

➤ DID POVERTY RISE IN MONGOLIA?

➤ ASSESSING THE VALUE OF "ERDENES MONGOL" LLC

➤ SHOULD NGO'S RECEIVE FUNDING FROM THE STATE?

V PAGE



Jargalsaikhan Dambadarjaa,  
Mongolian political and  
economic observer, columnist

*We're going through*

# DEMOCRATIC BACKSLIDING

II PAGE

**WEEKLY**

# The Defacto Gazette

INFORMING | INSPIRING | EMPOWERING

A WEEKLY GLOBAL, NATIONAL, INDEPENDENT, ANALYTICAL NEWSPAPER COVERING THE POLITICS AND ECONOMICS OF MONGOLIA

Thursday, 2019.06.27 №11 (100)

(IN ENGLISH, JAPANESE, RUSSIAN AND MONGOLIAN)

[www.defacto.mn](http://www.defacto.mn)



*We're going through*  
**DEMOCRATIC BACKSLIDING**



№ 486

JARGALSAIKHAN Dambadarjaa

For weekly articles,  
visit <http://jargaldefacto.com/category/23>

# ← We're going through DEMOCRATIC BACKSLIDING

**D**emocracy means that the government is established in accordance with the decision made by the majority of people. A democratic government is made up of legislative, executive, and judicial branches. If the government is successful in protecting people's safety and safeguarding their rights and freedom (including property rights and the freedom of trade and commerce), it enables improving livelihoods and achieving national development.

However, as John Locke said, the majority's decisions aren't everyone's decision, therefore the society will never be able to function as a single entity. It means that a majority's decision may bring about positive outcomes within a specific period of time, but may yield negative results in certain circumstances. This creates a need to continuously change and improve the way things are done, which can be seen from history.

These advancing and reversing outcomes and trends are collectively referred to as 'waves of democracy', which is explained by Harvard professor Samuel Huntington. If you look at the bigger picture, the mankind is currently descending from the third wave of democracy. And, this descent is being referred to as 'democratic reversing or backsliding'.

## THIRD WAVE

At the start of new century, the third wave of democracy encompassed 110 countries. Starting from the 1990s, dozens of countries have transitioned to democracy from authoritarian and totalitarian regimes. Stanford Professor Larry Diamond argues that this transition began stopping in 2006, resulting in democratic backsliding in some countries. This backsliding has manifested in four ways:

- 1) military coups
- 2) deliberate election fraud
- 3) political parties weakening democratic institutions after obtaining power in an election
- 4) executive branch imposing control on legislative and judicial branches.

**The first wave** of democracy started in the United States in 1826 -1920 when suffrage was granted to men. Following this, suffrage was also granted in nearly 30 countries including France, England, and Canada. The wave was then weakened and democratic reversal started when Benito Mussolini came to power in 1922.

**The second wave** of democracy started after the World War II, and 20 countries became a democracy. This wave grew weaker and stayed static, as suffrage was not granted to women. Despite becoming a democracy during the first wave, Switzerland didn't grant women the right to vote until 1971.

**The third wave** of democracy started with Portugal's Carnation Revolution in 1974 and continued in Latin America and East Asia in the 1980s. This wave also includes expansion of democracy in Eastern Europe following the collapse of the Soviet Union in the 1990s. The backsliding began following the United States declaring a war on terrorism after the September 11 attacks. Some experts argue that Thailand, the Philippines, Turkey, Poland, and many other countries are going through their own wave of democracy, following the 2008 Great Recession.

Regardless of which form it takes, the democratic backsliding is directly or indirectly restricting people's right to unite with each other, hold peaceful demonstrations, and voice their concerns. Non governmental organizations are the pillar of civil society, but there have been attempts to eliminate them by changing relevant laws and restricting their funding and operations. It has happened in 60 countries in the last four years.

**Russia and China are two of the countries that have most effectively restricted NGO activities in a post-communist society. Lately this pressure is also being realized in Mongolia.**

- ▶ Russia approved “Amendments to Legislative Acts of the Russian Federation regarding the Regulation of the Activities of Non-profit Organisations Performing the Functions of a Foreign Agent” in 2012, which has effectively limited the funding and operations of NGOs. This law requires any NGO that receives funding from abroad and conducts political activities to be registered as ‘foreign agent’. And, if you are a foreign agent, you will be under the microscope of the Justice Ministry. The law received widespread criticism internationally and was taken to the constitutional law by a citizen named Vladimir Lukin in 2013. However, the appeal didn’t result in any change.

*It is surprising that Hungary and Poland, both of which are viewed as stable democracies that have transitioned in 1990, have started the democratic backsliding.*

With their Prime Minister Orbán declaring that the George Soros Open Society Foundation is a public enemy, Hungary is closing down NGOs. The foundation was deemed to have imposed threats to national security, because they called for immigrants to go to Europe. By making amendments to their law on higher education in April 2016, Hungary forced the Central European University, which was funded by the Soros Foundation out of the country (Szuleka.M 2018). In 2017, they passed a law on transparency of organizations with foreign support and required all organizations with funding of over 23,000 euros to state the complete list of their donors and financiers in any and all publications, including websites (Jensen. M 2017). The failure to meet this requirement would result in a penalty of 2,900 euros, and repeated failures would lead to closing down the organization. Hungary is branding it as a measure to fight against money laundering and funding of terrorism.

Poland established a new agency called the National Center for Development of Civil Society in September 2017. This institution, which reports directly to the Prime Minister, started managing the allocation of funding for NGOs made available by the government and international organizations. As a result, Poland’s ruling political party has started treating NGOs differently. It has meant bad treatment if the NGO was a liberal one, and better treatment for conservative NGOs (Cianetti, Dawson, Hanley 2018). The NGOs who didn’t support the government started receiving heavy blows, and so did the NGOs who had support from abroad. The situation has been even worse for the NGOs who stand for social minorities, including watch dog organizations that speak out against racism and support immigration (Szuleka.M 2018). Also, the Polish government is using media to damage the reputation of these NGOs and has been investigating the representatives of the NGOs that criticised the government. In October 2016, they seized computers and documents that belong to people who organized a demonstration opposing a law that banned abortion.

## IN MONGOLIA

In 1997, Mongolia passed its first ever law on NGOs. As of June 2019, Mongolia has a total of 21,040 registered NGOs, but less than half – approx. 8,500 organizations – are currently active. However, these organizations mainly focus on non-profit activities for the public good, and the government views that only a small number of organizations work on protecting the public interests and providing oversight on government activities, which are what NGOs focus more on in developed countries.

P. Sainzorig, Head of Legal Policy department at the Ministry of Justice, stated in his presentation that NGOs are working in all sectors, such as environment, social care, education, politics, and religion, in Mongolia, and the majority are operating in a mining-related sector. Using this context, he called for a law on non-profit organizations and said that the government needs to provide funding support because Mongolian NGOs are operating as if they were a representative office of an international organization. Former Deputy Minister

B.Enkhbayar said that 80 per cent of Mongolian NGOs receive funding from abroad, and – if these NGOs are not overseen – it heightens the risk of money laundering and funding terrorism. Using this reasoning, the government appears to be starting to get NGOs in order.

*Our young democracy hasn’t matured yet in terms of NGOs and their overall funding and structure. If foreign funding is stopped at this point, it will lead to a complete stop in NGO activities. Mongolia doesn’t have the culture of philanthropy yet.*

Many countries are going through democratic backsliding. If we look at what’s been happening in Mongolia for the last 2-3 years, we can also say that we’re moving backwards on democracy. Now is the time for the media and the civil society to united under a shared voice.

2019.06.19 ■

# The Defacto Gazette

INFORMING | INSPIRING | EMPOWERING

EVERY MONDAY



12 WEEKS FOR ONLY  
**30.000₮**

SUBSCRIBE NOW  
**7007-8916**

[WWW.MONGOLPOST.MN](http://WWW.MONGOLPOST.MN)



**Host:**  
Anand Tumurtogoo

**Commentator:**  
Jargal Dambadarjaa

## DeFacto **REVIEW**

Every Sunday live at 7pm on MNB World television: 23rd June, 2019  
For weekly reviews, visit <http://jargaldefacto.com/category/12?lang=en>

### DID POVERTY RISE IN MONGOLIA?

On Monday, the Mongolian National Statistics Office presented its Poverty Evaluation Report conducted in conjunction with the World Bank. It would be prudent to begin the discussion with how poverty is measured. Poverty, in any country, is measured by the World Bank methodology. In Mongolia, it was measured by the consumption of necessary calories per day (set at 2100 calories in cities and 2400 calories in rural areas).

Based on this, the funds necessary to purchase food for the required calories were calculated taking into account the Mongolian environment and consumption habits. It was calculated that 166,500 MNT per person/per month was necessary to sustain one individual. This signifies an increase of 20,000 MNT from two years ago. The average consumption of Mongolians based on these calculations was 2089 calories which demonstrates that the average expenditure of Mongolians has increased but the price also increased indicating no significant shift in consumption habits of Mongolians.

It is estimated that 904,900 people live under the poverty benchmark, which in Mongolia is roughly 2 USD per capita per day. Percentage wise, this only indicates only a 1.2% decrease from last time when it was 29.6%. When we take into account the change in population and the level of income, it amounts to 39,000 people coming out of poverty in the same period. It is also worth noting that there is a disparity between shifts in the level of poverty between rural and urban areas. If poverty in urban areas increased by 1%, it decreased by 4% in rural areas.

This is connecting to a 50% increase in the price

of cashmere and an increase in the price of meat as well. However, not all provinces were affected equally as only 7 provinces out of 21 live on average, above the average national income.

Like in any country, a significant contributing factor to poverty is unemployment, which has not seen any substantial decrease. This is in turn a testament to the fact that private companies in key Mongolian industries find it extremely difficult to operate without connections to state officials. This is indicative of the rampant corruption that permeates the country. Moreover, the interest of loans for businesses is set at extortionate rates above 20%.

The unemployment rate leads to a decrease in productivity, which should be outpacing inflation in a normal society. An uncompetitive business environment is detrimental to this productivity.

One should be careful with statistics however as it is a generalization of the whole population. There should be a substantial difference in the rates of poverty in rural and urban areas in order to stimulate mass migration of individuals back to the countryside.

As for what can be done to combat poverty, the government should decrease its involvement in business. It should not for example fix prices as it currently tends to do. Artificially fixed prices disseminate misleading information to the market players. Secondly, the government is unjustifiably fond of state-owned-enterprises most of which operate at a loss. The long promised privatization of Mongolian Airlines as well as Railway has not taken place to date.

## ASSESSING THE VALUE OF “ERDENES MONGOL” LLC

The Natural Resources Governance Institute has been providing an annual independent assessment of the nature of state-owned-enterprises in 60 or so economies reliant on mining. This institute gives us a clear picture of the state of Erdenes Mongol.

Erdenes Mongol has evolved into an umbrella organization with 15-20 smaller organizations which collectively own 34% or so of strategically important deposits. It however became clear from the Natural Resources Governance Institute report that owning and operating are two completely different issues. It indicated that companies like Erdenes Mongol are still highly politicized and operate under a mafia like structure with people continuing to misuse our funds.

The fact that Erdenes Mongol audits are exclusively carried out by state entities is a terrible state of affairs which begs the question of why the state should own public funds. Moreover, just like the Mongolian government, Erdenes Mongol CEO's are replaced at a worrying rate. All recent appointees to the position lasted for less than two years. We cannot expect an adequate corporate culture to be established and maintained at an organization where there is so much turnover in leadership. Making matters worse, all CEO's have a



politicized agenda rather than working for the good of the country.

Erdenes Mongol has evolved to encompass dozens of companies in industries such as hospitality, steel manufacture, marketing, property management and so on. It is a clear demonstration of the impunity with which state-owned-enterprises operate due to the lack of legislation governing their operation. This has led to Erdenes Mongol building up a debt of 350 million USD.

There are no reports from Erdenes Mongol from 2006 - 2015 with them only generating 8 million USD or so income over the last two years. A lack of competent leadership is a significant contributing factor to its turnover and a vast amount of Erdenes Mongol operations are classified as confidential. This is a vehicle for the state to hide data from the public. Corrupt officials involved with Erdenes Mongol and other areas need to be held accountable.

## SHOULD NGO'S RECEIVE FUNDING FROM THE STATE?

The first legislation on NGO's came into force in 1997 with it being amended six times following its enactment. There are talks of a new legislation on NGO's but the question is how and why. There is a need to change the law as NGO's currently engage in a lot of political and religious activities. Moreover,

a significant amount of them receive financing from abroad.

There are about registered 21,000 NGO's with only 8,500 being considered active. We should also contemplate on why our political parties have different wings such as youth and women's wings

who are regarded as NGOs. Mongolians have the right to any religion but activities of religious entities should not be encompassed under NGOs. Finally, external financing is a significant issue facing NGO's. Our two neighbors ceased the operations of all NGO's for this very reason. A research found that 70% of Mongolian NGO funding comes from abroad.

Stopping financing from abroad shall lead all NGO's in Mongolia to cease its operations. The Mongolian government should first possess a clear and accurate picture of an industry, public opinion, and industry expertise when making major decisions. If the government funded some NGO's and professional associations for the purposes of pursuing evidence-based policymaking, it would be beneficial for everyone. However, funding for these NGO's should not be leveraged to influence

its operations.

In a statement, a spokesperson for the Ministry of Justice and Internal Affairs vowed to establish clear differentiations for types of NGOs and that the state shall devote a budget to augment the operation of civic society. This however raises questions of who will manage the fund and the composition of its Board. It is an attempt to help but it should be carefully designed and implemented.

Transparency of the fund, its leadership and the finances of individual NGO's shall be necessary to ensure the success of its operation. However, all the issues that have come up can be addressed by the State Registration legislation of Mongolia rather than a change in NGO laws. This raises the questions as to the intentions of the government in pursuing this course of action.

*This review has been edited here for space and clarity. You can watch the full 30-minute review on the Defacto website [\[HERE\]](#).*

GOOGLE STORE



APP STORE



Subscribe or renew your subscription at [www.jargaldefacto.com](http://www.jargaldefacto.com) and [www.defacto.mn](http://www.defacto.mn) websites.

#### EDITORIAL BOARD

Jargalsaikhan Dambadarjaa  
Christopher Melville

#### EXECUTIVE:

Editor-in-chief:  
Team:

Javzmaa Ganbaatar  
James E. Kaemmerer  
Amar Batkhuu  
Bilguun Otgonsuren  
Munkhbold Badarch

#### CONTACT US:

✉ editor1@jargaldefacto.com  
☎ +976 94109342  
🌐 www.defacto.mn  
www.jargaldefacto.com



CENTRAL TOWER

# OFFICE SPACE FOR RENT

- LOCATED IN THE HEART OF THE CITY
- GRADE A OFFICE
- PRESTIGIOUS RETAIL OUTLETS
- PM 2.5 AIR FILTRATION TECHNOLOGY
- 24/7 SECURITY AND PROPERTY MANAGEMENT SERVICE



📞 **RECEPTION:** +976 7012-2888

**OFFICE:** +976 8810-3508

+976 8810-4100

✉️ [MARKETING@CENTRALTOWER.MN](mailto:MARKETING@CENTRALTOWER.MN)

🌐 [WWW.CENTRALTOWER.MN](http://WWW.CENTRALTOWER.MN)

📘 [/CENTRALTOWER](https://www.facebook.com/CENTRALTOWER)

📍 [/CENTRALTOWERUB](https://www.instagram.com/CENTRALTOWERUB)