criteria and official income bracket were to be defined by the National Statistics Office of Mongolia and approved by the Ministry of Construction and Urban Development. The objective was to give housing access to families and households who were not able to get 8 percent interest rate mortgage with 30 percent down payment. Due to lack of savings, especially for younger families, the program aimed to reduce the down payment pressure for households and make it 10 percent, while government guarantees the remaining 20 percent. The 200 billion tugrug (approx. USD

1 million) guarantee loan was to be issued to commercial banks by the Development Bank of Mongolia to support this program. However, it has almost been a year since the initial announcement been made and not a single family got mortgage through this program with the above described condition.

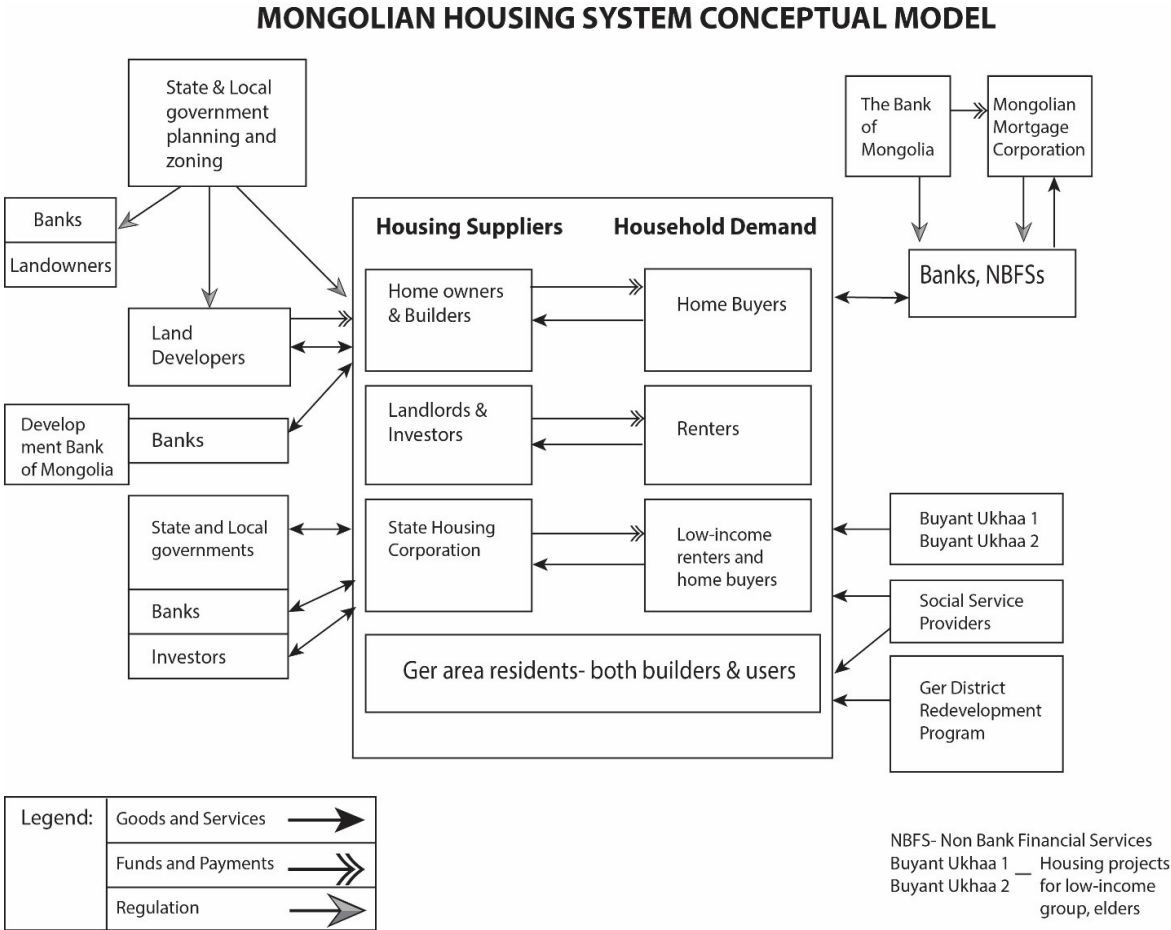
These programs and policies roughly shaped and formed today's housing system of Mongolia within the last decade or so. The policies and programs described above present a shift from centralized systems to one of the greater reliance on market systems. While it is well understood that housing and basic infrastructure provide an enabling environment for the overall development and urbanization and all cities attempt to provide better housing and basic infrastructure for its residents through increased public spending, policy interventions and various other enabling conditions, it is unclear why the outcomes are still appalling (P. Tiwari & P. Hingorani, 2014). The Global Human Settlement Report 2003 argues that “slums and urban poverty are not just a manifestation of a population explosion and demographic change, or even of the vast impersonal forces of globalization, but a result of a failure of housing policies, laws and delivery systems, as well as national and urban policies” (UNHABITAT 2003).

In this regard, this research develops both conceptual and specific frameworks necessary for delivering housing for all detailing various



linkages between housing markets, planning, legal and economic systems, and national housing policy related to housing and applies it to urban Mongolia. Using the interviews from the institutional representatives, the research examines where the challenges lie in delivering housing for all, especially to the low-income groups. The objective is not to list the shortages or issues, but to present a qualitative discussion on institutional linkages that are important for delivering housing for low-income groups and evaluate current practices against a fully functioning institutional arrangements.

Figure 1. Conceptual Model of Existing Housing System of Mongolia





RESEARCH NECESSITY

My own motivation that led me become interested in this research topic

Having lived in the capital city Ulaanbaatar for almost twenty years, as a citizen, I have seen and witnessed most of the recent changes and development. Some would say that changes brought benefits like more opportunities, diversity, and more access to world class education and other resources. I can agree with it, and probably the reason I had a chance to study in the United States was because of these changes. However, it came with costs. Costs that many bear in their hand, in their labor and in their heart. Ulaanbaatar's downtown is uprising vertically while the outskirts are increasing horizontally. Rural-urban migration is happening at a rapid rate without planning, thus many build their own settlements at the boundaries of the city or even beginning to spread up the mountains surrounding the city. Constant traffic jam, cranes and construction are everywhere. During winter, it's even worse. You won't be able to see clearly due to heavy smokes that come from burning coal in the Ger district. This has made Ulaanbaatar the most air polluted city in the world. These are a few of the many problems. I haven't even mentioned the health and environment risks associated with these pollution and the widening gap between the rich and the poor.

However, making a list of things that are not working well will not change the fact that they are not working well. Thus, as a planner, I wanted to explore the reasons why and how we came to this point and what could be done going forward. The ultimate question I wanted to have answer was "is it possible to balance the social and economic aspect of housing in the market while providing homes for the lowest income group in the society", and most importantly "what kind of roles do institutions play in the housing market and what roles SHOULD they play".

While Mongolian government has initiated several policies and programs that intended to solve the problems of housing, however, the results show that those programs have not been efficient enough to overcome the issues. While the theories underlying the current housing programs assume that issuing low interest rate loans with long maturity or supplying mass housing for the accelerated housing growth would improve the accessibility of housing for low-income group, reality indicates different outcome. Even though housing issues are associated with several factors, the problems and dilemmas faced by such schemes are mainly related to institutional design, project and program execution, and operational problems. These may include lack of technical capacity, the absence of effective monitoring and control schemes and/or lack of cooperation and definition of responsibilities.

While it is important to explore public perspective (residents themselves), it is equally important to analyze what works and what does not from the institutional perspective. Thus, this research will try to identify the underlying barriers for institutions to give housing access to low-income households through following research questions: 1) How have institutions defined and acted upon housing problems in Mongolia? 2) What are the current challenges facing the Mongolian housing system? and 3) What structural and programmatic changes might lead towards a more holistic vision for housing in the future?



Topic selection and Mongolia's urban development system

Mongolia's housing system is an interesting topic from which to analyze the institutional relationships and policy effectiveness for a variety of reasons. At the international level, Mongolia's economic success during the booming years was an outcome of the mining sector investment, but since then it has been culminated due to the narrow economic base. Mongolian economy is highly dependent on mineral exports which keeps Mongolia vulnerable to external shocks in today's downward trend of global commodity market prices.

During this time, the construction and urban development system has come under increasing scrutiny in mounting criticism and speculation has emerged regarding the interactions between politicians, government officials and property developers in the urban development process.

In terms of the legal and administrative framework underpinning Mongolia's urban development system, the main instrument for the regulation and control of development has been national development plans that change accordingly with the political terms. In other words, while there is an existence of master plan for the overall urban development, the day-to-day activities or short term actions and decisions are dictated by policies and regulations adopted by a ruling political party. The 20 year update of master plan loosens its effectiveness and relevance as a more effective and operative

guidance. For example, the latest (fifth) master plan was adopted almost after 20 years since the last master plan and it was the first master plan that was adopted 17 years later since Mongolia's transition to a market economy. The adoption or making of a development plan is the reserved function of the local elected members within each administrative area.



Table 4. Breakdown of Respondents by Institutional Sector

Government	Ref.*	Banking/Finance	Ref.	International organizations	Ref.	NGO	Ref.	Private (developer, real estate)	Ref.
Project coordinator at State Housing Corporation	G1	Bank of Mongolia-employee at the Money Policy department	B1	Operation Officer for rural development and environment programs, World Bank-Mongolia office	I1	Founder - Urban Development Research Center	N1	Project Manager- Construction company	P1
Head of Monitoring and Evaluation Office, MCUD	G2	XacBank- employee at the Mortgage Analysis department	B2	Senior Officer at Urban and Social Sector Division, East Asia Department ADB	I2	Research Analyst- Mongolian Bankers' Association	N2	Founder & CEO of real estate firm	P2
Former financial analyst at the Housing Finance Corporation	G3	Mongolian Mortgage Corporation- Chief Business Officer	B3	Chief Adviser/Project director JICA	I3			Risk Analyst- Insurance company	P3
Head of Housing Policy and Research at MCUD	G4							Founder- Investment company	P4
Project manager- Ger Area Redevelopment Agency	G5								

*- this letter and number combination will be referenced for the quotes



STUDY INSTITUTIONAL SECTORS

Government

Housing is a complex field encompasses economic, social, environmental aspect of one's life as well as the larger society. Since it is not possible to leave this sector to full market regulation, there has been and will be a significant influence from the government. So the question is not whether government to participate or not, it is about how to participate. One of the main focuses remains on what problems that the programs and policies intended to solve and how effective were they achieving that initial objectives. Other questions around government sector include who directs the programs, who are the target population and from what sources the funding comes.

Financial Organizations

With the global shift to markets of the early 1980s that convinced donors and governments to shift from building housing projects directly to enabling housing markets mainly through providing mortgage finance and subsidies to private developers. Mongolia, following this trend, was first introduced to housing mortgage finance in the mid-1990s, though it was mainly through commercial banks with high interest rates. However, with the help of Asian Development Bank, very first subsidized mortgage was introduced to Mongolia in 2000. Since then, mortgage market developed smoothly, however, lately the challenges have been to provide housing financial access to lower-income households. Low-income households, with the current mortgage system, are not able to afford even the down payment. Thus, serious consideration has to be taken in terms of housing finance system. In this regards, representatives from both commercial banks that issue mortgages as well as the Bank of Mongolia were interviewed.

International Agencies

Since Mongolia's transition to market economy, there have been continuous aid and support programs from various international agencies such as World Bank, Asian Development Bank, USAID, JICA and more. They have introduced different programs and projects that directly or indirectly help tackle housing problems by providing funds, giving technical and administrative assistance, and administering guidance for both government and community level. In this regard, representatives from these organizations have been interviewed to reflect on past programs as well as future challenges.

Non-governmental organizations

With the onset of neoliberal development policies and practices in the 1980s in Asia and 1990s in Mongolia, the institutional landscape for housing interventions changed. The shift to market-based strategies is discussed and a range of new actors emerged. They included non-governmental organizations and a large number of grassroots and community groups. The relationship between these old and new actors in the realm of housing varies and makes for a complex site for power struggle. Some like Urban Development Research Center focus on community engagement and does various projects to enable and inform community members through mapping and other activities. Other NGOs, mostly established through international programs, also operate smaller scale, neighborhood-level projects. This sector could play an important role to identify the current gaps in housing through mediation between the residents and the policymakers.

Private Developers

Participation or non-participation of private sector plays an important role when making housing policies and programs. To what level should the private sector control the price, how they should collaborate with the government or how to provide incentives for them to support low-income housing are all questions that involve private sector. Private construction companies have developed and expanded rapidly especially after several programs that support housing supply and enable housing demand. Government is playing an enabler role giving subsidies to private developers, however, whether this have had positive or negative impacts is to be discussed.



While this research focuses on the overall national housing policies and programs, it is important to note that the greater focus is on the capital city- Ulaanbaatar. As mentioned in the introduction part, more than 40 percent of the population lives in the capital city, around 60 percent of the city population lives in informal settlement. Thus, greater attention has been paid to programs and policies for the city. Other important reasons for focusing on Ulaanbaatar relates to its economic dominance nationally , coupled with it being the center of national decision-making and political power.

Considering Mongolia's, and more specifically Ulaanbaatar's, unprecedented level of development in the recent years, coupled with growing concerns surrounding the level of accessibility to affordable and adequate housing as well as the complex relationship between institutional organizations in the housing system, makes it an interesting research from which to analyze the housing structure.

This research will be useful for all sectors that participate in the housing market activities in Mongolia. The target audience includes the government of Mongolia, especially the Ministry of Construction and Urban Development, Municipality of Ulaanbaatar, international donor agencies that aid housing programs, other NGOs that mediate between government and residents as well as the residents themselves. The research lays out the fundamental problems and challenges in housing sector from the institutional perspective, lessons to learn from past and present housing policies as well as

recommendations that could be useful for improving the future policies and programs.

Much of the existing literature on housing situations in Mongolia is produced mostly by outside organizations. Most literature that exist within the framework of housing focused on the Ger districts and its upgrading strategies by various international donor organizations. Moreover, the literature on role of different organizations and their relationships is largely absent. Research that examines the consequences of past and present housing policies and programs are missing in the current literature. In order to fill the current gap in research, this report describes the intersections of institutions' perspective on current problems in housing in Mongolia, the viability of past and present government-initiated housing policies and the relationship between these institutions when implementing these programs and policies. Researching the combination of these topics will illustrate the current gaps when developing housing policies and programs and the challenges for implementation from the institutional aspect and further help design holistic approaches to improve the accessibility of housing for low-income communities.

In general, this research is useful to see where the gap exists on the current system and how to increase its effectiveness and most importantly how to reach low-income group. Knowing the common experiences and barriers from each sector can be valuable to see the housing problems and opportunities at a bigger scale.



RESEARCH METHODS

In-depth qualitative data collection method through semi-structured interviews with the institutional representatives was employed for this research. Total of seventeen interviews were carried out with bankers, local government officials, international consultants and developers in order to obtain rich and detailed insights about the nature of their interactions with each other within the housing system. These interviews, guided by a set of central questions, sought to capture stakeholders' perspectives about current challenges in housing sector, past and present housing policies and programs as well as future recommendations. Additional information about the related policies, official policy and program documents were gathered by the interviewees from their organizations.

Most interviews took place in the interviewee's work place and some cases in coffee shops or restaurants nearby the respondents' office. Since most of the interviewees were Mongolian the interviews were conducted in Mongolian. There were only two cases where interview was conducted in English as the interviewees' native language was not Mongolian. There was one case that the interview was conducted with the help of interviewee's personal translator as the interviewee's native language was Japanese.

Non-probability or 'snowball' sampling methods were adopted to generate respondents based on the criteria that they had to have at

least two years of experience at their current position/field. Participants were selected using word of mouth recruitment and snowball sampling tactics. Initial participants were identified through existing network and continued by word of mouth and/or the referrals from the previous participants. Some participants were reached through social network (LinkedIn) and some participants were identified through networking events and conferences. An important issue to consider in the generation of any snowball sample is that respondents may suggest others who share similar characteristics or outlooks. It is therefore important to ensure that the respondents display varying characteristics to reduce possibility of biased accounts being obtained (Bryman, 2004). This was particularly important in instances where respondents suggest people 'who might be worth talking to'.



Interview Topics

The interviews focused on understanding 1) interviewee's background information; 2) perceptions of current housing problems; 3) insights on the effectiveness of current and past housing policies; and 4) recommendations for future housing policies and strategies to reach low-income groups.

Based on the foregoing discussion, a significant gap exists in the literature regarding the extent to which a systemic deficit exists in the housing system when first defining the housing problems properly, second effectively assessing and improving the housing policies and programs, particularly from the institutional perspective. This research targets this gap by focusing on defining the 'real' challenges in housing system as well as policy evaluation from the institutional aspect.

In terms of the possible methodological limitations of the foregoing approach, I was conscious of the fact that drawing respondents from the institutional side alone would generate data that essentially represents one side of the story. While gaining insights from the residents of both apartments and ger areas would undoubtedly be desirable, I felt that it was important to first establish a detailed understanding of the experiences and perceptions of the institutions that participate in the housing system before comparing and contrasting it with the residents and other stakeholders. This approach is considered

justified on the basis that the stakeholders interviewed for this research holds pivotal position in terms of the various interactions in the housing system.

I also acknowledge that the traditional problems associated with qualitative interviewing, not least the gaps which can arise between what people say takes places in the interview setting, and what actually happens in reality (Dunn, 2007). In this regard, Dunn warns about the dangers of the 'pufferfish' phenomenon, whereby respondents (particularly those in positions of authority) attempt to portray themselves or others in a particular light for protective purposes, particularly when the researcher could be perceived as a potential threat (Fox-Rogers & Murphy, 2013). As such, several steps were taken to help ensure that transparent and frank accounts were offered by the respondents. First, respondents from wide range of positions were interviewed as representatives of relevant organizations. Second, the interviews were anonymous on request to encourage the respondents to be as open and transparent about their experiences as possible. Third, considerable attention was paid to ensure that the respondents did not feel in any way threatened or worried by the respondents. In this regard, professionally presented letters were issued to prospective respondents which set out some ground rules about how the interviews would be recorded digitally and subsequently transcribed and translated, that their anonymity would be protected if they wish to and that the data generated would be used solely for the purpose



of individual capstone project.

Translation, Interpretation and Transcription

The following analysis will compile information institutional representatives communicated through interviews relating to the aforementioned areas of focus. When quotations are present in the text, the quotes may be direct transcriptions of the participants' words, but more often they represent translated versions of the Mongolian answers.

All translations were done by the researcher (myself) thus the process itself could be subjective based on how I understood and perceived the participants' answer. On the other hand, since I am a native Mongolian speaker, it was beneficial for me not to rely on outside translators. As happens often in research settings, answers may have been conflated if interviewees assumed the researcher would directly change their circumstances as a result of their answers, if they conferred with other participants in the snowball sampling process, or if they were worried about their identity.

Though most interviewees were not hesitant to appear on the research, some interviewees were hesitant and wanted to conceal their identity in all cases. Thus, in order to do so, the analysis will refer only to the organizational sector that the interviewees represent and the date on which the interview took place.



RESEARCH ANALYSIS

After three months of field research in Ulaanbaatar, Mongolia, where representatives of different stakeholders that participate in housing market were interviewed, inductive reasoning was used to detect patterns and regularities surrounding the topic of institutions of housing market, perceptions of past and present housing policies and programs in Mongolia, and the intersection of institutional role and housing. The following sections will answer these questions in Mongolian context:

Questions 1: How have institutions defined and acted upon housing problems in Mongolia?

Question 2: What are the current challenges facing the Mongolian housing system?

Question 3: What structural and programmatic changes might lead towards a more holistic vision for housing in the future?

For each question, a summary table with the themes from respondents were made to identify patterns. While there are themes that are repeated and dominant in the response, there are series of other responses that are identified within each of these broader questions. They are discussed in detail under each question as well.

Question 1: How have institutions defined and acted upon housing problems in Mongolia?

“If I were given one hour to save the world, I would spend 59 minutes defining the problem and one minute solving it.” Albert Einstein

Answering this questions helps to understand how the past and present policies perceived the problem of housing. Only when the problems are identified properly can we be able to design appropriate policies that solve the deeper, underlying housing problems. Moreover, only by understanding this pattern would we be able to identify the gap that prevented policies from reaching low-income people.

The very first housing policy that was adopted nationwide was a National Housing Strategy (NHS) in 1999. According to NHS, its objective was to transfer the financial burden of housing from the government to the private sector; improve the quality of existing stock; establish a land registration and valuation system; and assist vulnerable groups (Enkhbayar Ts, 2013). In this regard, the first question tried to seek for programs and policies that had been taken place in the past as well as in the present and try to understand the foundation of how these programs defined the housing problems.

Looking at first question, people’s responses fall into three categories: housing programs



are initiated with different objectives other than solving problems, unmet housing needs and a general uncertainty of policies and programs.

Each of these themes are discussed in detail below.

Table 5. Summary and Categorization of Key Results: Question 1

Policy responses against housing problems and its objectives understood by the policies	
Policies and programs initiated with different objectives other than solving housing problems	<ul style="list-style-type: none"> a. Use of policies and programs as means to get political vote through promise b. Use of policies and programs as means to stimulate economic growth c. Use of housing policies and programs as means to support construction and banking sectors
Unmet housing need	<ul style="list-style-type: none"> a. Lack of 'affordable' housing supply, excess supply of high-end housing stocks b. Very high demand from middle to lower-income groups
Uncertainty of programs and policies	<ul style="list-style-type: none"> a. absence of well-defined target groups in policies and programs b. uncertainty of objectives c. uncertainty in terms of how to evaluate and assess certain programs and policies (accountability issue)

Looking back and reflecting upon the effectiveness of housing programs and policies, most respondents agreed that there were a lot of mistakes in terms of design and implementation of last policies and programs. First theme suggests that while most policies and programs were initiated and approved as 'housing' policies and programs, most of them had double agenda. In other words, there was always bigger agenda, sometimes 'political' agenda behind all these

housing programs which loosens its strength to tackle 'real' housing issues. For example, some respondents stated that '100,000 Homes' program was a political 'show'. While respondent P2 said "100,000 Homes project is a political promise done by Mongolian People's Party. This was based on mostly political reasons, in my opinion. Badly designed and conceived", respondent G1 said "it (100,000 homes project) was right before the election and only continued



for 2, 3 months. And when the new party get elected, they stopped this project. 100000 homes project was an election show". Even for the latest program "10 percent down payment, some respondent think that it is also a political move. B3 specified "10 percent down payment is just a preparation for 2016 election".

Politicians not only make policies as their election game, they also have a huge influence for the progress of any kind of projects. Responses like "problem is most policymakers are not realistic about what they are doing" (B3), "one of the members of parliament (MP) would come and ask to give permission to a company and the employees would do what MP says, this is a start of a lot of disorder" (I3) and "construction sector is going down, but if you think about this, who are behind all these construction companies? – those politicians" (G3) show that in one way or another, these institutional representatives have experienced political influence. Moreover, housing policies and programs, as respondents indicated, were used to stimulate economic growth to the larger extent. As admitted by a respondent G4 "the type of support we (ministry of construction and urban development) are giving is for private developers". Finally, behind most of the policies and programs, there was a bigger agenda to support construction sector. While it is not wrong to support the construction sector, it should not be at a cost of residents' demand and an increased cost of housing. It seems as these programs were the only means for construction sector's 'survival' as G1 put it "and when the 8

percent interest rate program started, all those construction companies were able to survive within two years".

Second theme was 'unmet housing needs' which means that there is an increasing need for affordable housing stock while there is an oversupply of higher-end housing stocks in the market. As I3 said "middle class already have apartments and for the redevelopment project, all constructions are being built by the private sector. And the thing is while there are so many people who cannot afford these new buildings, the construction companies are still building those unaffordable buildings". On one hand, Mongolia as a nation has not learned the culture of having savings. Thus the initial requirement under the current mortgage system, which is 30 percent down payment immediately excludes thousands of households. On the other hand, those who could afford housing under the current mortgage system already got housed, thus the remaining groups are mostly lower-income households. And the average wage stands at 760,000 MNT (approx. USD \$380) according to the National Statistics Office (2014) while the average housing price is 2,000,000 MNT (approx. USD \$1,000) per square meter. (could add an example of someone with an average salary and calculate how much he/she would be paying per month to buy average priced apartment with average size in UB).

Final theme reveals that the uncertainty of policies and programs in terms of target group, objectives as well as evaluation method shows



another way of institutions dealing with housing problems inappropriately. Even within the respondents, their understanding about target groups of same programs differed. For example, while respondent B1 said “8 percent program is not for low-income people, it is for middle-income people”, respondent N2 stated that the program did not have any target groups. In addition, when respondent G4 thinks that the 100000 homes project is a social program to support elders and public servants, G3 opposes this and said “this program is for the mass”. This shows that even within the institutions, there is no consolidated understanding of “whom” these programs are designed for. Furthermore, related to the first theme, there is no overall understanding of the objectives of the programs. This can be seen from the answers from respondents such as G4 who said “8 percent program was initiated in response to increased housing supply” and G1 who said “through 8 percent program, all of the construction companies survived”. Even for Ger District Redevelopment program, some think that this is a “very timely project to re-organize Ger area” while others think “it is profit-oriented” and “still for middle-income people as it involved private developers”.

And final uncertainty falls into the evaluation and assessment of each of this program. It is one thing to initiate these kind of programs and say ‘implemented’, but another thing to say ‘implemented successfully’ or ‘reached its initial objective’. Since the objective is not clear for some of the programs, it is even more complicated to evaluate the results. On top of

this, again, related to first theme the political inconsistency eradicates accountability of these programs and policies. In other words, people are confused from whom to ask for accountability as the people who initiated the programs are already left their positions.

Question 2: What are the current challenges facing the Mongolian Housing system?

“Major housing issues confronting cities such as the wild growth of informal settlements, social exclusion and increasing homelessness will only be solved if the right to adequate housing is properly understood and incorporated into all aspects of urban development” Leilani Farha (UN Special Rapporteur on adequate housing)

First question introduced and discussed the most significant, large-scale programs that tried to intervene the housing market to improve access to housing for people. The second question tries to lay out the current challenges in the Mongolian housing system, even after the above mentioned programs took place.

While participants had varying opinions about current challenges they have agreed upon several issues that are underpinning the current housing market (Table 4). First of all, the most repeated answer was the systemic deficiency. In other words, there are issues in our legal, financial and institutional system. For example, in terms of housing finance system, we



have been introduced to a secondary mortgage market during 2007-2008. Since then Mongolian Mortgage Corporation has been working as the secondary market institution, however, due to lack of final (outside) investors from institutional side there are limited mortgage buyers. On top of that, as one of the respondents stated

“Mongolian Mortgage Corporation is buying the mortgages (from commercial banks) but instead of selling it to other investors, (they are) selling it back to the banks. Initial fund to buy mortgages is coming from the Bank of Mongolia at the moment because of lack of investors. This is an imperfect infrastructure”.

Table 6. Summary and Categorization of Key Results: Question 2

Current challenges in housing system		
Systemic Deficit	a.	Absence of proper land regulation and law (also weak enforcement for the existing laws)
	b.	absence of well-structured financial system in general, especially housing finance
	c.	absence of strong, effective insitutions at all level
Supply side challenges	a.	Burdens faced by construction sector: high cost, corruption and commitment (3Cs)
	b.	lack of 'affordable' housing supply
Demand side challenges	a.	Lack of savings (cultural stigma)
	b.	Very low earnings
	c.	Lack of education/financial knowledge

Under this question, most respondents, in one way or another, agreed that there is a systemic deficiency in the housing sector. For households, the key micro challenge for obtaining and retaining affordable housing is access to affordable land and housing

finance (UNHABITAT, 2011). The UNHABITAT report (2011) further argues that low housing affordability is pervasive for several primary reasons including high interest rates in finance mechanisms, high cost of real estate prices primarily due to high land costs and high cost of



construction materials, lack of alternatives low-cost technologies, as well as the high cost of compliance and regulations surrounding formal housing development. All of these reasons for housing being unaffordable apply to Mongolian housing system

Provision of serviced land and housing especially to low-income households, is on the decline due to lack of resources, inadequate administrative and technical capacities, and lack of political will (UN-HABITAT, 2011). Land is the trickiest and most complex, controversial issue which has a significant contribution (role) to affordable housing. If the land issue is not clear, it is not possible to solve the housing issue. I1 said “we do have laws on land patent but it is outdated and does not reconcile with the current market mechanisms”. On this, G4 also had an insight that the government should subsidize the land for private developers in order to reduce the cost of construction and housing since all new constructions are being built by private developers. Moreover, an effective and complete financial system is important for providing access to middle-to-low-income households.

It is hard not to discuss about corruption issue as one of the most pressing challenges in Mongolia. This is highly relevant to the previous theme “political influence” but the ways in which it applies in day to day work is way more complex. For example, one of the respondents that represents an international organization said “in terms of the municipality of Ulaanbaatar, they usually participate on the implementation

process. They are the ones who allow licenses but this process is far from complete. For example, the bidding process is very weak and controversial, sometimes the winning company might not even have the funding to complete the project. But the irony is that one of the requirements to participate in the bidding process is to prove that the company has enough fund to complete the project in the first place. I am not sure how the process goes but there are many companies who are stuck due to lack of fund in the middle of the project”. This shows that even for programs and projects that are collaboratively run by both the international organization and the

Supply side challenges

High cost of construction materials and corruption to obtain land are both embedded into the house price. The efficiency to construction industry, in terms of its ability to supply housing in sufficient quantity and an affordable cost, is a key determinant of housing sector performance (UNHABITAT, 2011). In Mongolia, local building materials industry has many shortcomings, including poor productivity, and inability to diversify into new product lines. As respondent P3 stated “in 2008, the construction raw materials price increased up to 70 percent due to the rail freight circulation. The government started price stabilizing program as the inflation around that time was 33 percent thus started supporting demand side by issuing 800 billion tugrug bond (~USD 400 million) to start the 8% interest rate mortgage for demand side and for the construction materials support government spent



170 billion tugrug (~USD 85 million) for Hutul cement industry....also construction companies could get 3 year loan with 3%-4% interest rate. The downside of this was that housing price increased immensely”. P2 also said “government took several measures to support developers/ construction companies and removed taxes on all import construction materials, removed land ownership restrictions and made it easier for developers to get loans from banks”.

Moreover, there is a mismatch between supply and demand in the housing market. On one hand, there are excess supply of high-end housing units that are not meeting the needs of increasing demand of affordable housing, on the other hand there is a shortage of low-end, affordable housing units that is accessible for low-income households. When the government’s role shifts from centralized system to a one that is greatly reliant on market one, the housing supply is in the hands of private developers. And since the objective of private developers is to make profit, they develop for high or middle-income households and exclude low-income households. This is the trend Mongolia is following and the total number of medium and high-cost houses constructed by the private sector far exceeded the actual demand while the low-cost, affordable housing demand is still unmet. Many other Asian countries have followed this path and ended up supplying excessively on the high-end spectrum leaving the low-end completely. All of the respondents that represented international organizations have had the same response pointing out the lack of affordable housing supply

in the market. For example, I3 said that “all of the constructions for ‘Ger District Redevelopment’ project is being built by private companies and of course, they will seek for profit” while P2 said “the problem is that even if it is (GDRP) is affordable housing project, it is profit-oriented, you can build as much as you can but it is pointless if people cannot afford it”. Furthermore, I2 suggested that “when you develop affordable housing unit, it has to be integrated into the development plan, area development plan” meaning that you cannot just leave the affordable housing units to private sector as their number one priority will always be profit.

Demand side challenges

On demand side, we have a big cultural aspect that do not focus on savings. Mongolia currently has 820,000 households and according to an estimation, 90 percent of households do not have any savings (Dambadarjaa, 2015). This is partly because the income level is too low to even meet the basic needs for one fifth of the population (ibid.), partly because Mongolians still don’t have the mindset of having savings. Some of the respondents recognized this challenge; such as G4 said “young people have jobs but the only problem is down payment” while B1 said “one of the reasons the Bank of Mongolia is participating in 8% interest rate policy is to support middle class and give them opportunity to have savings”.

Moreover, the underlying reason for people having lack of savings is the very low-earnings. While the average salary per month accounts



for USD 380, the price per square meter for an average apartment (not in the city center) starts from USD 1,000 (www.numbeo.com). P3 concluded “the minimum wage in our country is 192,000 MNT (~USD96) per month. And the average housing price is 2 million tugrug (~USD 1,000) per square meter. From here, you can easily calculate that even a whole year income is not enough to afford price of one square meter. Average loan term is 20 years, which means an individual with minimum wage will not be able to afford a house in his/her lifetime”. Thus getting access to housing becomes one’s biggest challenge of a lifetime taking into account their monthly income.

And the final challenge on demand side is that the general public lacks knowledge about how the systems work and miss important information. As researcher B. Terbish argued the reason is twofold: on one hand, public officers such as social workers and unit leaders blame local residents being passive about not raising issues and being ignorant of ways to their living conditions, on the other hand, local residents blame the government for being inattentive and not improving the organization of communities. She further resembles the situation as “everyone is to blame, but no one is responsible”.

Respondents also added to this argument that the general public lacks necessary financial knowledge and information that could be of benefit for improving their lives. G5 said “for example, on GDRP we meet with residents from 6 districts and inform and educate them on this

new law...people need to understand that we are just giving information and they have the choice”. Also, P2 said “...other problem is access to public domain...In Mongolia, it (public domain) doesn’t exist. The government and the government people are not held accountable for the public because people don’t know what is going on”.

Question 3: What structural and programmatic changes might lead towards a more holistic vision for housing in the future?

“You never change things by fighting the existing reality. To change something, build a new model that makes the existing model obsolete.”
Richard Buckminster Fuller

The final research question is an essential part of the research to understand the perspectives of institutional representatives in terms of how to improve the future of housing system. Following themes appeared in the response.



Table 7. Summary and Categorization of Key Results: Question 3

Recommended strategies	
Complete System	<ul style="list-style-type: none"> a. Legal/land use b. absence of well-structured financial system in general, especially housing finance c. absence of strong, effective institutions at all level
Better' policies	<ul style="list-style-type: none"> a. long-term/strategic housing policy as a nation (outside of political change/influence) b. well-targeted, integrated, prioritized (understood 'whom' to plan for) c. strictly regulated and enforced
Institutions	<ul style="list-style-type: none"> a. Strengthened/professionalized institutions as well as public servants b. educating the public/public database to inform them: well-informed public-well-understood problem-well-thought requirements from the government c. not losing the 'social' aspect of housing: not to leave it solely to the market regulation d. Increased transparency, reduce corruption

First of all, respondents simultaneously agreed that the existing financial, institutions and legal systems have deficits that slows down the implementation and diminishes the benefits of these programs. P4 said “Mongolian Mortgage Corporation (MIK) is buying the mortgages, but instead of selling it to other investors, (they are) selling it back to the banks. We don’t have investors, which makes it imperfect (financial) infrastructure”. On this, B1 also agreed and said “since our market is not fully developed, we lack the final investors from institutional side”. On land-use system, respondent I1 stated “we do have laws on land patent but it is outdated

and does not reconcile with the current market mechanism”.

After laying out these systemic deficits, they suggested potential strategies that could help improve the systems. For example, N2 said “social insurance fund has the most money. I think this money should be utilized, not only for housing sector but also for developing the financial infrastructure of the country”.

One of the most important points most of the respondents recommended was to have a ‘national’, ‘long-term’ and ‘strategic’ housing



policy that guides us as a nation for at least next 20, 30 years. Current policies and programs are easily disrupted by the change of political party. Probably, as one of the respondents mentioned “most policies have four years of existence” (B3), our policies and programs need to be understood as much stronger and more valuable than political party’s promise. Once we have that visionary policy, respondents like G2 would not be saying “if the Democratic Party loses in 2016, all of these will be gone”. All of these meaning that all of the past development and Ger District Redevelopment programs that are initiated by the Democratic Party.

In terms of policies, many suggestions were made including that policies should be well-targeted, integrated, prioritized and strictly enforced. P4 said “we have a lot of international projects going on, but it is very important to think about how these organizations could help us to get from A to B. The government has to decide the main roadmap to get to B”. In other words, if we don’t have a national, long-term policy we can go wherever the ‘wind blows’. Moreover, policies should be well-informed before gets implemented. Government decides to build 40000 Homes and before the public knows of the benefits, the next one gets announced. For example, government decides to build 1000 homes in each aimag (province) but in reality nobody knows whether each aimag needs 1000 homes. Thus, as N1 said “we need a database that inform the policies” to have better –informed policies. One of the best examples of how the existing laws is not being enforced is the Zaisan

area construction. According to statistics (), 90 percent of the construction is illegal. However, since most politicians and social elites live there, there is a tendency that the new law is going to be passed to get permission to build in that area. The problem is that, the area is originally protected as it is a river-basin area. As P2 said “Mongolia has some very good laws, but there are lack of enforcement”, we need to create mechanism that enforces these laws.

And finally, in terms of institutions there were many ideas on how to strengthen and improve the effectiveness. Behind strong institutions, there should be skilled and professional employees. However, it is not a case in our situation. Based on his own experience, P2 noticed that “most of the people who are working in those agencies (state agencies) are politically appointed”. Adding to this, he has even more serious concern on how most people in these institutions get trained for a specific program for a certain period of time and leave, all the time. On top of the employees being non-professional, even for the professional ones there is a stronger political push to do things differently. When respondent N1 was working as a national consultant on a policy she faced many challenges in order to stand for her own ideas. She said “when I talk to them (policymakers), they say ‘yeah, let’s do that’ but when it comes to implementation we don’t speak the same language. And it is very frustrating to make them understand”. On this point, I3 said further that “in Japan, once you decide to become a civil servant staff, you work in that organization for almost all your life. In Mongolia, people work in an



organization usually for 4-5 years and they either fired or move to different jobs after each election”. These kind of responses came from international organizations’ representatives mostly because they get frustrated by the frequent change of staff in public agencies which means the training and information those initial staff got is wasted and new people need to get trained and informed again and again.

Besides, educating and informing public is another way to put things in the right direction. From international experience, when the public is educated enough, they can even put pressure for the government for their own rights. N1 stressfully pointed out that “we talk about construction standards but we don’t talk about constructions that are being built in Ger area in terms of how to build it ‘correctly’ for those people”. It is one thing to get rid of Ger area informal settlement through demolition and new constructions, but it is a whole other thing to take into account whether the new developments are not disrupting the social fabric and creating harmonized living environment for the residents of Ger districts.

In addition, few respondents pointed out that since it is not possible for the lower or lowest income groups to afford market regulated housing, it is important for government not to lose the social aspect of housing. In other words, respondents agreed that both market and social regulated housing should exist, the question is how. One of the respondents suggested that “if we really want to reach low-income people, there should be a separate institution with the

state subsidy or something like that”. Another respondent also suggested “government should create social housing programs that are specifically designed for low-income people”.

And final theme that appeared as a response to future recommendation is the improved transparency and reduced corruption on any kind of institutional decision making and implementing process. According to Transparency International, Mongolian corruption index stood at 39 (out of 100) showing how corrupt the country’s public sector is. Respondents’ perceptions such as “one of the parliament members would come and ask to give permission to a company and the employees would do what MP says” or “normally politicians should not have business interests but in Mongolia, all politicians are businessmen. There is a big problem of conflict of interest” and “in order to obtain certain land, construction companies spend millions of tugrugs for corruption and that expense is included in the housing price” show that the level of corruption is in every stage in the housing system.

In addition, there is a strong political ethos when designing policies and projects in Mongolia. The main reasons behind these policies, as most respondents described had political drive due to upcoming election or to keep their election promises. On one hand, recent policies that focused on demand side were designed mostly to support that oversupply of housing stocks that have been created in the past decade. In other words, these policies are not designed to give access to low-income communities



per se, the main objective is mostly to rescue construction companies that are about to go bankrupt unless sold the existing vacant housing constructions. However, the problem is the existing demand is on “affordable” housing stocks that could be reached by low-income people. For example, participants who worked at the public sector, in general had positive insights towards housing programs. Within the public sector representatives, participants at more managerial level positions were proponents of the past and present housing programs stating that “...each time we took (actions) what we thought was necessary”. On the other hand, government representatives at lower level positions or former employees of the public sector had stated the downsides of the programs and policies.



DISCUSSION

Building a national vision for the right to housing for the citizens of Mongolia, especially low-income citizens is what this research aims for. In order for us to achieve that goal, we need to assess where we are, determine where we want to go and finally decide how we should get there as a nation. The first part of this section will discuss where we are in terms of institutional, financial, political, legal and economic statuses.

WHERE WE ARE: Rethinking the structure of the Mongolian Housing System

Existing challenges in the housing system as well as the result from respondents show that past and present policies deemed a failure in terms of providing adequate and affordable housing for the public, specifically for lowest-income groups. Policies to support large-scale housing had limited success reaching low-income groups as the housing was too expensive to buy and maintain compared to their low-income. Consequently, such housing that was developed through “40,000 Homes” or “100,000 Homes” projects were inhabited mainly by middle-and upper-income groups, and informal housing continued to expand. While each policy and program had its own unique challenges, the underlying reasons that caused the failure of these policies and programs is highly associated with the broader systemic and structural issue. To shed a light on these issues, following section discusses the political, legal, economic, social

and institutional constraints that hampered housing policies and programs to succeed.

Political and Legal constraints

First, it is apparent in the respondents’ interview that all policies and programs had double agenda. In other words, when the policy stated to increase housing supply and improve access, it also meant to support construction companies, stimulate economic growth and increase GDP. When the program indicated to reduce mortgage interest rate, it also meant to support banking sector and encourage economic activities. While it is not deniable that the past policies have at some level improved housing conditions for some, it truly failed to include the low-income section of the population. This is not to say that supporting banking and construction sector is erroneous, perhaps, because of that support many people remained employed during the last decade. However, on the flipside, these policies and programs completely ignored the existence of low-income groups and exacerbated the proliferation of Ger districts at the same time.

By 2008, there were not much housing supply that could accommodate the increasing demand. On one hand, there are oversupply of high-end housing supply but on the other hand there is lack of housing supply that is “affordable”. First two policies that targeted to fill the gap in housing supply was not well-designed. In fact, as



most respondents responded, “100,000 Homes Project” was a politically-driven project that wanted to show people that the political party “accomplished” its promise. However, it was not clear for “whom” this policy was for or how this program would benefit the lower-income group.

In addition, the policies and programs had an issue of framing the actual problem. Scholarly articles and international researchers recognized that most urban problems in the capital city-Ulaanbaatar are associated with Ger area informal settlements. It has been analyzed on the “Ulaanbaatar Master Plan 2020” that the fast and unplanned growth of the ger areas has resulted in many issues including inadequate urban public services and infrastructure, poor quality construction, air pollution and a range of environmental issues (UB Master Plan, 2014). This analysis lacks the “true reason” why the situation has gone to the point where more than one-third of the population live without basic urban services, where people’s existence in the city costs their health, and where to live in an adequate housing became a luxury. The technical framing of the problem in the UB master plan in terms of lack of public services and environmental issues inevitably led to the prescription of a technical solution: an increased density and controlled expansion. An ‘appropriate’ solution thus identified and the redevelopment of ger districts into apartment complexes found to be ‘the most appropriate’ development model. This project was introduced to ger area residents without taking into consideration of the other development approaches and existing social

network of the community members.

Ulaanbaatar City as a Growth Machine

A key constraint to adoption of innovative policy instruments may be that leading stakeholder groups actually benefit from the status quo to the extent that they don’t to see it as in their interests to change. Both growth machine and regime theory implies that there is a small group that dominates decisions on urban management (Stone, 1989). In Mongolia, most politicians are businessmen or vice-versa, it is often the case that they initiate and enable laws and regulations for their own benefit, at least which is what is perceived among public. Even when politicians are not businessmen themselves, they are backed by businessmen who support and fund politicians through elections and lobby important laws for their benefits. The corruption of the politicians, which has been widely recognized by one and all, is only possible because of the collusion of the corrupt bureaucrats.

Institutional constraints

Given the competition between central, regional and local government agencies for scarce resources and influence in order to protect their positions, there is a common tendency for agencies not to collaborate, a tendency which sometimes also applies to the donor community itself. Given that information is a form of power, especially in the context of lucrative urban land markets, many government agencies seek



to concentrate power and resources within themselves (P. Smets, J. Bredenoord, P.V. Lindert, 2015). Moreover, within the framework of institutional constraints, the

There is a concept in the academic literature of “misplaced ideas” meaning that first developed world pays attention to the informal settlement issues in the developing world and try to develop solutions with shallow understanding of what it really means. Then again, because the solutions were suggested by the developed world, it influences the policies and implications of the developing world. In other words, twisting the meaning and the role of informal urbanization in developing societies. This, in fact, truly resembles the ways in which the policies and programs are initiated, developed and implemented in Mongolia. Mongolia, without its national vision and long-term strategy to house its people with basic standards, will continue to employ projects and policies to fill the gap here and there suggested by external agencies. As one of the respondents suggested, we need a firm national housing policy framework and a discipline for institutions.

Financial constraints

In a context in which incomes are very low, the high costs associated with the large loan finance and the construction materials suggest that the potential is limited for reaching the lowest-income groups, ‘down-marketing’, though traditional housing finance. The recent economic boom in Mongolia has encouraged

investment in the high – and middle-income segments of the urban housing market but it has created affordability problem for the low-income households. Besides government-led policy and program initiatives to give access to low-income segment, the actions emerged from the bottom of society- the residents themselves. In fact, over the last two decades microfinance and community savings groups have emerged as important mechanisms for facilitating access to housing finance for the urban poor in Asia (UNHABITAT, 2011). In Ulaanbaatar, community-centered approach to housing development and settlement upgrading has been termed the “people’s process”, and has gained wide recognition and respect throughout Asia as a viable housing development mechanism. While this could deserve some praise, in a broader context, it is hard to achieve nation-wide success without support from the national government. This, in fact, is another form of state being ‘not responsible’ for the livelihood of its residents.

Technical and regulatory constraints

Project sanctions can take up to several years and need to be cleared all the ministries and agencies across the nation including Ministry of Construction and Urban Development, Ministry of Finance, the Bank of Mongolia, Ministry of Environment and Green Development, Municipality of Ulaanbaatar and so on. The consequent time and transaction costs deter many participants of the housing market. Moreover, the lack of transparent and clear regulation worsens the situation. While many



international agencies tried to help improve the transparency and the efficiency of the programs and policies, the examples from respondents show little progress towards this issue.

Thinking about what kind of housing system or structure would work best for any country is a complex process. Mongolia stands out as one of the few Asian cities that has the vast land and tiny population. With the natural resources and the available land, it would seem possible to house all of its people with decent housing. However, as stated in various researches and responses from the research participants, the status of decent housing for all, especially for the low-income groups is far from complete. The urban areas in Mongolia present two very distinct and different characteristics of residential development which are highly correlated with poverty (Enkhbayar Ts, 2013). Planned residential blocks and Ger districts, where 80 percent of the poor live in. However, since households living in poverty with an inadequate safety net do not contribute to market demand for housing, the market ignores them. Market respond to market demand (J. D. Hulchanski, 2005). Moreover, simply enabling housing markets through government provision of conventional mortgage finance and intermittent housing subsidies- the main approach of the past 25 years- shows little potential for reaching lower-middle class and the poor (Bredenoord, Van Lindert, & Smets, 2014).

An important point raised in this research is that to deliver on 'housing for low-income groups', various institutions have to work in tandem – a well-defined constitutional right, housing and habitat policy that is well-designed and enforced, legal and planning regime that facilitates development, housing finance system that is well integrated with broader capital markets, state and local governments that have capacity to develop programs for housing and basic infrastructure for low-income groups and have financial resources to deliver on these. In this context, it is important to note that the goal of 'housing for low-income groups' cannot be addressed in isolation from other objectives of the government. More importantly the responses have to be multi-faceted and levers from both housing market and non-housing market would be required in an integrated way. The need for comprehensive framework arises so that fragmentation of policy responses are avoided and a coherent action plan is promoted.

Moreover, in terms of Ger districts, informal urbanization is not being analyzed as a result of oppressed system of exploitation of the urban poor and their exclusion from the realm of basic rights, which seems to be the case in almost everywhere we look in the global South (Ballegooijen & Rocco, 2014). This is commonly discussed in the Western literature, from the Western perspective, however, is not so much discussed from the perspective of the developing countries where it's very much needed. The main question is that 'what if governments actually



deliberately ignored their existence, refusing to install basic infrastructure, waste collection, and public transport?”- and this is actually what happened in squatter settlements around the world (Ballegoijen & Rocco, 2014). This is to argue that while self-help, upgrading and other similar initiatives are necessary for certain groups at certain times, formal planning can contribute to more just, livable and sustainable cities. In other words, the enormous urban problems of today’s cities and countries will not be simply solved in the private realm.

WHERE WE WANT TO BE?: Dealing with structural deficiencies

This research present the intricate linkages that exist between the housing market, financial markets, planning and legal systems, public policy and constitutional rights and obligations and argues that these linkages need to be considered in order to construct coherent housing programs (Tiwari & Hingorani, 2014).

Over the past two decades, the number of institutions and organizations that initiate and implement housing projects and programs have increased. Besides the central government who often define and provide housing policies, there are international organizations that often collaborate with the government and NGOs that work with the residents and the government as well as the banking and construction sector that has a significant contribution to the production and distribution of housing. During the interview

with the representatives from each of this institution, it was clear that they are familiar with other institutions’ projects and activities. However, research revealed that the relationship amongst these institutions has to be improved to the point where not only they “know” each other’s work, but support and complement each other’s work. One of the important points made was “there is no strategic plan for all of the agencies to work together for one single aim or goal, so many projects are overlapping and everyone is doing their own little thing”. While institutional development is relatively new concept in Mongolian development, it is time for a change and to have a holistic and integrated approach to tackle housing problems.

Looking at the international trend towards housing low-income households suggest that besides government, other actors emerged in response to the increasing needs of affordable housing. On one hand, the non-governmental organizations has experienced unparalleled growth and has resulted numerous bottom-up social innovations and in active involvement of community groups in housing initiatives (Schmidt & Budinich, 2006). On the other hand, although most large businesses in the housing sector still consider low-income populations to be and insignificant or unattractive business segment, an increasing number of visionary business leaders have started leading the way to serve these markets profitably and with social impact (Schmidt, S., & Budinich, V, 2006). Creating a housing system that serves its citizens equally requires combined efforts from these actors. For



a housing policy to be efficient and sustainable, it must take on board the interest of all social groups. In other words, all citizen must be provided for and have equal access to housing regardless of their income level.

From the government side

The government should design policies that are long-term, well-targeted, and has equal representation from all citizens. “It is recognized that sustainable urban development will only be possible if policies and strategies are embedded in a multi-disciplinary, holistic and pluralist approach and that long-term program support is needed for institutional capacity building” (). The government also should prioritize its policies and programs so that they are fulfilling the most pressing needs of the lowest-income groups. Successful housing development is the one with active involvement and participation of the residents in all level of decision making and implementing stages. By ‘participation’, I mean, not the ‘participation’ that is co-opted by the neoliberal mode of governance (Miraftab, 2012), but ‘true participation’ that allows citizens to participate from the framing of the problem stage until the completion of the program to fully reflect their needs. While, it is understandable that urban managers and policymakers throughout urbanizing countries feel overwhelmed and under-resourced in dealing with unprecedented urbanization, it is also important not to eradicate its responsibility of housing provision to its citizens. The current mode of urban development that is wholly reliant on market forces of demand

and supply and leaving housing to private initiatives will not solve the problems of housing in a sustainable manner. Governments can influence housing markets in many ways. Their choice of policy and program depends on their purpose (Miraftab & Kuvda, 2014).

From the market side

Current development trend presents a shift from centralized systems to one of greater reliance on the market. The rational is on one hand, the government cannot subsidize housing provision for all, on the other hand, private sector is perceived to be efficient and effective while public sector to be inefficient and corrupt. Past policies and programs of Mongolian government that aimed to stimulate and assist the private sector to play the leading roles in housing production and delivery shows a great emphasis on private sector. While the housing sector, in general, is a blend of private enterprises and government activities the effective participation from private sector will be based on the effective policy framework from government.

From the social side

Social side includes non-governmental organizations, community groups and the general public. Stakeholders from the social side has an important role as it will be the beneficiary or loser by definition through public intervention or market system. Traditionally, the government intervention played a significant role in providing housing, however, new alternatives through bottom-up



approaches emerged within the last two decades worldwide (Schmidt & Budinich, 2006). Looking at best practices, the successful approaches are the ones that realized the power of collective actions and community.

Each of these sector has its own specific role in creating a housing system that is affordable and accessible for low-income households, however their combined effort is a key for creating sustainable, long-term, just and accessible housing system.

HOW DO WE GET THERE: Developing a national vision and standards for the right to housing

Clearly much remains to be done to address the housing gap in a systemic manner. Though there have been some programs and projects that have been initiated to address the problem of low-income housing in Mongolia, a much more integrated approach is required to see a significant success. Given the size of the challenge ahead, it is important to realize the importance of policy coherence and institutional integration to meet the housing needs for all with the specific focus on low-income groups.

The importance of international agencies, non-governmental organizations and other social groups, as well as private sector is indisputable. However, as the housing market is shifting towards a neoliberal paradigm worldwide, the government should be cautious about the agendas put by different stakeholders. The ways

in which international agencies think of their role for developing countries still remained as such that 'developed' helps the 'developing' world. These organizations influence national policies by offering loans, advice and in-kind aid ().

Moreover, many non-governmental organizations have taken interest in housing- however, there exists continuing critique that NGOs articulate outsider's point of view; locals learn to manipulate the system, grow dependent on Western agenda and funds, and become agents of soft imperialism. Needless to say, the agencies involved dispute this interpretation ().

While in theory, 'enabling' approach from the government focuses on enhancing security of tenure, improving industry efficiency, cheapening credit, reducing housing costs and helping the middle classes and the poor, in reality, governments struggle to acquire the information on which sound policy must be based and to secure the necessary political support. They may be tempted to act precipitously, on the basis of simplified, ideological mantras: de-regulate, privatize, let 'the market' decide. The losers will be the poor, because enabling implies the allocation of dwellings on the basis of income, not need (). Thus, attempts to improve access to housing by low-income groups clearly need to address vested interests which seek to challenge the status quo and to confront existing legal and regulatory regimes that may work against this goal.

Stakeholder participation and involvement



started becoming the focus of discussion at international level since the Habitat Agenda at Earth Summit and City Summit (1992, 1996). It expressly claims that cooperation between all actors, from public to private, including community-based organizations, non-governmental organizations and individuals is necessary in order to arrive at sustainable urban development. While the initial intention had been to arrive at truly participatory planning processes, in practice, the participation is applied in various ways in various governments.

This research suggests that truly sustainable urban development will only be possible based on three principles. First, it is recognized that sustainable urban development will only be possible if policies and strategies are embedded in a multi-disciplinary, holistic, and pluralist approach and that long-term program support is needed for institutional capacity building. Second, key principle- partnership- focuses on cooperation between public, civic, and private sectors. Local multi-sector partnerships may create the synergies that are absolutely necessary for a successful approach to urban development (Batley 1996, Paviie 1999, Correa de Olivera 2004). External partnerships are just as important, as strategic alliances with donor organizations may provide complimentary human and material resources that are indispensable for urban development programs (Brinkerhoff and Brinkerhoff 2004, Sinsets and Saliman 2008). Third essential ingredient for successful development programs is the active involvement and participation of the inhabitants. Ownership

and empowerment, both important catchwords in the general development discourse, have also secured first rank position on the urban agenda of urban planning and housing. Without an outspoken population that has access to decision-making in all stages of project and policy formulation, from the very first stages of needs assessments until the final implementation phase, the chances of attaining sustainable solutions are slim (Abbon 1996, Moctezuina 2001, Van Lindert and Nijenhuis 2003).

In the low-income housing sector, myriad of actors engage in the everyday art of housing production. The producers of housing include, for example, formal construction companies, private land and housing developers, informal contractors, local craftsmen, NGOs, housing cooperatives, housing associations, and last but not least the residents themselves. Once the residents of informal settlements perceive their tenure conditions as being sufficiently secure, they will often engage over the course of many years in self-help and self-managed incremental construction activities.

In the relationships between civic society and the state, newer forms of engagement and popular participation have emerged. Local governance is increasingly characterized by institutionalized interactions between public, private and civic society sectors (communities and citizens). The resulting 'governance network' may then 'contribute to agenda setting, decision-making, or policy implementation' (Van Bortel 2012: 93, ef. Baud et al. 2011).



Housing as a RIGHT

The right to housing is not just a rallying cry. It, like human rights more generally, offers concrete standards that can be implemented and measured for progress. The results can be transformative and can shift us away from charity toward social justice. (L. Farha, 2014)

Mongolian constitutional status on housing is unclear which has led to the formulation of 'weak' housing policy, as there is no binding obligation for the government to deliver affordable housing for all. While there is an 'article' that recognized the right to possession and acquisition of movable and immovable property (Constitution of Mongolia, Chapter 2, Article 2), housing is not defined as a right in the constitution. Rights will have little meaning if they are not accompanied with obligations for the state and a 'remedies' regime for non-compliance (Tiwari & Hingorani, 2014). Too often violations of the right to housing occur with impunity, partly, because at the domestic level housing is rarely treated as a human right (L. Farha, 2014).



Image Source: taken by the author



CONCLUSION

Looking towards a future with hope

“Without leaps of imagination, or dreaming, we lose the excitement of possibilities. Dreaming, after all, is a form of planning” Gloria Steinem

The research analysis uses information from conversations with representatives from different institutions that participate in Mongolian housing system to consider public, private, financial and civil organizations’ perspective, and how intersections and interactions of these institutions influence the improvement of housing system in Mongolia.

This research reveals that coherent policy, integrated institutions and the holistic approach to housing is key to provide adequate and affordable housing for all, especially for the lowest income groups. While the research indicates that there are a number of impediments at various levels that have hampered deliver of housing, it also suggests that addressing inefficiencies in the planning and policy system, housing finance and housing development markets would require capacity building at all levels. Moreover, state and local governments need to formulate policies and programs based on careful research and understanding of the areas which will allow them to facilitate the work of developers, financial institutions and community organizations while regulating it

to make sure the benefits are not misused. Finally, the research findings suggest that there is a significant need to achieve coherence in integration between plans at different levels.

Access to affordable and adequate housing became the eyesore of the urban development of Ulaanbaatar city and a headache for everyone. Ger district problem is affecting the whole population because of the environmental pollutions and other complications it creates. However, as the problem is complex, it requires a complex solution as to consider all aspects of the affected stakeholders. Most importantly, ‘true’ participation of the residents throughout the whole plan making and implementation process is vital to create shared community vision and realization. By ‘true’, I mean not the dogmatic, shallow and co-opted participation, but the participation that allows residents to put pressure on the government and enable them to participate as ‘equal’ participant in framing the issue, designing the method and implementing the program.



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