The Asia Foundation

STUDY OF PRIVATE SECTOR PERCEPTIONS OF CORRUPTION

2016

Canada

The Asia Foundation

Sant-Maral Foundation

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Cover photos by: B. Uugansukh

STUDY OF PRIVATE SECTOR PERCEPTIONS OF CORRUPTION

STRENGTHENING DEMOCRATIC PARTICIPATION AND
TRANSPARENCY IN THE PUBLIC SECTOR IN MONGOLIA PROJECT

2016

SURVEY

2016

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INTRODUCTION

In October 2016, The Asia Foundation, in collaboration with the Sant Maral Foundation, conducted its seventh installment of the Study of Private Sector Perceptions of Corruption (STOPP) Survey in Mongolia, a survey of businesses based in the capital city, Ulaanbaatar.

The survey is an integral part of the Strengthening Democratic Participation and Transparency in the Public Sector in Mongolia (STEPS) project funded by Global Affairs Canada and implemented by The Asia Foundation. STOPP attempts to show, based on the perceptions of the business community, how the business community is being affected by corruption. It captures information on the business environment and opportunities for reforms both within the private and public sectors and between them when they conduct business together. The longitudinal design of the survey helps track long-term changes and trends in perceptions and attitudes.

Introduced in 2012 under the USAID-funded Strengthening Transparency and Governance project, the STOPP Survey will be conducted annually three times over the period of STEPS project. The 2016 survey was conducted at a time of significant changes, including parliamentary elections in June 2016, an ongoing major economic downturn and national-currency depreciation, and government initiatives to improve the economy and increase investment. In such an environment, the survey findings reveal greater dissatisfaction with the business environment, a deterioration of investment conditions, and no growth in optimism among the business community.

The survey aims to provide a unique and robust tool to raise awareness and further encourage the business community, policymakers, and especially government service providers to continue to improve good-governance practices, change attitudes, and prevent corruption. Additionally, the STOPP Survey is complemented by The Asia Foundation's Survey on Perceptions and Knowledge of Corruption (SPEAK), a nationwide survey of citizens to measure public perceptions and understandings of corruption. Together, the two surveys provide a broad picture of the level of corruption in Mongolia.

KEY FINDINGS

- Economic indicators continue to worsen in 2016:
  - The assessment of the general business environment has deteriorated from -0.73 in 2014 to -0.91 in 2015, and to -1.0 in 2016.
  - The proportion of companies reporting worsening investment conditions has increased from 11.8 percent in December 2012 to 56.7 percent in September 2016.
  - There has been no growth in optimism among the business community. In December 2012, 57 percent of respondents expected improvements in investment conditions; in September 2016, only 26.4 percent expected this.
- As overall economic indicators decline, the perceptions of corruption in the public sector increase.
- High taxes, access to credit, and the obtainment and renewal of licenses and permits remain the biggest obstacles for business.
- The Tax Office, Specialized Inspection Agency, local authorities, and Customs are the institutions most commonly cited as creating business obstacles.
- In comparison to previous years, respondents reported that they wasted less time and resources on overcoming non-productive obstacles.
- Nearly half of respondents reported that there was “a lot” of corruption in the public sector (47.9 percent), while about a tenth reported that there was “a lot” of corruption in the private sector (12.4 percent).
- The Tax Office, Specialized Inspection Agency, and Customs are considered the most-corrupt government agencies.
- Nearly half of respondents (43.6 percent) believe that corruption in the public sector affects them directly.
- Slightly more than half of respondents think that political and family connections influence public tender results (53 percent).
- Government services remain the sector identified as the most vulnerable to corruption (62.4 percent), followed by mining (48.8 percent) and construction (41.2 percent).
- Negative assessments of the existing legal environment as “not effective at all” in dealing with corruption in business have increased, from 19.1 percent of respondents in December 2012, to 39.8 percent in September 2016.
- The proportion of respondents who think that the government's efforts to eradicate corruption in Mongolia were “not at all effective” has increased from 19.4 percent to 44.5 percent since the survey began.
- Less than a tenth of respondents positively evaluated the Independent Authority Against Corruption's (IAAC) activity (7.9 percent), while over half gave it a negative assessment (52.1 percent).

SURVEY METHODOLOGY

1. This is the seventh installment of the STOPP Survey to measure the business community's attitudes towards corruption. The STOPP Survey is conducted by the Sant Maral Foundation and The Asia Foundation, under the STEPS – Strengthening Transparency through Democratic Participation in Public Sector in Mongolia project funded by Global Affairs Canada.
2. The collection of data, conducted by the Sant Maral Foundation, started on September 14 and ended on September 30.
3. The target of the survey is Ulaanbaatar's business community. Based on the information collected during the previous six installments, the current list of approximately 1300 companies was created. Three-hundred-and-thirty companies were randomly selected from this list to participate in the 2016 STOPP Survey. Large businesses were overlapped in different samplings, while small and medium companies were included on a rotational basis. Only 100 percent Mongolian-owned companies were interviewed.
4. With the sample size of 330 respondents, the sampling error margin is calculated at ±3.2 percentage points for 90/10 percent, ±5.4 percentage points for 50/50 percent, and ±5.3 percentage points for 60/40 percent, with a level of significance of 95 percent.
5. In the following report, non-response options “Don't know” and “No answer” were abbreviated as “DK/NA.”
6. Self-administered or face-to-face methods were used for data collection.
7. Interviews and questionnaires were restricted to companies' CEOs or senior staff.
8. Recently, the new government has been restructuring government ministries and agencies, usually at the beginning of each election cycle. This rendered some response options to the survey questions obsolete during the fieldwork operations.

SAMPLE DESCRIPTION

1. SAMPLE DESCRIPTION

The 2016 sample structure of the Ulaanbaatar business community was similar to those of the 2014 and 2015 surveys. During fieldwork, the Sant Maral Foundation team made the same observation as in 2015: the number of small and medium companies available to participate in the survey has significantly decreased.

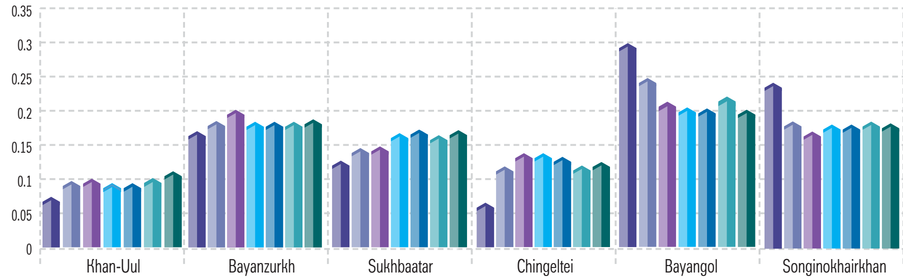
Based on a report from the Minister of Finance, Battogtokh Choijilsuren, 66,388 of a total of 134,813 registered companies in Mongolia suspended their operations in the first half of 2016.

According to our observations, the following sampling areas were affected by this decrease:

- The proportion of medium businesses represented in the survey decreased from 38.2 percent in 2015 to 33.6 percent in 2016 (Figure 1.3). Although the proportion of small businesses slightly increased, approximately 70 percent of those respondents are new in the sample.
- The proportion of companies registered between 2000 and 2006 continued to decline in the overall sampling frame. The proportion of older companies (established before 2000) increased. We expected the proportion in the sample of companies founded after 2007 to increase gradually; however, it did not change (Figure 1.4). We believe this result is an indicator of low growth or stagnation in the economy.
- The gender proportion of participating companies remains similar to previous samples (Figure 1.5).
- It should be noted that the gender difference in employment is mainly sectoral. Traditionally, mining and construction employ more men than women (Figure 1.6).
- More than half of medium and large businesses employ more men than women. The proportions of small businesses that employ more men, more women, or have balanced gender representation are similar (Figure 1.7).

Figure 1.1: *Area distribution*

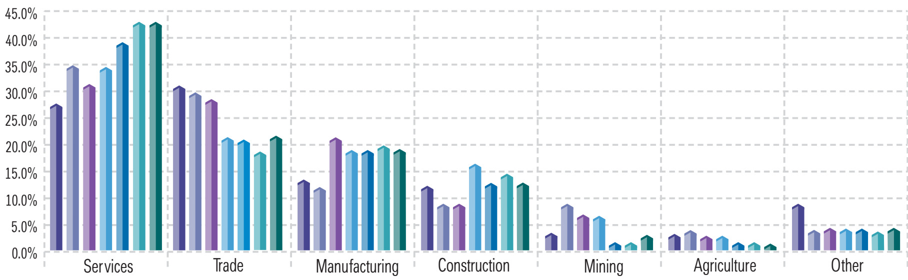
Area distribution



	Khan-Uul	Bayanzurkh	Sukhbaatar	Chingeltei	Bayangol	Songinokhairkhan
Dec - 12	0.073%	0.182%	0.127%	0.064%	0.312%	0.242%
May - 13	0.103%	0.194%	0.145%	0.118%	0.255%	0.185%
Oct - 13	0.106%	0.212%	0.145%	0.145%	0.218%	0.173%
Apr - 14	10.0%	19.7%	16.7%	14.2%	21.2%	18.2%
Sep - 14	10.0%	19.7%	17.0%	13.9%	21.2%	18.2%
Sep - 15	10.6%	19.4%	16.1%	12.7%	22.7%	18.5%
Oct - 16	10.6%	20.0%	17.0%	13.3%	20.9%	18.2%

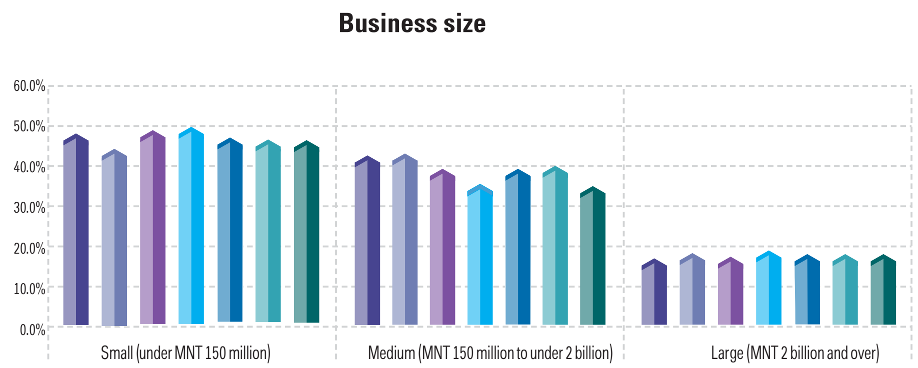
Figure 1.2: *Business profile*

Business profile



	Services	Trade	Manufacturing	Construction	Mining	Agriculture	Other
Dec - 12	28.5%	30.9%	14.5%	12.1%	3.6%	1.8%	8.5%
May - 13	34.8%	29.1%	12.7%	8.5%	8.5%	2.4%	3.9%
Oct - 13	31.2%	27.9%	20.6%	8.5%	6.1%	1.5%	4.2%
Apr - 14	34.5%	20.6%	18.5%	15.5%	5.5%	1.5%	3.9%
Sep - 14	39.7%	20.3%	18.5%	13.6%	0.6%	0.6%	3.9%
Sep - 15	42.4%	17.0%	18.2%	14.8%	0.6%	0.6%	3.0%
Sep - 16	42.4%	20.6%	17.0%	13.0%	2.4%	0.3%	4.2%

Figure 1.3: *Business size*



	Small (under MNT 150 million)	Medium (MNT 150 million to under 2 billion)	Large (MNT 2 billion and over)
Dec - 12	19.7%	40.6%	39.7%
May - 13	17.0%	37.3%	45.8%
Oct - 13	13.7%	33.8%	52.4%
Apr - 14	16.8%	32.0%	51.2%
Sep - 14	18.2%	28.8%	53.0%
Sep - 15	16.7%	30.3%	53.0%
Sep - 16	20.0%	27.3%	52.7%

Figure 1.4: *Date of establishment*

	Before 2000	2000 to 2006	2007 to present
Dec - 12	19.7%	40.6%	39.7%
May - 13	17.0%	37.3%	45.8%
Oct - 13	13.7%	33.8%	52.4%
Apr - 14	16.8%	32.0%	51.2%
Sep - 14	18.2%	28.8%	53.0%
Sep - 15	16.7%	30.3%	53.0%
Sep - 16	20.0%	27.3%	52.7%

Figure 1.5: *Gender proportion in companies*

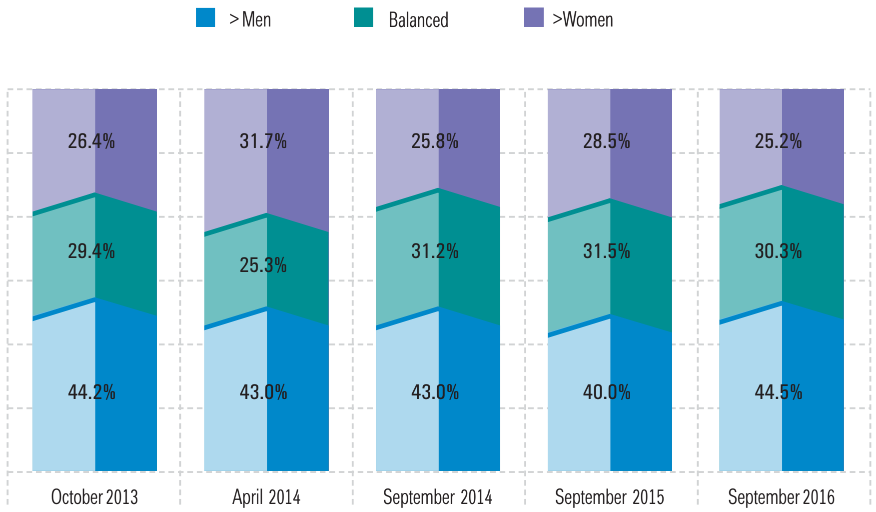


Figure 1.6: *Business profile (by gender)*

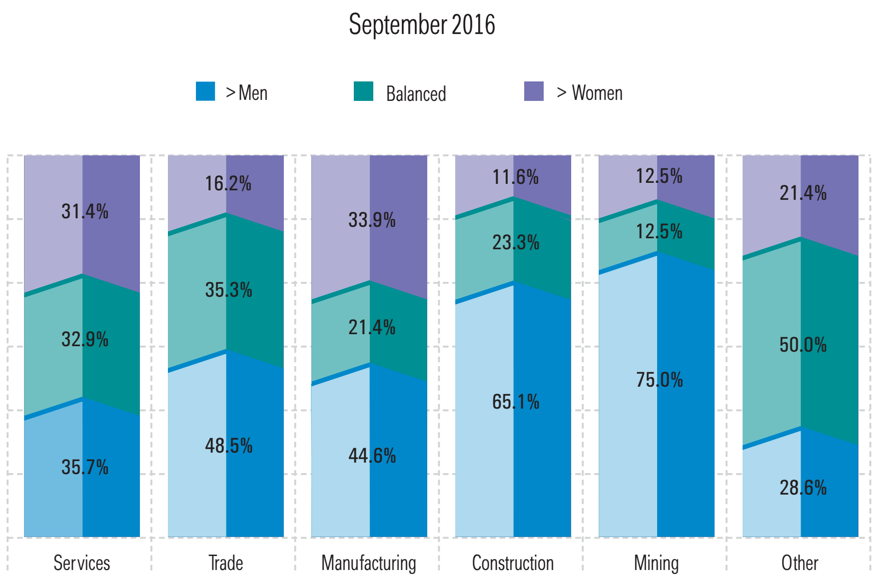
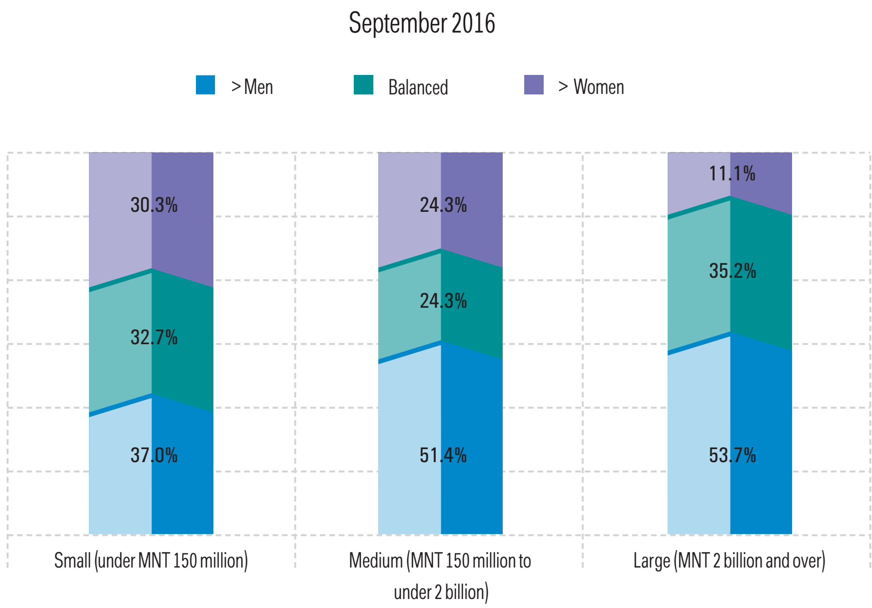


Figure 1.7: *Business size (by gender)*

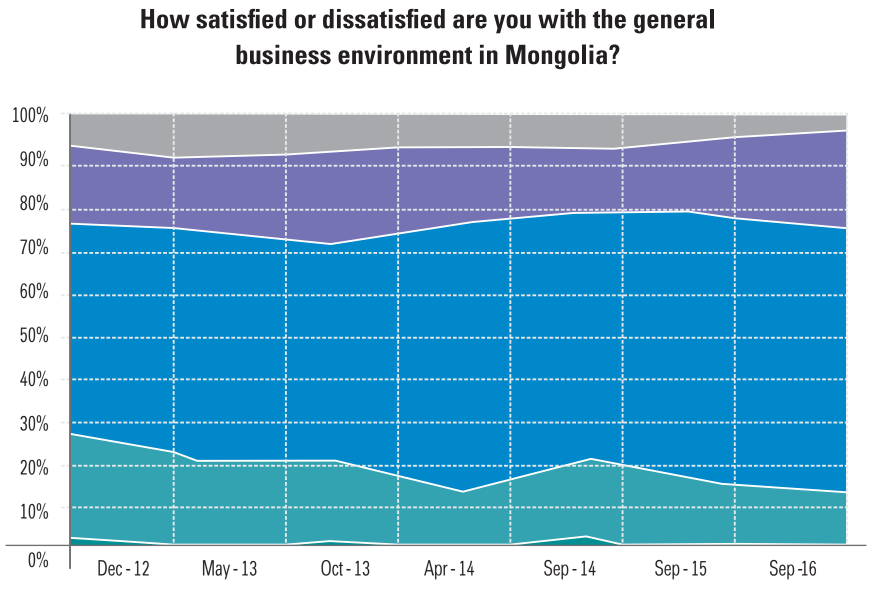


BUSINESS ENVIRONMENT

2. BUSINESS ENVIRONMENT

There have been no signs of improvement and the positive assessments of the business environment continue to decline. In September 2016, the satisfaction level was at an all-time low, with a quarter of respondents "very dissatisfied" with the business environment (Figure 2.1).

Figure 2.1: *Satisfaction with the Mongolian business environment (Overall)*



	Dec - 12	May - 13	Oct - 13	Apr - 14	Sep - 14	Sep - 15	Sep - 16
Don't know/No answer	5.5%	8.5%	7.0%	5.2%	6.1%	3.3%	1.8%
Very dissatisfied	17.6%	18.5%	23.9%	20.0%	17.3%	19.7%	24.8%
Somewhat dissatisfied	49.7%	52.7%	48.5%	62.4%	56.1%	63.0%	61.2%
Somewhat satisfied	24.8%	20.3%	19.4%	12.4%	18.8%	13.3%	11.8%
Very satisfied	2.4%	0.0%	1.2%	0.0%	1.8%	0.6%	0.3%

The observed levels of satisfaction strongly correlate with the levels of Foreign Direct Investment (FDI) in the Mongolian economy (Figure 2.2 and Figure 2.3). Based on the statistics presented by Minister of Finance, B. Choijilsuren, FDI fell from 4.5 billion USD in 2012 to 276 million USD in 2014, and has fallen further to 35.2 million USD in the first half of 2016. In the STOPP surveys, negative assessments of the business environment have almost doubled – from -0.58 in 2012 to -0.95 in 2014, and finally to negative -1 in 2016. Given the sample was collected from 100 percent Mongolian-owned companies, such survey results most likely show that local businesses have developed a strong dependence on foreign investment.

Figure 2.2: *Balance of the positive and negative assessment of the Mongolian business environment (from -2, "very dissatisfied", to +2, "very satisfied")*

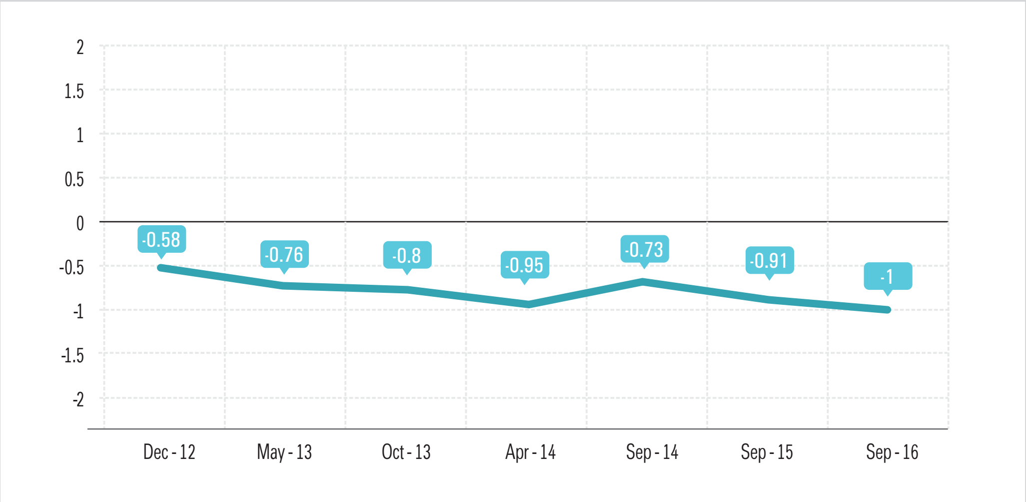
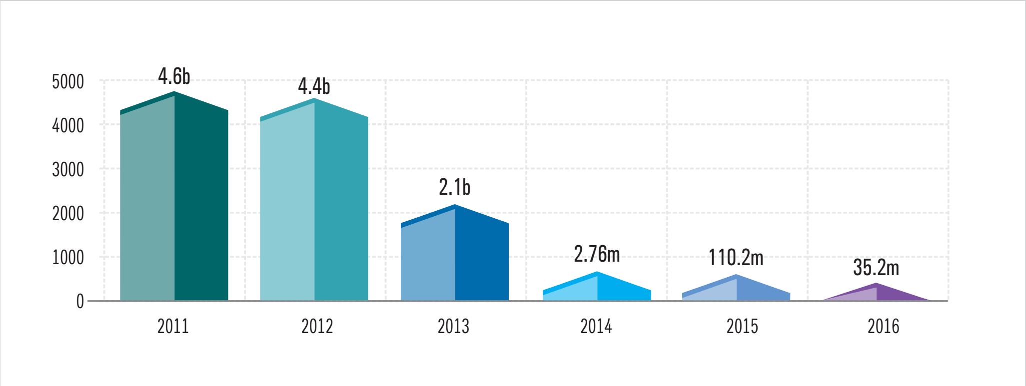


Figure 2.3: *Foreign Direct Investment in Mongolia from 2011 to the first half of 2016*



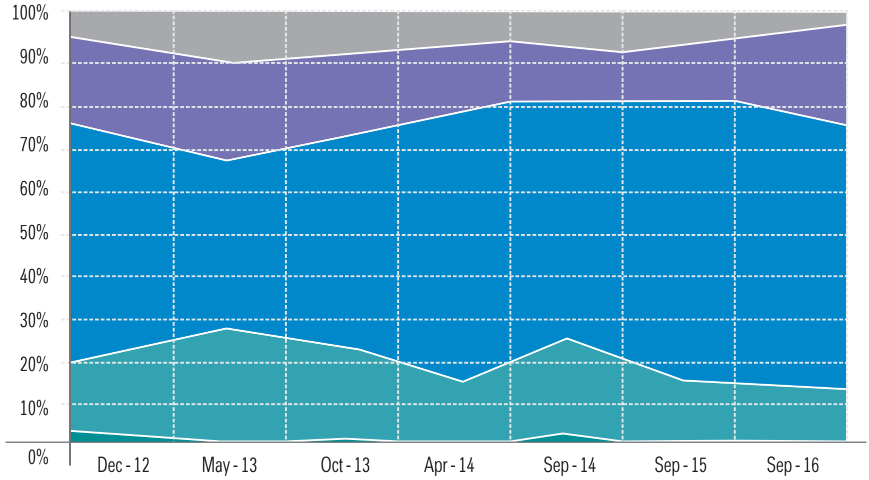
Source: Presentation of Minister of Finance, B. Choijilsuren ("Unuudur", August 10, 2016).

Small businesses showed the highest level of dissatisfaction with the business environment in 2016, with 26.7 percent reporting being "very dissatisfied" (Figure 2.4a). Since small businesses are considered the main generators of employment in the country, the government may encounter significant challenges in tackling the country's biggest problem: unemployment. The expansion of the state sector has been the government's typical response to unemployment, but has frequently come at the expense of the private sector, through unfair competition. The Sant Maral Foundation's staff has frequently received complaints about these impacts, which usually affect small businesses, as is reflected in the Sample Description section. The recently announced government plan to privatize a wide range of state assets may not help the private sector but instead further increase unemployment by removing thousands of jobs in the restructuring process.

The proportion of medium businesses who are "very dissatisfied" with the business environment has also grown, from 15.9 percent in 2015 to 23.4 percent in 2016 (Figure 2.4b). This trend was reversed among large businesses, with the proportions that were "somewhat satisfied" or "very dissatisfied" with the business environment returning to 2014 levels following a spike in 2015 (Figure 2.4c). The proportion of large businesses "somewhat satisfied" with the business environment decreased from 26 percent in 2015 to 18.5 percent in 2016; however, those that were "very dissatisfied" also declined, from 32 percent in 2015 to 22.2 percent in 2016.

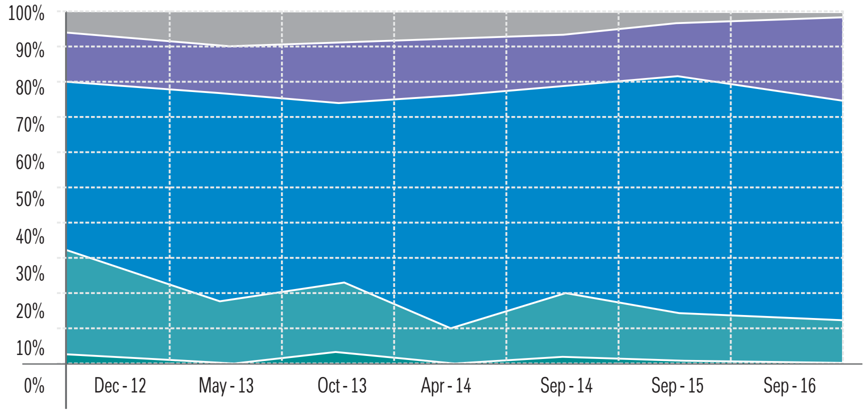
Figure 2.4: *Satisfaction with the business environment*

a) Satisfaction with the business environment: Small enterprise



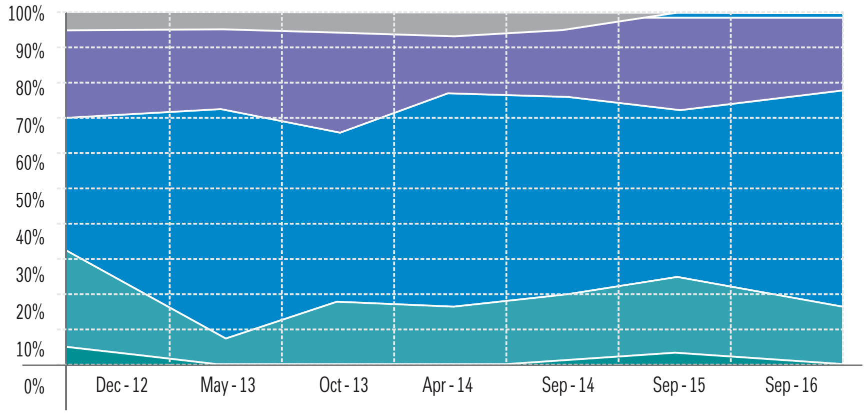
	Dec - 12	May - 13	Oct - 13	Apr - 14	Sep - 14	Sep - 15	Sep - 16
Don't know/No answer	4.7%	10.5%	7.6%	4.3%	7.1%	5.3%	3.0%
Very dissatisfied	19.3%	21.0%	22.8%	19.3%	15.6%	18.7%	26.7%
Somewhat dissatisfied	55.3%	42.0%	48.7%	64.0%	53.9%	66.0%	60.0%
Somewhat satisfied	18.0%	26.6%	20.3%	12.4%	21.4%	10.0%	9.7%
Very satisfied	2.7%	0.0%	0.6%	0.0%	1.9%	0.0%	0.6%

b) Satisfaction with the business environment: Medium enterprise



	Dec - 12	May - 13	Oct - 13	Apr - 14	Sep - 14	Sep - 15	Sep - 16
Don't know/No answer	6.8%	8.1%	7.4%	6.3%	5.7%	2.4%	0.9%
Very dissatisfied	12.8%	14.0%	22.1%	22.5%	18.0%	15.9%	23. 4%
Somewhat dissatisfied	47.4%	60.3%	50.0%	61.3%	57.4%	69.0%	64.0%
Somewhat satisfied	31.6%	17.6%	18.0%	9.9%	17.2%	11.9%	11.7%
Very satisfied	1.5%	0.0%	2.5%	0.0%	1.6%	0.8%	0.0%

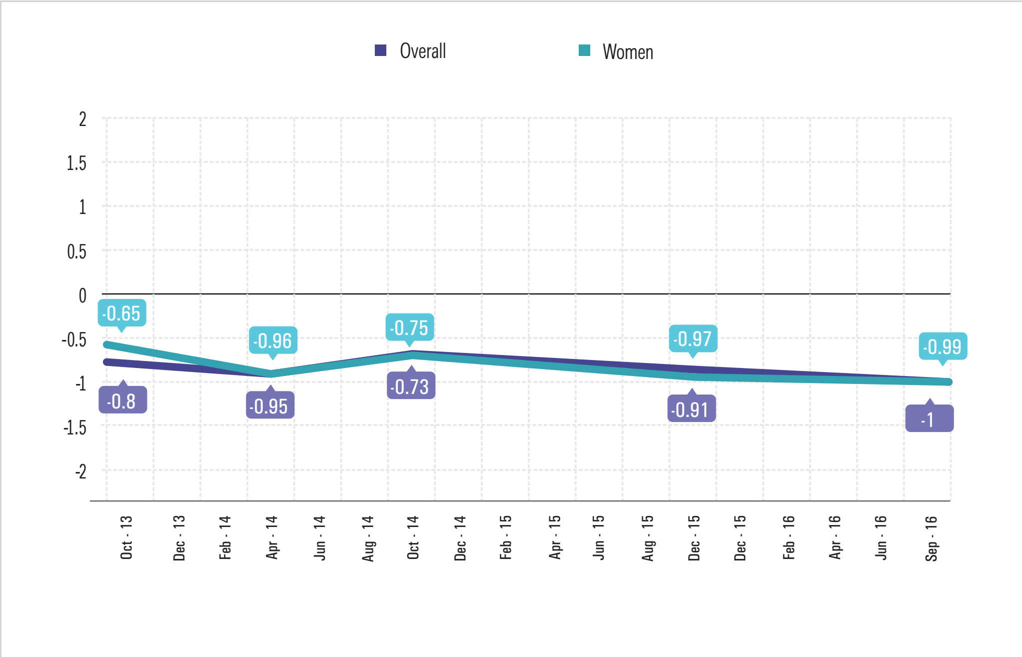
c) Satisfaction with the business environment: Large enterprise



	Dec - 12	May - 13	Oct - 13	Apr - 14	Sep - 14	Sep - 15	Sep - 16
Don't know/No answer	4%	4%	4%	5%	4%	0%	0%
Very dissatisfied	26%	24%	32%	17%	20%	32%	22.2%
Somewhat dissatisfied	38%	63%	44%	60%	59%	41%	59.3%
Somewhat satisfied	28%	10%	20%	17%	15%	26%	18.5%
Very satisfied	4%	0%	0%	0%	2%	2%	0%

Companies that employ more women than men did not make significantly different assessments of the business environment compared with the overall assessment.

Figure 2.5: Balance of the assessment of the Mongolian business environment (Entities that employ more women vs. overall assessment)

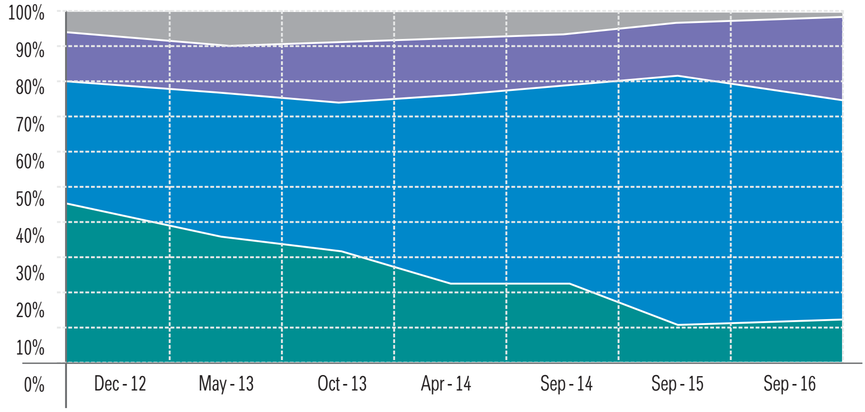


The overall assessment of investment conditions in the last six months has continued to worsen (Figure 2.6a). The proportion of respondents that stated investment conditions had "worsened" was only 11.8 percent in December 2012, but reached 56.7 percent in September 2016 (Figure 2.6a).

Assessments in 2016 do not vary significantly by company size (Figures 2.6b, 2.6c, and 2.6d). Over half of small, medium, and large companies report that investment conditions have "worsened" in the last six months (58.2 percent, 54.1 percent and 57.4 percent, respectively). Assessments of both investment conditions in the last six months and future investment expectations have undergone major negative shifts between 2012 and 2016.

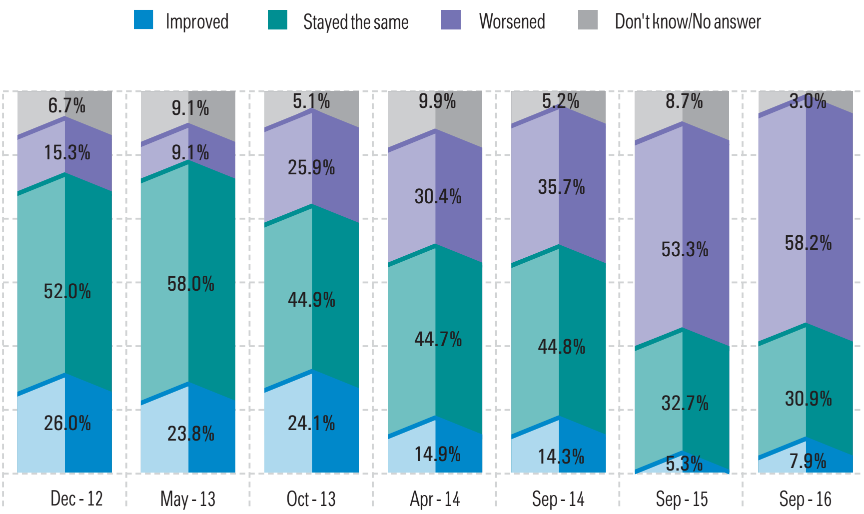
Figure 2.6: *Investment conditions in the last 6 months*

a) Investment conditions in the last 6 months: Overall

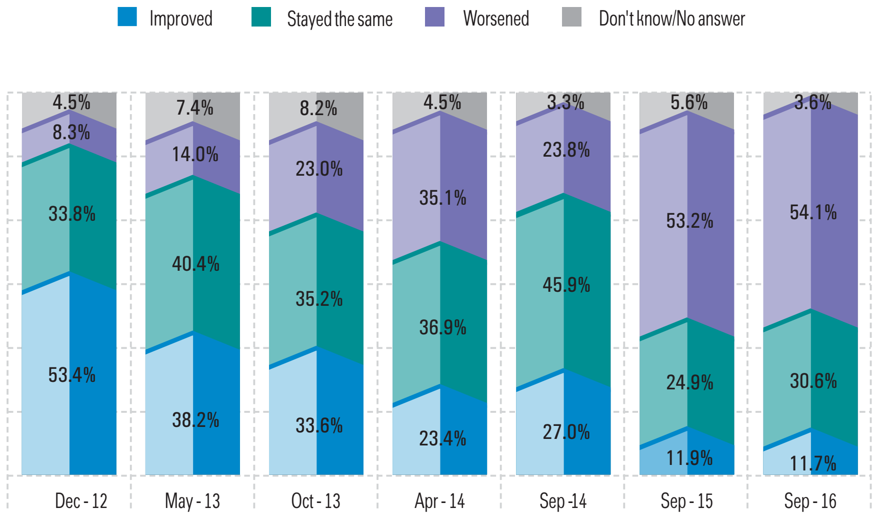


	Dec - 12	May - 13	Oct - 13	Apr - 14	Sep - 14	Sep - 15	Sep - 16
Don't know/No answer	6.1%	8.8%	6.7%	7.6%	3.9%	6.1%	3.6%
Worsened	11.8%	11.5%	23.3%	32.1%	31.5%	51.5%	56.7%
Stayed the same	39.7%	46.4%	39.7%	39.4%	43.9%	32.7%	29.7%
Improved	42.4%	33.3%	30.3%	20.9%	20.6%	9.7%	10.0%

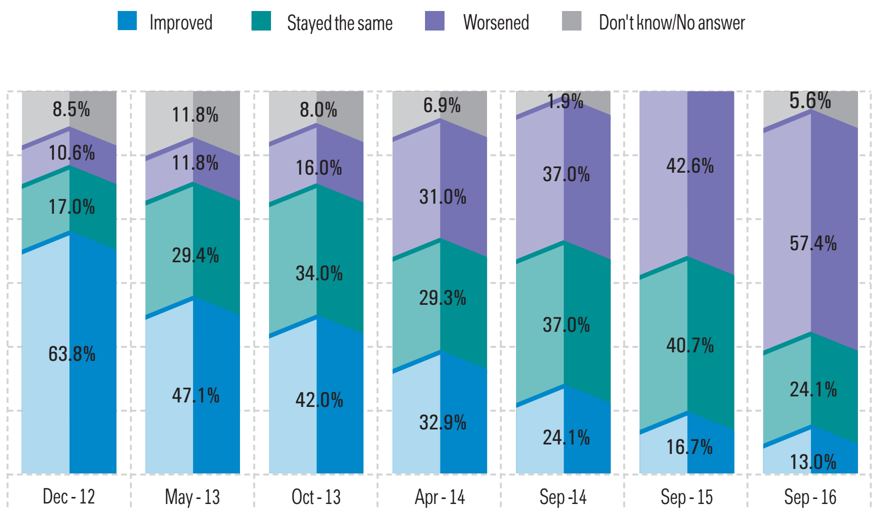
b) Investment conditions in the last 6 months: Small enterprise



c) Investment conditions in the last 6 months: Medium enterprise



d) Investment conditions in the last 6 months: Large enterprise



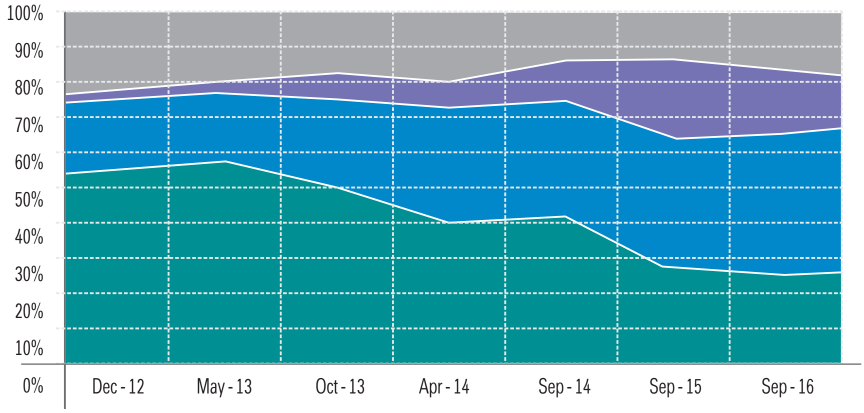
After the government announced that Mongolia's economic crisis will end and start to recover next year, there seems to have been a slight growth in the business community's optimism about investment conditions. Although 17.6 percent of respondents reported no opinion about their future investments prospects, the proportion that thinks the situation will worsen slightly decreased from 18.5 percent in 2015 to 14.8 percent in 2016 (Figure 2.7a).

The group most optimistic about investments prospects is large businesses: only 9.3 percent expects things to worsen in 2016, compared with 24.1 percent in 2015 (Figure 2.7d). Medium enterprises are less optimistic, with 18 percent expecting things to get worse in the next six months, slightly up from 16.7 percent in 2015 (Figure 2.7c). As for small companies, 14.5 percent in 2016 expect conditions to worsen, down from 18 percent in 2015 (Figure 2.7b). Although this result reflects a slight improvement, a higher proportion of small businesses still expects prospects to worsen compared with large businesses.

Figure 2.7: *Investment expectations for the next 6 months*

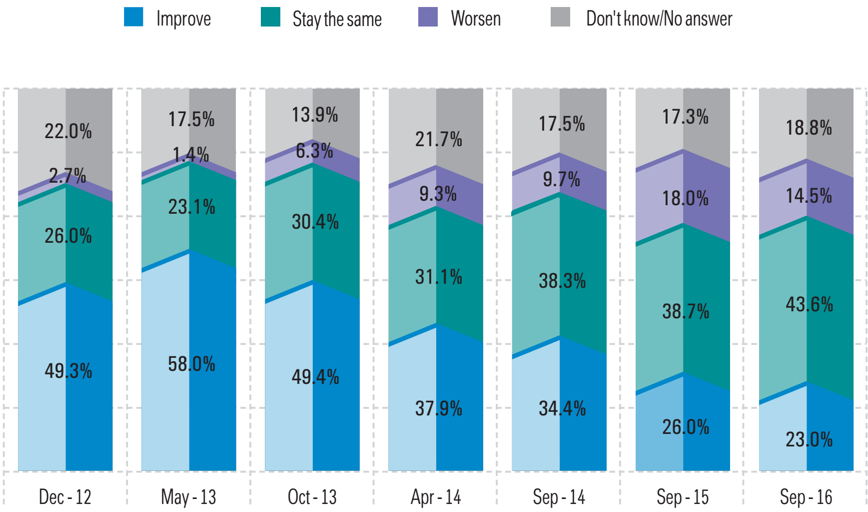
a) Future investment expectations: Overall

During the next 6 months, do you expect investment conditions to improve, worsen, or stay the same?

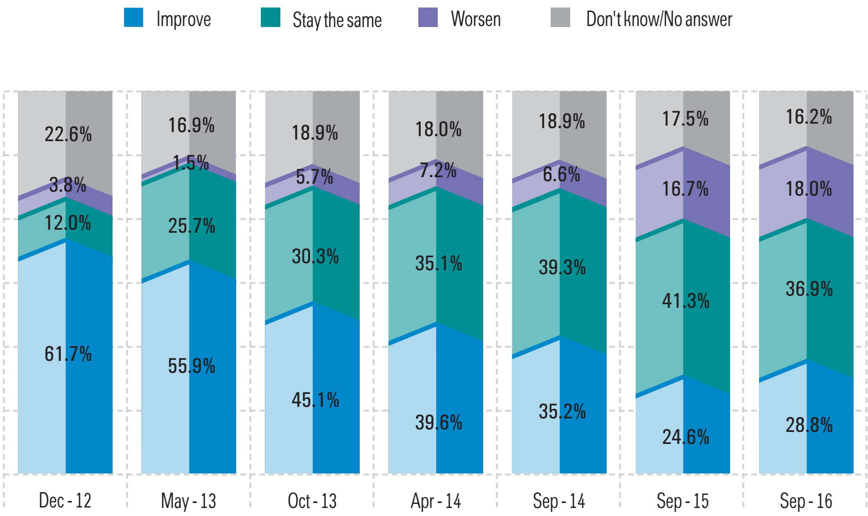


	Dec - 12	May - 13	Oct - 13	Apr - 14	Sep - 14	Sep - 15	Sep - 16
Don't know/No answer	22.1%	17.3%	15.8%	20.6%	16.1%	15.5%	17.6%
Worsen	2.7%	1.2%	5.8%	7.9%	8.8%	18.5%	14.8%
Stayed the same	18.2%	23.3%	28.8%	32.7%	37.3%	40.3%	41.2%
Improve	57.0%	58.2%	49.7%	38.8%	37.9%	25.8%	26.4%

b) Future investment expectations: Small enterprise



c) Future investment expectations: Medium enterprise



d) Future investment expectations: Large enterprise

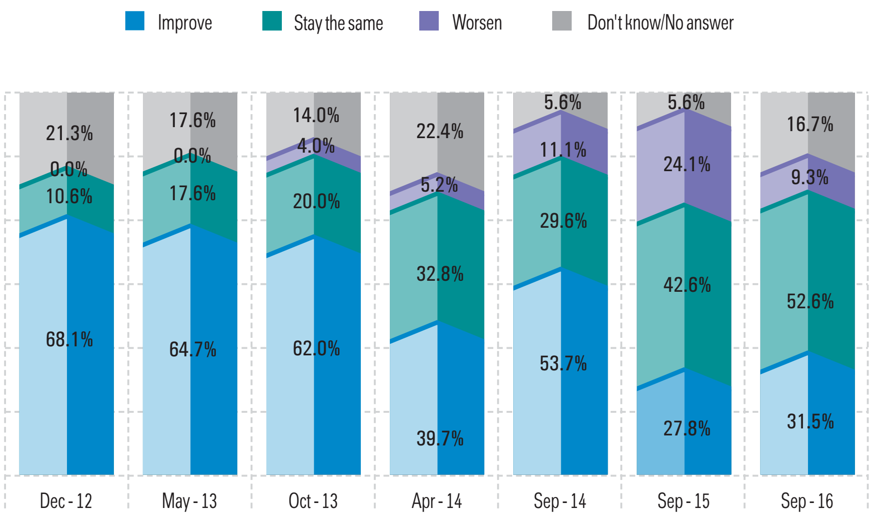
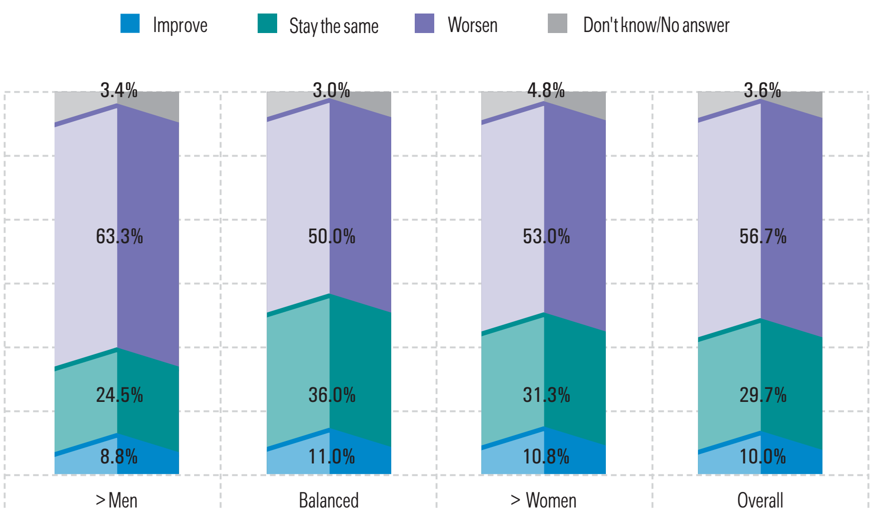
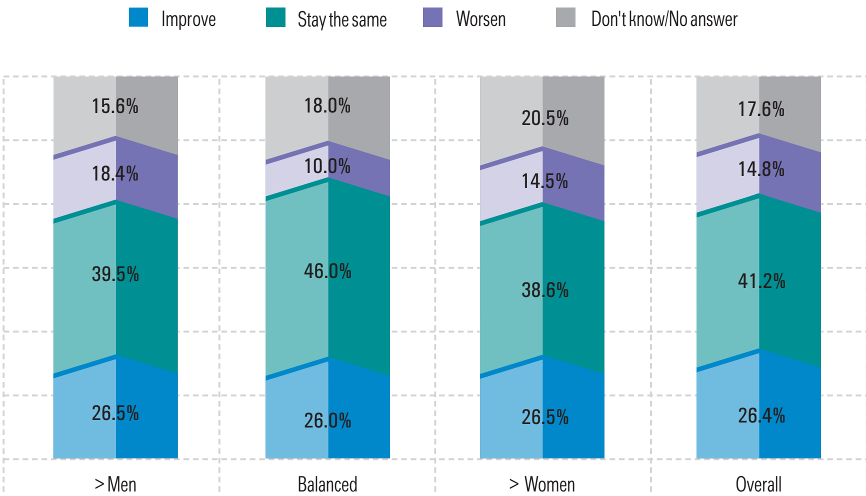


Figure 2.8: *Investment conditions in the last 6 months (by gender)*



Regarding the gender breakdown of companies, those that employ more men gave an overall negative assessment of investment conditions in the last six months (Figure 2.8). More than half of these companies reported that the conditions have "worsened" (63.3 percent), compared with half of companies that are gender-balanced or have more women employees (50 percent and 53 percent, respectively).

Figure 2.9: *Future investment expectations (by gender)*



OBSTACLES IN THE BUSINESS ENVIRONMENT

3. OBSTACLES IN THE BUSINESS ENVIRONMENT

Since the beginning of the STOPP surveys in 2012, the three most commonly cited obstacles hindering investment have remained consistent: high taxes, access to credit, and obtaining and renewing licenses and permits (Figure 3.1). While high taxes have remained the most commonly cited obstacle over time, the other two obstacles have shifted in prevalence since the surveys began. In 2016, "high taxes" was reported as a main obstacle to investment by more respondents than ever before (63.6 percent). Permits and licenses was listed an obstacle by 33.6 percent of respondents in 2012, but steadily declined to 17 percent in 2016. Access to credit experienced the reverse trend, listed by 21.5 percent of respondents in 2012 and reaching 26.1 percent in 2016.

The survey results suggest that high taxes and low access to credit are significant financial constraints on Mongolian businesses.

As for obstacles like official or unofficial charges, temporary or permanent prohibitions, and restrictions, there is a positive trend (they were less named) over the period 2012-2016.

Figure 3.1: *Main obstacles to investment (top 3 responses)*

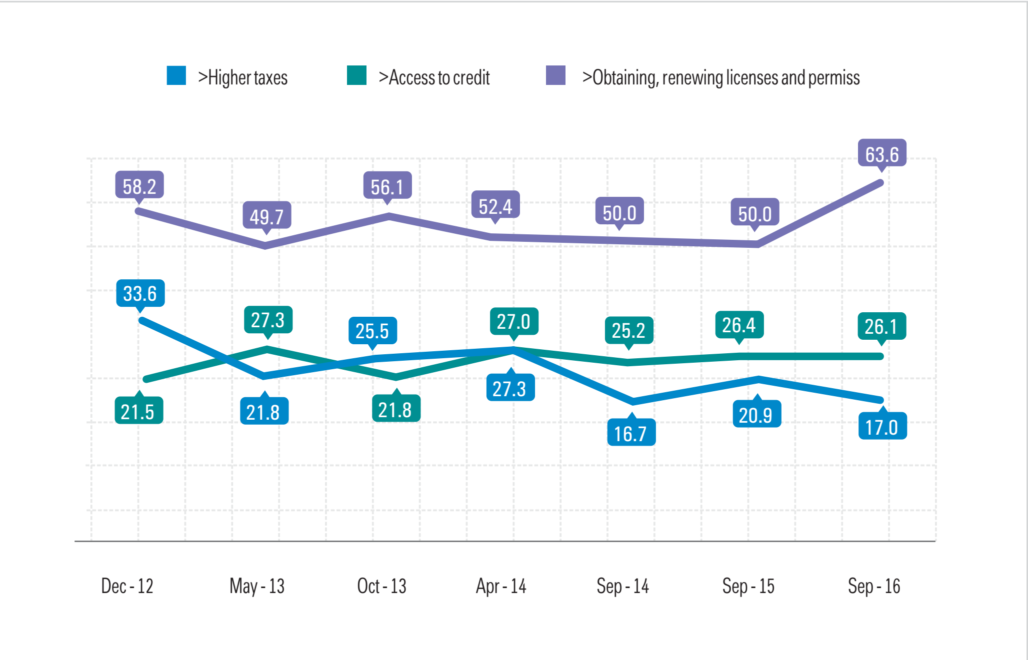


Table 1: *Main obstacles to investment (ranking)*

№		12.2012	03.2013	10.2013	04.2014	09.2014	09.2015	09.2016
1	High taxes	58.2%	49.7%	56.1%	52.4%	50.0%	50.0%	63.6%
2	Access to credit	21.5%	27.3%	21.8%	27.0%	25.2%	26.4%	63.6%
3	Obtaining, renewing licenses and permits	33.6%	21.8%	25.5%	27.3%	16.7%	20.9%	17.0%
4	Strong competition from other companies	11.2%	13.6%	14.8%	26.7%	20.6%	18.8%	16.1%
5	Conditions of the labor market	9.7%	10.6%	10.6%	14.2%	11.5%	10.6%	12.1%
6	Duties, official charges	16.1%	10.6%	9.1%	12.4%	9.7%	10.3%	11.8%
7	Unofficial charges	17.0%	9.7%	11.2%	9.7%	11.2%	7.6%	11.2%
8	Temporary prohibitions, restrictions	15.5%	15.8%	18.8%	12.1%	13.6%	10.9%	10.9%
9	Low level of professionalism	23.3%	20.3%	24.2%	16.7%	16.4%	13.3%	10.9%
10	Availability and cost of transport	4.2%	7.0%	10.3%	10.3%	9.4%	9.7%	10.3%
11	Lack of market research	13.3%	13.6%	10.3%	3.6%	8.8%	4.5%	8.8%
12	Permanent prohibitions, restrictions	10.9%	8.8%	10.6%	7.9%	7.6%	6.1%	5.8%
13	Availability and accuracy of information	10.0%	4.8%	6.7%	8.2%	2.4%	5.2%	5.2%
14	Standards	6.1%	10.6%	5.5%	8.2%	10.9%	10.9%	4.5%
15	Lack of management training	4.2%	3.6%	3.9%	3.9%	2.7%	2.4%	2.4%
	DK/NA	2.7%	4.2%	2.7%	2.7%	1.2%	2.7%	1.8%
	Other	1.2%	0.9%	6.1%	3.6%	9.4%	7.6%	1.5%
	No obstacles	0.6%	3.3%	1.2%	1.2%	2.7%	4.8%	1.5%

The Tax Office, Specialized Inspection Agency (SIA), local authorities, and Customs are the top-ranking institutions creating business obstacles (Table 3.2). Since 2012, SIA's ranking has steadily improved: in 2012, 28 percent of respondents reported it as an obstacle, but only 17.3 percent did so in 2016. While Customs and the Tax Office have held consistent rankings over time, local authority has increasingly been seen as an obstacle, from 6.7 percent in 2015 to 11.5 percent in 2016. The 2016 national and local elections could be the main factor in this shift, given that elections are usually followed by a major reshuffling of, and cuts in, the state administration.

Corruption usually emerges from obstacles to business. As such, the authorities should support companies to overcome these obstacles. Based on a merged sample from 2012 to 2016, each of the institutions below was ranked highest by the sector shown beside it (Table 2):

Table 2

Services	→ Police	8.0%
Trade	→ Customs	25.3%
Construction	→ Tax Office	38.4%
Mining	→ Local authority	25.5%
Agriculture[2]	→ SIA	34.5%
Argiculture	→ Hygienic agency	6.9%

Table 3: *Public institutions creating obstacles to business*

	Dec - 2012	Mar - 2013	Oct - 2013	Apr - 2014	Sep - 2014	Sep - 2015	Sep - 2016
Tax Office	35.4%	29.1%	26.7%	32.4%	30.6%	37.6%	35.5%
Specialized Inspection Agency	28.0%	23.6%	19.1%	21.2%	18.2%	18.8%	17.3%
Local authority	9.9%	10.6%	7.3%	11.2%	7.6%	6.7%	11.5%
Customs	15.2%	13.3%	13.6%	11.8%	11.8%	12.1%	10.9%
Land Utilization Agency	6.2%	5.8%	5.8%	7.9%	6.1%	2.1%	4.5%
Police	8.1%	5.2%	3.3%	2.7%	6.1%	3.0%	3.6%
City Regulatory Agency	1.2%	1.2%	1.2%	2.4%	2.7%	3.3%	0.9%
Hygienic Agency	2.5%	2.7%	0.6%	3.3%	1.5%	0.6%	0.9%
Other	3.7%	5.8%	4.5%	3.3%	5.5%	7.9%	3.9%
Don't know	13.7%	20.0%	16.1%	23.0%	24.8%	21.5%	26.7%

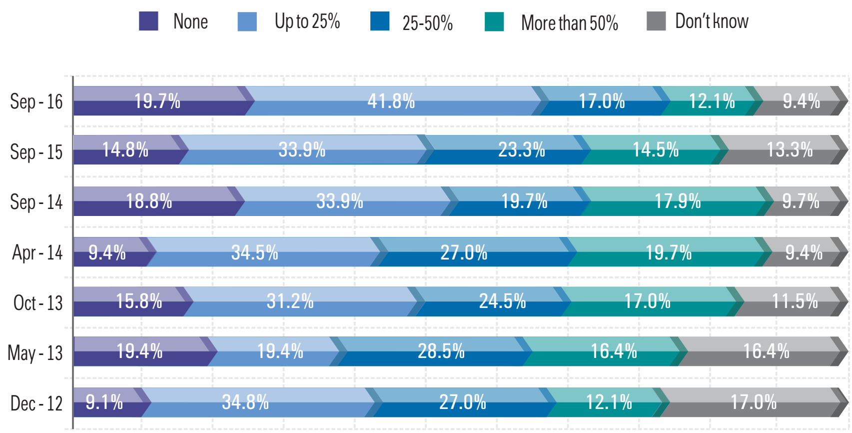
[2] The agricultural subsample in the survey is very small, and hence may cause data volatility. Because the result was calculated from an aggregated sample, we expect results to be adequate, but insufficient for creating trend lines on the subsample levels.

Table 4: *Public institutions creating obstacles to business, merged sample from 2012 to 2016 (by sector)*

	Services	Trade	Manufacturing	Construction	Mining	Agriculture	Other
Specialized Inspection Agency	14.7%	20.0%	26.0%	31.0%	29.1%	34.5%	13.3%
Land Utilization Agency	4.8%	3.6%	4.3%	11.3%	9.1%	10.3%	3.8%
Police	8.0%	2.9%	1.5%	1.4%	1.8%	0.0%	9.5%
Tax Office	28.4%	33.0%	35.6%	38.4%	32.7%	24.1%	33.3%
Customs	10.3%	25.3%	8.3%	6.7%	9.1%	6.9%	2.9%
City Regulatory Agency	2.6%	1.8%	2.0%	1.1%	0.0%	0.0%	0.0%
Hygienic Agency	2.7%	1.5%	1.8%	0.0%	0.0%	6.9%	0.0%
Local authority	9.0%	7.1%	6.1%	12.0%	25.5%	13.8%	8.6%
Other	6.1%	1.8%	6.3%	4.6%	5.5%	6.9%	6.7%
DK/NA	26.2%	19.7%	23.0%	14.8%	15.5%	20.7%	27.6%

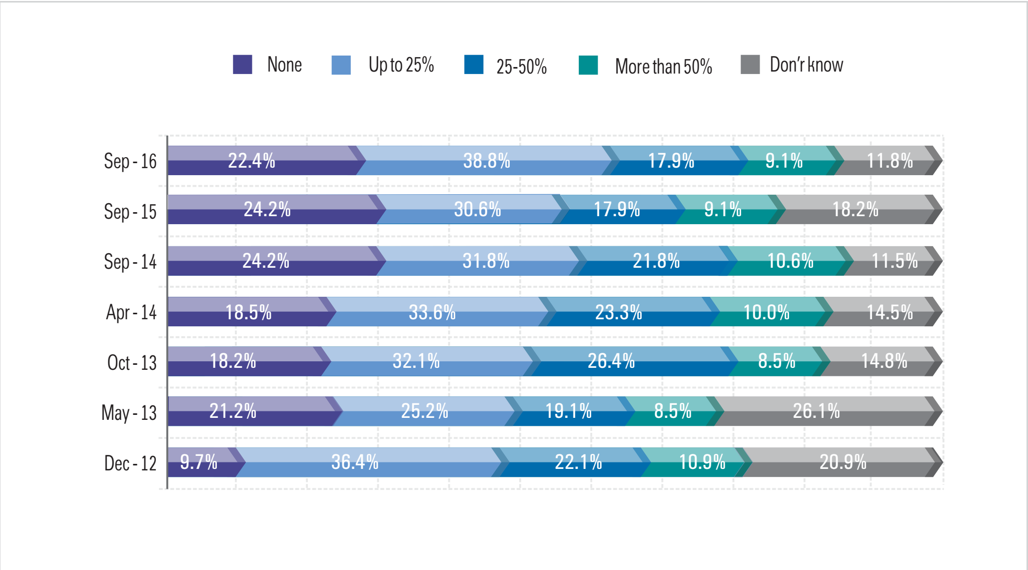
There have been some positive changes in the amount of time companies spend on non-productive obstacles (Figure 3.2). The proportion of respondents who spent no time dealing with non-productive obstacles rose from 14.8 percent in 2015 to 19.7 percent in 2016. The share of respondents who spend more than 50 percent of their time dealing with non-productive obstacles slightly decreased from 14.5 percent in 2015 to 12.1 percent in 2016.

Figure 3.2: *Time spent dealing with non-productive obstacles*



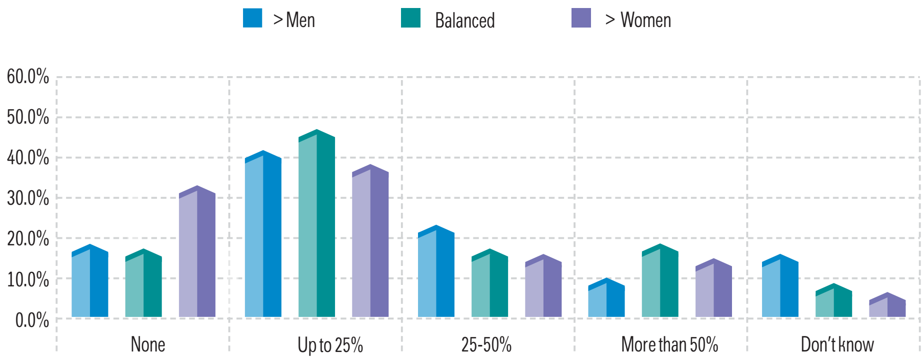
Concerning the amount of resources wasted overcoming non-productive obstacles, fewer respondents selected the "don't know" response option than in most previous surveys (Figure 3.3). Approximately one tenth of respondents consistently report spending "more than 25 percent" of company resources on non-productive obstacles. However, the proportion of respondents who waste "up to 10 percent" of resources on these obstacles is higher than a year ago (38.8 percent in 2016 and 30.6 percent in 2015).

Figure 3.3: *Resources wasted overcoming non-productive obstacles*



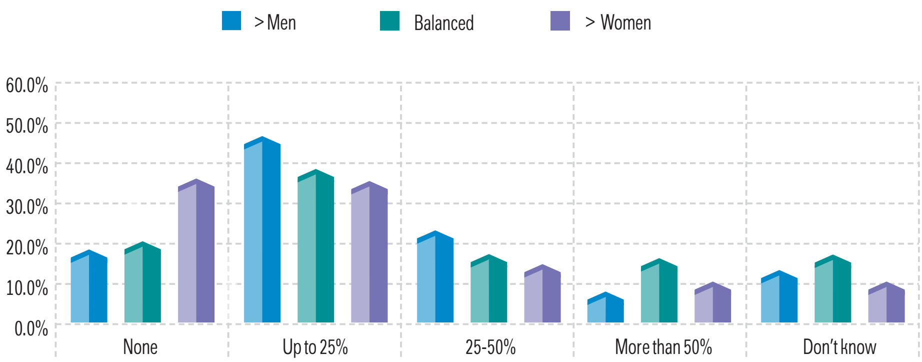
If we compare resources and time management of companies based on gender proportions, companies that employ more women report less time and resources wasted (Figures 3.4 and 3.5). However, those differences may reflect structural and sectoral differences rather than gender-related ones. Mining and construction employ considerably more men than women, as do a higher proportion of medium and large companies (Figures 1.6 and 1.7). Together, these factors make male-majority companies more likely to be affected by resource and time-management issues.

Figure 3.4: *In your opinion, how much time does company management spend on non-productive obstacles like obtaining or renewing licenses and permits, waiting for official responses, etc.? (by gender)*



	None	Up to 25%	25-50%	More than 50%	Don't know
>Men	16.3%	40.1%	20.4%	9.5%	13.6%
Balanced	15.0%	47.0%	15.0%	16.0%	7.0%
>Women	31.3%	38.6%	13.3%	12.0%	4.8%

Figure 3.5: *How much of the company's resources are wasted overcoming non-productive obstacles? (by gender)*



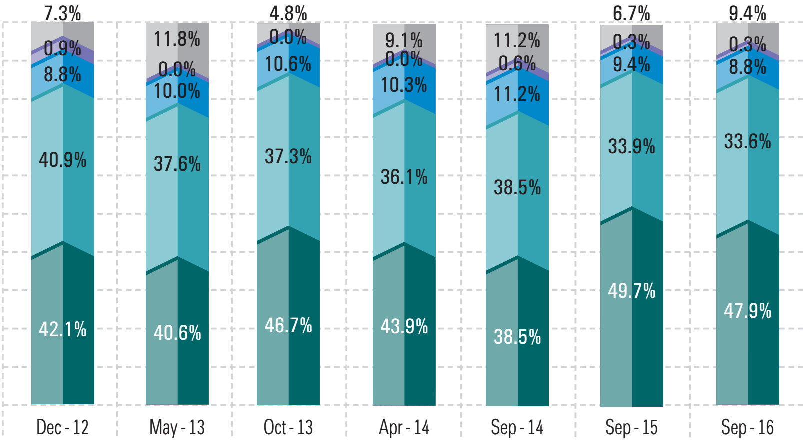
>Men	17.7%	44.2%	21.1%	6.1%	10.9%
Balanced	20.0%	36.0%	16.0%	13.0%	15.0%
>Women	33.7%	32.5%	14.5%	9.6%	9.6%

CORRUPTION IN THE PUBLIC SECTOR

4. CORRUPTION IN THE PUBLIC SECTOR

In September 2016, the assessment of the level of corruption in the public sector remained high and similar to the levels of September 2015 (Figure 4.1). Almost half of respondents think there is "a lot" of corruption in the public sector (47.9 percent). However, about a tenth of respondents had no opinion on the matter (9.4 percent).

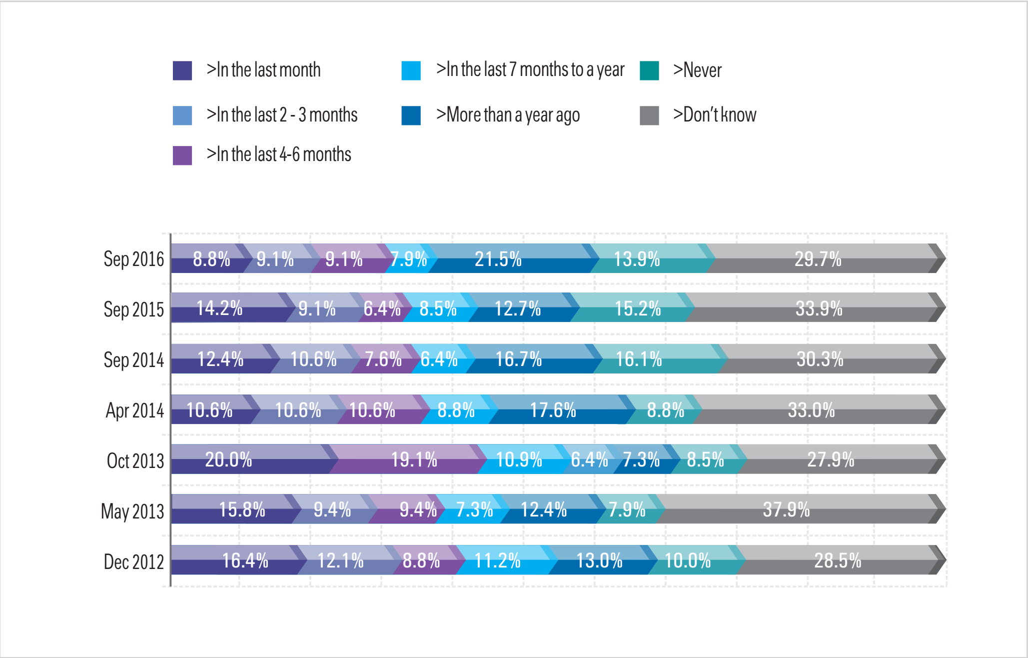
Figure 4.1: *In your opinion, how much corruption is there in the public sector?*



	Dec - 12	May - 13	Oct - 13	Apr - 14	Sep - 14	Sep - 15	Sep - 16
Don't know	7.3%	11.8%	4.8%	9.1%	11.2%	6.7%	9.4%
None	0.9%	0.0%	0.6%	0.6%	0.6%	0.3%	0.3%
A little	8.8%	10.0%	10.6%	10.3%	11.2%	9.4%	8.8%
Some	40.9%	37.6%	37.3%	36.1%	38.5%	33.9%	33.6%
A lot	42.1%	40.6%	46.7%	43.9%	38.5%	49.7%	47.9%

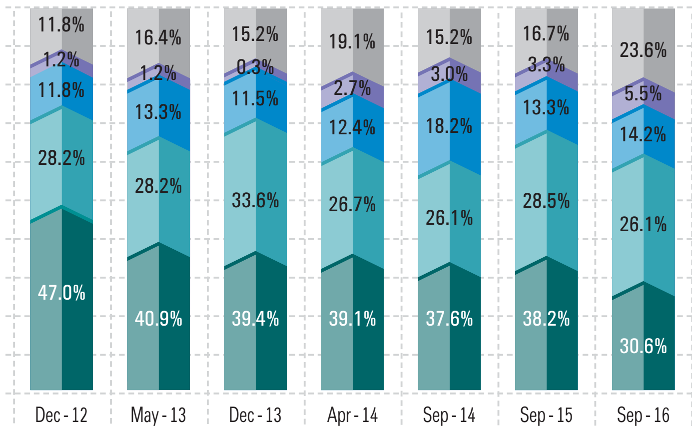
There is a significant drop in the proportion of respondents who report observing corruption "in the last month", from 14.2 percent in September 2015 to 8.8 percent in September 2016 (Figure 4.2). However, the proportion of respondents who observed a corrupt transaction "more than a year ago" increased from 12.7 percent to 21.5 percent. These changes could be related to the general decline of economic activity in recent years. It should be noted that due to the sensitive nature of the question about a third of respondents report no opinion on the matter.

Figure 4.2: *When was the last time you had personal knowledge of a corrupt transaction between government and a company in your sector?*



A similar drop was registered in encounters of corruption in public tenders and contracting (Figure 4.3). The proportion of respondents who say that they "always" encounter corruption decreased from 38.2 percent in 2015 to 30.6 percent in 2016. However, the proportion of respondents who "don't know" increased from 16.7 percent to 23.6 percent. These changes are likely to have occurred due to overall decline of economic activities.

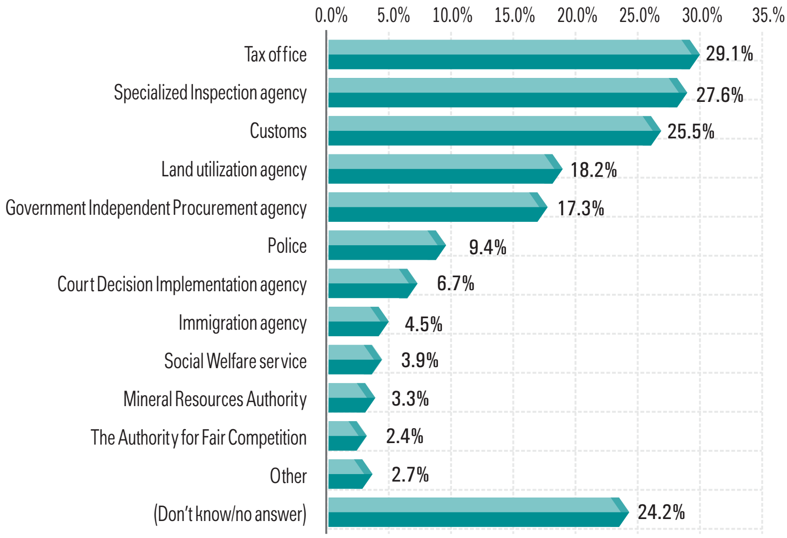
Figure 4.3: *In your opinion, how often do companies encounter corruption in public sector tenders and contracting?*



	Dec - 12	May - 13	Dec - 13	Apr - 14	Sep - 14	Sep - 15	Sep - 16
Don't know	11.8%	16.4%	15.2%	19.1%	15.2%	16.7%	23.6%
None	1.2%	1.2%	0.3%	2.7%	3.0%	3.3%	5.5%
A little	11.8%	13.3%	11.5%	12.4%	18.2%	13.3%	14.2%
Some	28.2%	28.2%	33.6%	26.7%	26.1%	28.5%	26.1%
A lot	47.0%	40.9%	39.4%	39.1%	37.6%	38.2%	30.6%

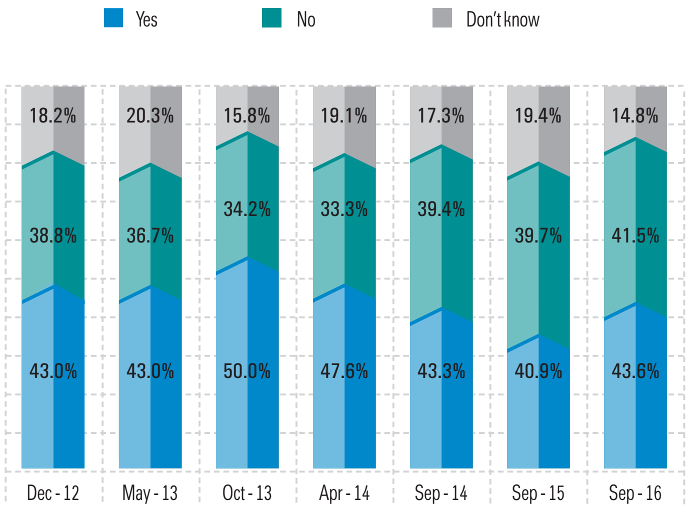
The list of government agencies most affected by corruption (Figure 4.4) closely correlates with the list of institutions creating obstacles for businesses (Figure 3.2). The Tax Office was listed as the most-corrupt government agency, chosen by 29.1 percent of respondents, and the Specialized Inspection Agency was ranked second, with 27.6 percent. These institutions also lead the list of obstacle-creating institutions. Obstacles in the business environment are mainly related to bureaucracy or corruption. It is possible that, in some situations, obstacles could be artificially imposed to hinder businesses and extort bribes. Addressing these obstacles may greatly reduce the overall level of corruption. Some of the listed agencies, such as the Government Independent Procurement Agency, had already been dissolved during recent government restructuring, but their functions – and the "obstacles" they create – may be transferred to other entities.

Figure 4.4: *In your observation, derived from your business activity, which of the following state services or agencies are most affected by corruption? (3 responses allowed)*



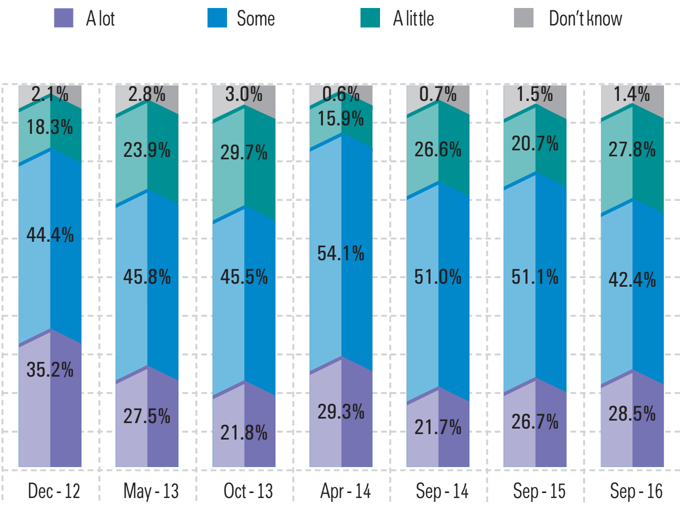
The share of respondents who believe that corruption in the public sector directly affects them continues to be higher than the percentage that thinks it does not (43.6 percent and 41.5 percent; Figure 4.5). Responses for both categories slightly increased compared with 2015, while "don't know" responses decreased.

Figure 4.5: *Is public sector corruption affecting your business directly?*



Of the respondents who say their business is affected by public sector corruption, the percentage that is affected "a little" increased from 20.7 percent in 2015 to 27.8 percent in 2016 (Figure 4.6). This increase corresponds with a decrease of those who report that public sector corruption has "some" effect on their business operations. The share of businesses being affected "a lot" remains largely unchanged, at 28.5 percent.

Figure 4.6: *If yes, how much does public sector corruption affect your business?*



In evaluating the impact of high-level corruption, or grand corruption, on business, there is no significant differentiation between the results of the 2015 and 2016 surveys (Figure 4.7). About a tenth of respondents in 2015 and 2016 think that grand corruption affects their business "a lot" (11.5 percent in both surveys), and about a third thought that it affects them to "some" degree (34.2 percent and 34.5 percent, respectively). The situation changes if we tabulate the results of 2016 survey by company size (Figure 4.8). There is a direct correlation between the impact of grand corruption and the size of the company: large companies report more damage from grand corruption than small companies.

Figure 4.7: *In your opinion, how much does high-level corruption, or grand corruption, affect your business?*

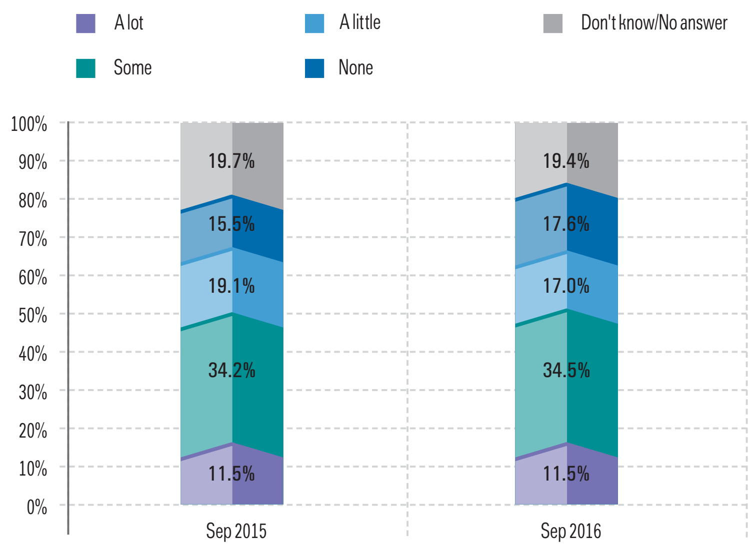
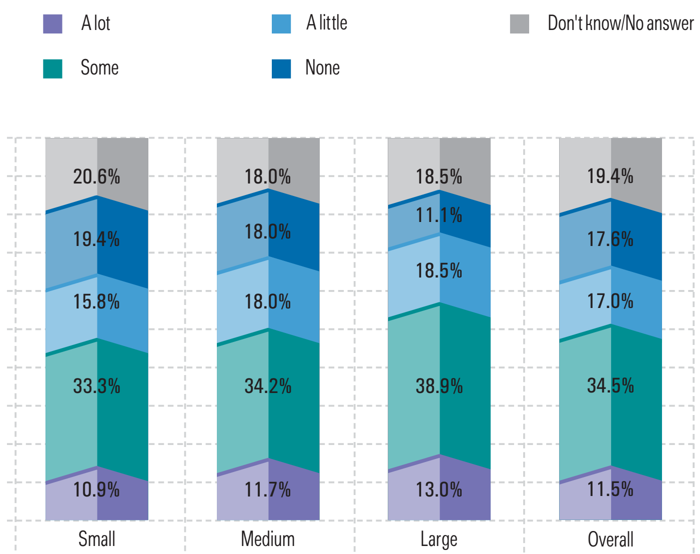


Figure 4.8: *In your opinion, how much does high-level corruption, or grand corruption, affect your business? (September 2016: by size)*



Perceptions of how corruption spreads have shifted slightly since the 2015 survey (Figure 4.9). In 2015, 21.8 percent of respondents said that corruption is spread through individual contacts more than through organized groups; in 2016, only 17.9 percent say this. However, the proportion of respondents who believe that corruption is spread equally through individual contracts and organized groups increased from 21.5 percent in 2015 to 26.4 percent in 2016.

The tabulation in Figure 4.10 shows that the size of the company matters. The belief that corruption is spread more though organized groups is shared by nearly half of medium and large companies. About a fifth of small and medium companies think corruption is spread more on an individual level, in contrast to only a tenth of large companies.

Figure 4.9: *In your opinion, is corruption spread more through individual contacts or organized groups?*

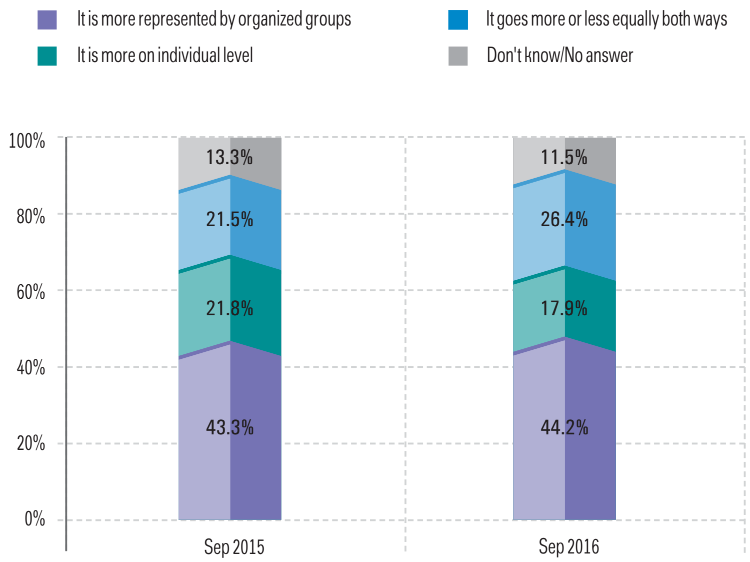
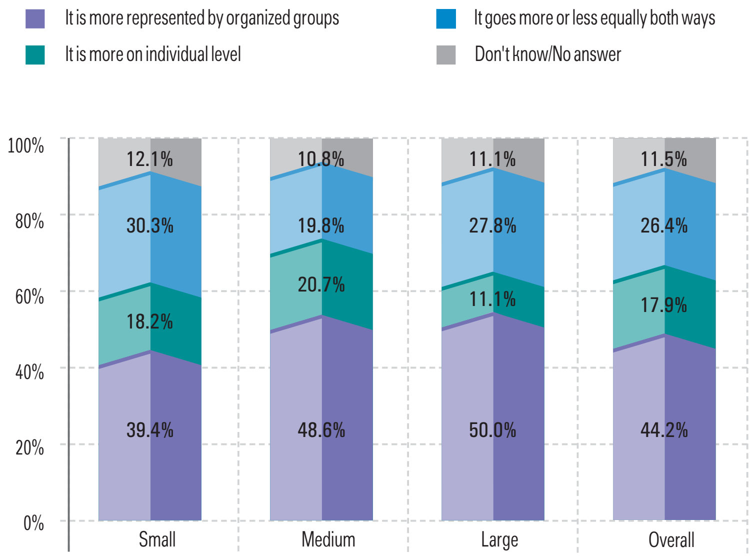


Figure 4.10: *In your opinion, is corruption spread more through individual contacts or organized groups? (September 2016: by size)*



On average, about a quarter of companies (26.4 percent) say they bid on government tenders (Figure 4.11). This result is differentiated by both the size and gender profile of companies. While 48.1 percent of large companies bid on government tenders, only 17.6 percent of small companies do (Figure 4.12). A larger proportion of companies that employ more men bid on government tenders than those that employ more women or have a balanced gender profile (Figure 4.13).

In 2016, slightly over half of all respondents consider that tender results are influenced by political-party membership or family relations (53 percent; Figure 4.14). In assessing changes in the level of corruption in the business environment, 35.7 percent of respondents believe that corruption has increased in the last three years, while 20.3 percent think it has decreased (Figure 4.15).

Figure 4.11: *Do you bid on government tenders?*

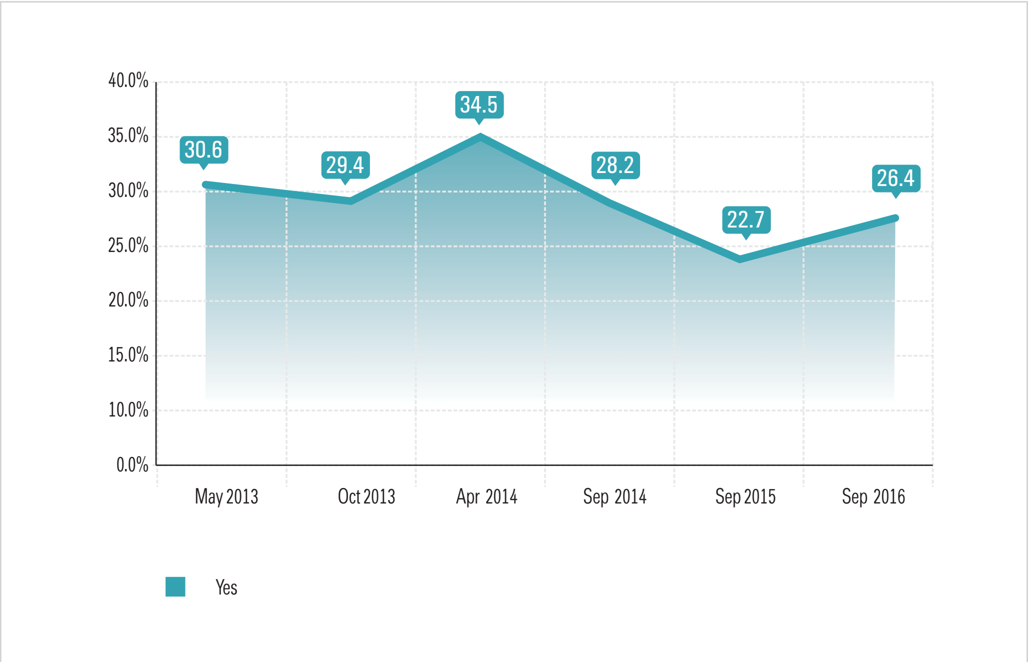


Figure 4.12: *Do you bid on government tenders? (by size)*

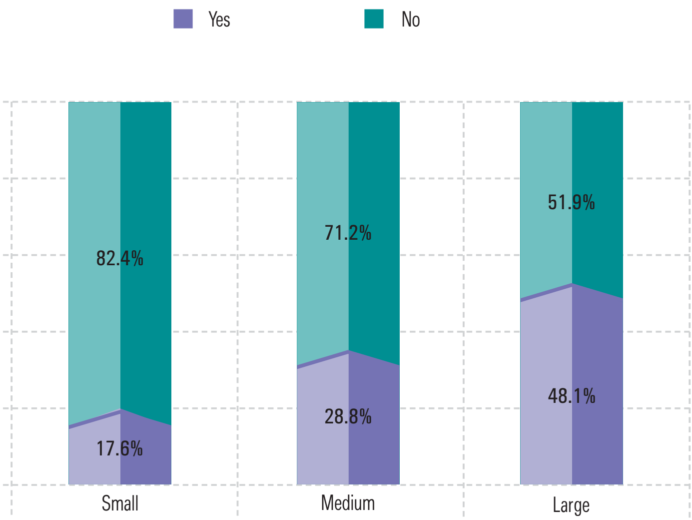


Figure 4.13: *Do you bid on government tenders? (by gender)*

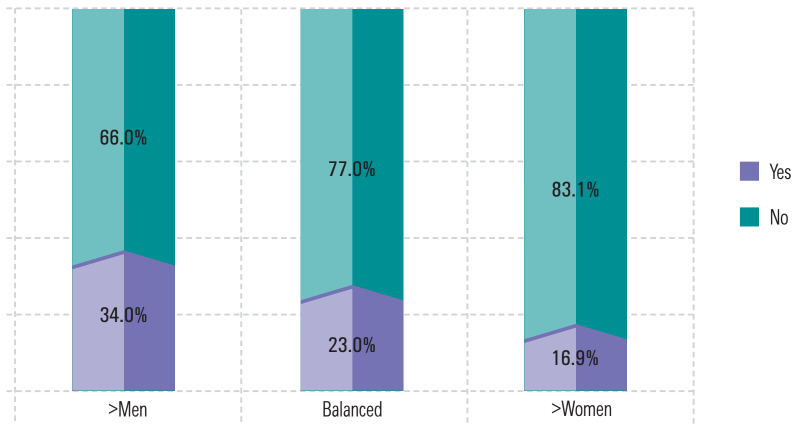
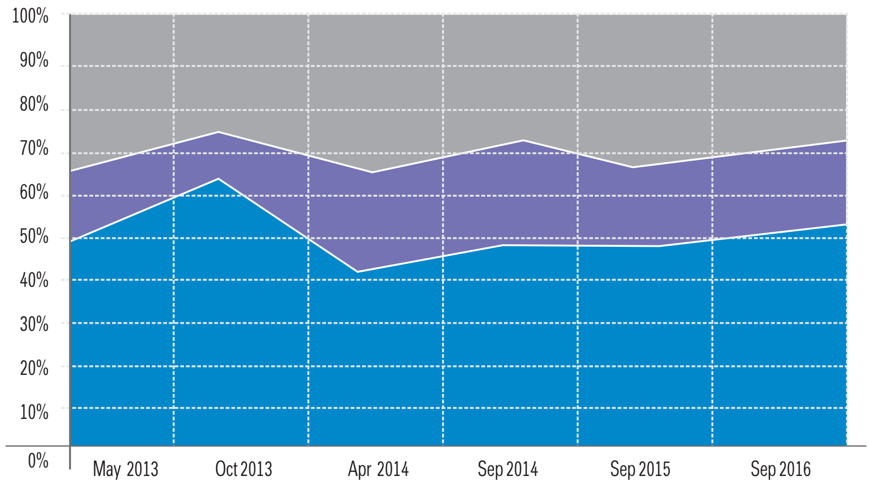
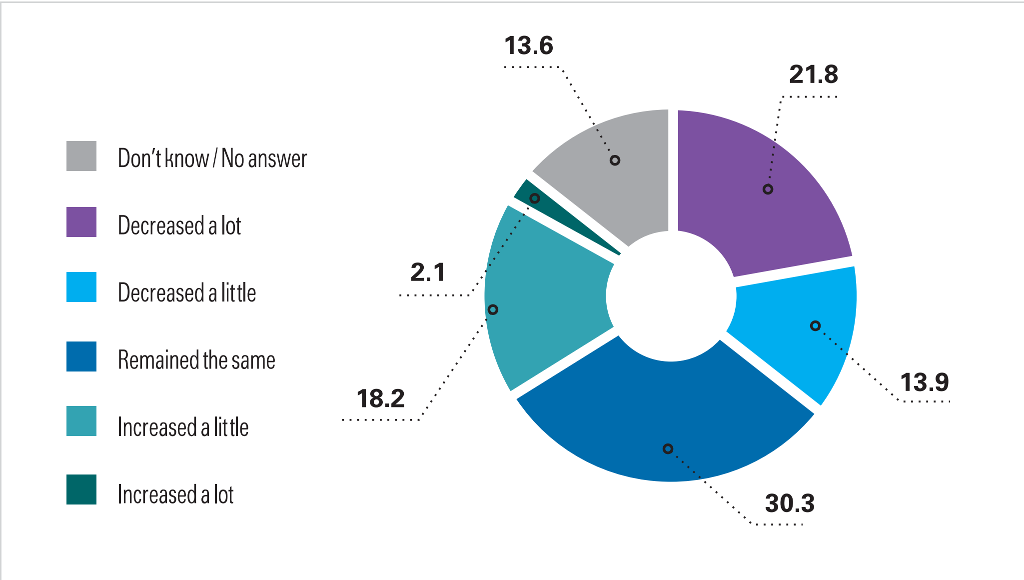


Figure 4.14: *Do you think that political-party membership or family relations influence tender awards?*



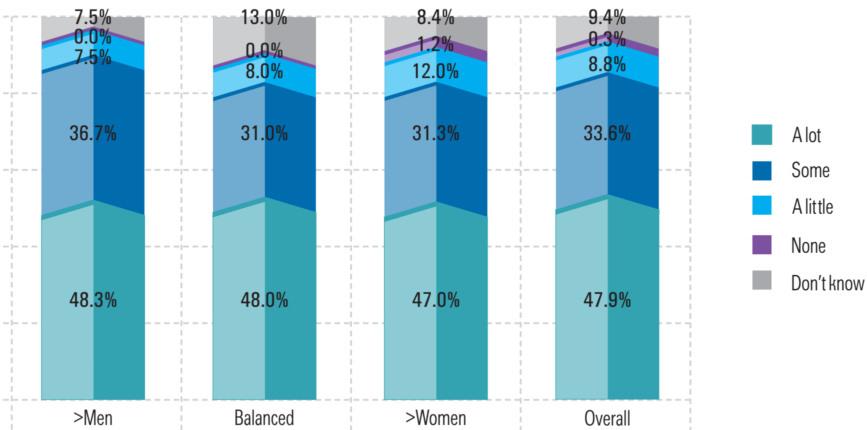
	May 2013	Oct 2013	Apr 2014	Sep 2014	Sep 2015	Sep 2016
Don't know/ No answer	34.8%	25.5%	29.7%	26.4%	28.5%	26.7%
No	15.8%	11.2%	23.9%	22.7%	20.9%	20.3%
Yes	49.4%	63.3%	46.4%	50.9%	50.6%	53.0%

Figure 4.15: *In the past 3 years, how has the level of corruption in the Mongolian business environment changed?*



Companies' gender profiles did not make a substantial differences to their outlook on the amount corruption in the public sector: nearly half of all groups reported that there is "a lot" (Figure 4.16).

Figure 4.16: *In your opinion, how much corruption is there in the public sector? (by gender)*

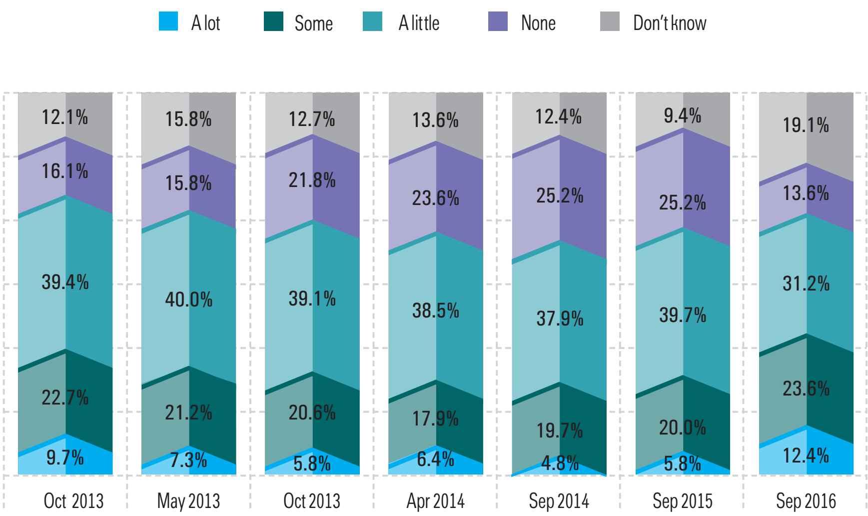


CORRUPTION IN THE PRIVATE SECTOR

5. CORRUPTION IN THE PRIVATE SECTOR

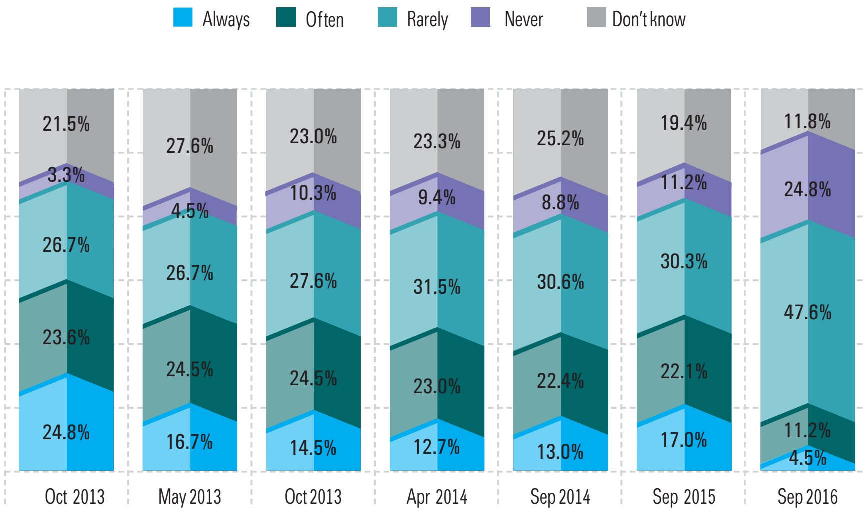
In September 2016, there was a significant increase in the assessed level of private sector corruption (Figure 5.1). In September 2014, just 4.8 percent of respondents thought there was "a lot" of corruption in the private sector. In 2016, this proportion increased to 12.4 percent. The proportion of respondents who think there is no corruption decreased from 25.2 percent to 13.6 percent in the same period. The proportion of respondents who chose the "some" response option slightly increased by 3.9 percentage points. The proportion of those with no opinion also increased, from 12.4 percent to 19.1 percent.

Figure 5.1: *In your opinion, how much corruption is there in the private sector?*



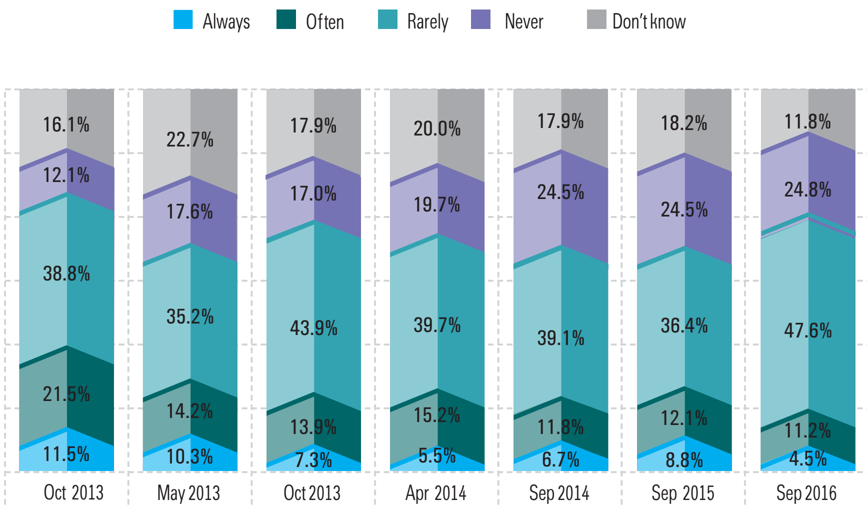
If the level of private sector corruption increased, it is most likely not because of private sector tenders and contracting (Figure 5.2). The proportion of respondents reporting that corruption "never" happens in private tenders and contracting increased from 8.8 percent to 24.8 percent between September 2014 and September 2016. Conversely, the proportion of respondents who think that corruption "always" happens in these forums decreased from 13 percent to 4.5 percent in the same period.

Figure 5.2: *In your opinion, how often do companies encounter corruption in private sector tenders and contracting?*



Similarly, the proportion of respondents who think that corruption "always" occurs "in the course of work" in their sector also decreased from 6.7 percent to 4.5 percent between September 2014 and September 2016 (Figure 5.3). Compared with 2015, fewer respondents think that corruption "often" occurs in their sector. However, this decrease correlates with an increase in respondents who think that corruption "rarely" occurs in their sector: 47.6 percent gave this answer in 2016, compared with 36.4 in 2015.

Figure 5.3: *In your sector, how often do companies encounter corruption in the course of work?*



Yet, before we celebrate such shifts as improvements in the private sector business environment, it should be noted that many of these results may be linked to a general decrease in economic activity and a scarcity of company resources, rather than a substantive change in corrupt practices.

The overall decrease since 2015 in the response that corruption "always" occurs "in the course of work" is also reflected when results are disaggregated by sector, as follows (Figure 5.4):

a) Services: from 5 percent to 2.9 percent

b) Trade: from 10.7 percent to 4.4 percent

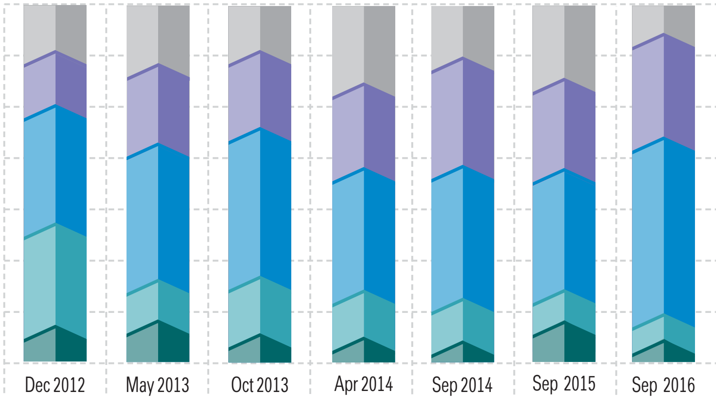
c) Manufacturing: from 10 percent to 7.1 percent

d) Construction: from 12.2 percent to 7 percent

The sector seen as most corrupt – construction – showed the highest decline in the share of respondents who "always" encounter corruption since the survey began (2012-2016).

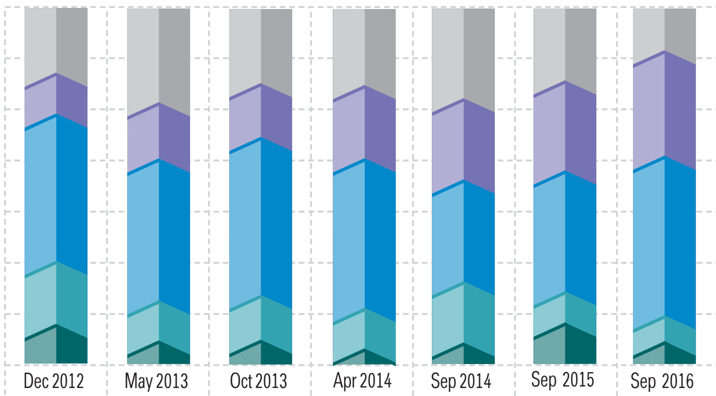
Figure 5.4: *In your sector, how often do companies encounter corruption in the course of work? (by sector)*

a) Encountering corruption in the course of work: Services



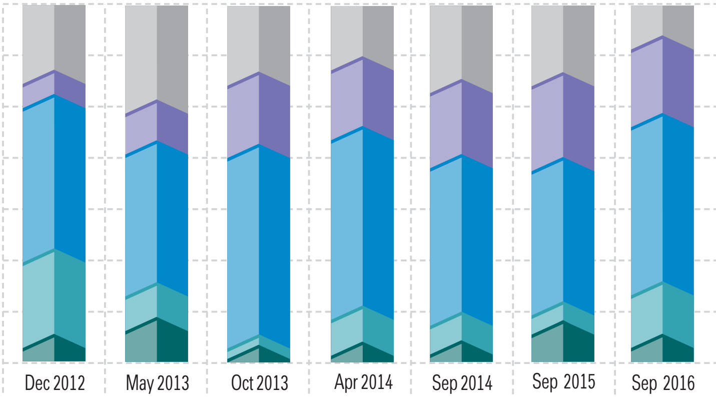
	Dec 2012	May 2013	Oct 2013	Apr 2014	Sep 2014	Sep 2015	Sep 2016
Don't know / No answer	13.8%	17.4%	14.6%	23.7%	15.3%	21.4%	8.6%
Never	14.9%	22.6%	20.4%	23.7%	30.5%	27.1%	29.3%
Rarely	33.0%	37.4%	41.7%	33.3%	38.2%	37.1%	48.6%
Often	28.7%	11.3%	16.5%	13.2%	11.5%	9.3%	10.7%
Always	9.6%	11.3%	6.8%	6.1%	4.6%	5.0%	2.9%

b) Encountering corruption in the course of work: Trade



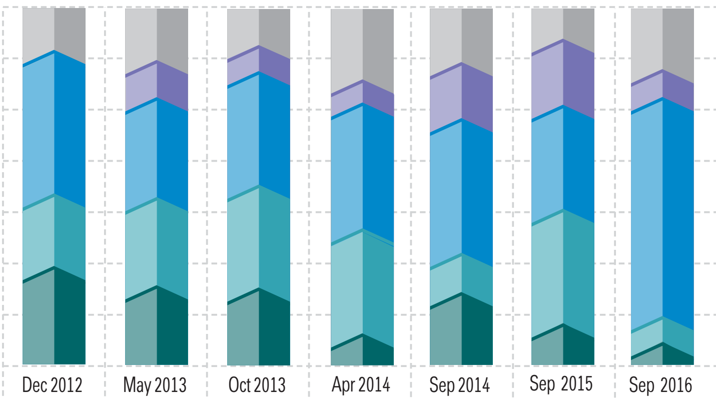
	Dec 2012	May 2013	Oct 2013	Apr 2014	Sep 2014	Sep 2015	Sep 2016
Don't know / No answer	18.6%	28.1%	22.8%	23.5%	26.9%	21.4%	13.2%
Never	11.8%	15.6%	14.1%	20.6%	22.4%	25.0%	29.4%
Rarely	42.2%	39.6%	45.7%	42.6%	28.4%	35.7%	45.6%
Often	17.6%	11.5%	13.0%	11.8%	17.9%	7.1%	7.4%
Always	9.8%	5.2%	4.3%	1.5%	4.5%	10.7%	4.4%

c) Encountering corruption in the course of work: Manufacturing



	Dec 2012	May 2013	Oct 2013	Apr 2014	Sep 2014	Sep 2015	Sep 2016
Don't know / No answer	18.8%	26.2%	19.1%	14.8%	21.3%	18.3%	8.9%
Never	6.3%	11.9%	20.6%	19.7%	21.3%	25.0%	21.4%
Rarely	43.8%	40.5%	52.9%	49.2%	44.3%	40.0%	48.2%
Often	25.0%	9.5%	2.9%	11.5%	6.6%	6.7%	14.3%
Always	6.3%	11.9%	4.4%	4.9%	6.6%	10.0%	7.1%

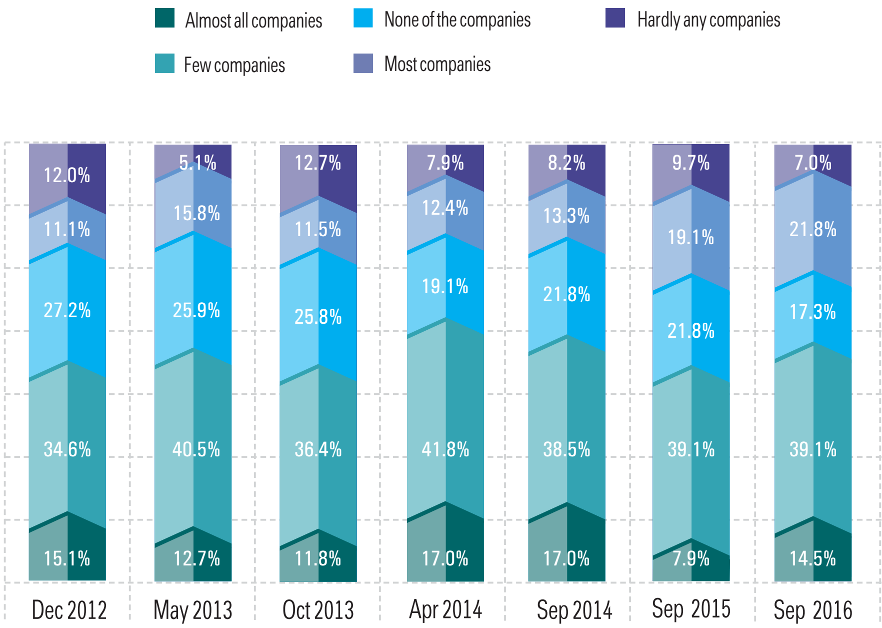
d) Encountering corruption in the course of work: Construction



	Dec 2012	May 2013	Oct 2013	Apr 2014	Sep 2014	Sep 2015	Sep 2016
Don't know / No answer	12.5%	14.3%	10.7%	19.6%	15.6%	10.2%	18.6%
Never	0.0%	10.7%	7.1%	7.8%	15.6%	18.4%	7.0%
Rarely	40.0%	28.6%	32.1%	35.3%	37.8%	28.6%	48.8%
Often	20.0%	25.0%	28.6%	29.4%	11.1%	30.6%	18.6%
Always	27.5%	21.4%	21.4%	7.8%	20.0%	12.2%	7.0%

Tax payment indicators have also improved. The proportion of respondents who believe that "almost all companies" in their sector pay taxes almost doubled, from 7.9 percent in 2015 to 14.5 percent in 2016 (Figure 5.5).

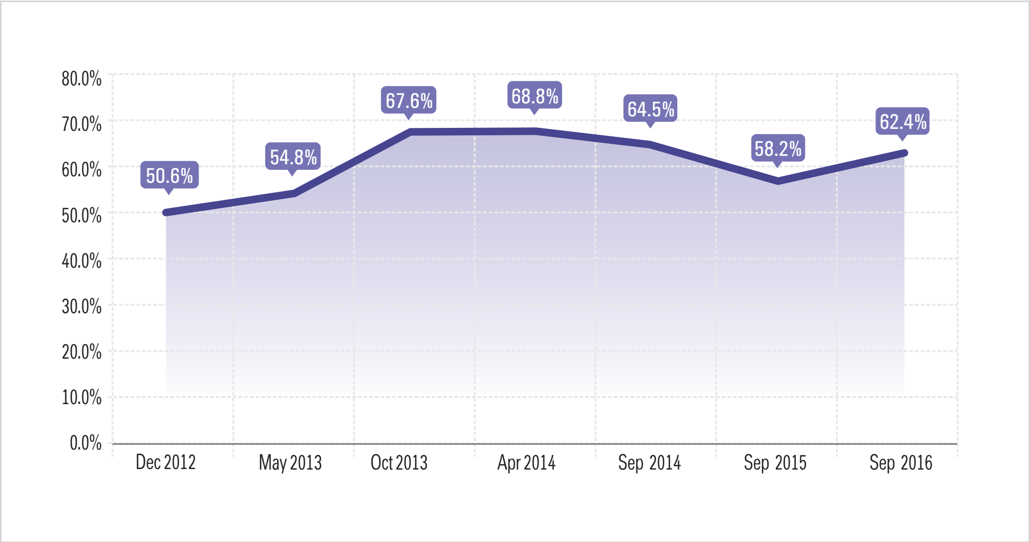
Figure 5.5: *In your sector, how many companies do you think pay the right amount of tax?*



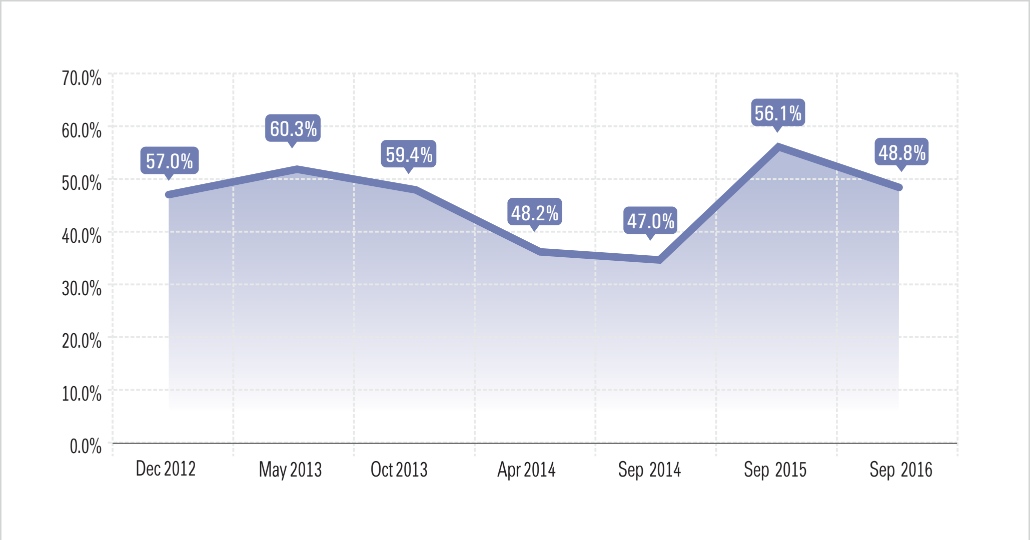
Over the course of STOPP surveys, the same three sectors continue to be perceived as the most vulnerable to corruption: government services, mining, and construction. However, government services – which frequently compete with the private sector – is the only sector whose perceived vulnerability to corruption has increased in 2016, from 58.2 percent of respondents in 2015 to 62.4 percent in 2016 (Figure 5.6a). The perceived vulnerability to corruption of the other two sectors has decreased – for mining, by 7.4 percentage points to 48.8 percent (Figure 5.6b), and for construction, by 6.7 percentage points to 41.2 percent (Figure 5.6c).

Figure 5.6: Sectors most vulnerable to corruption

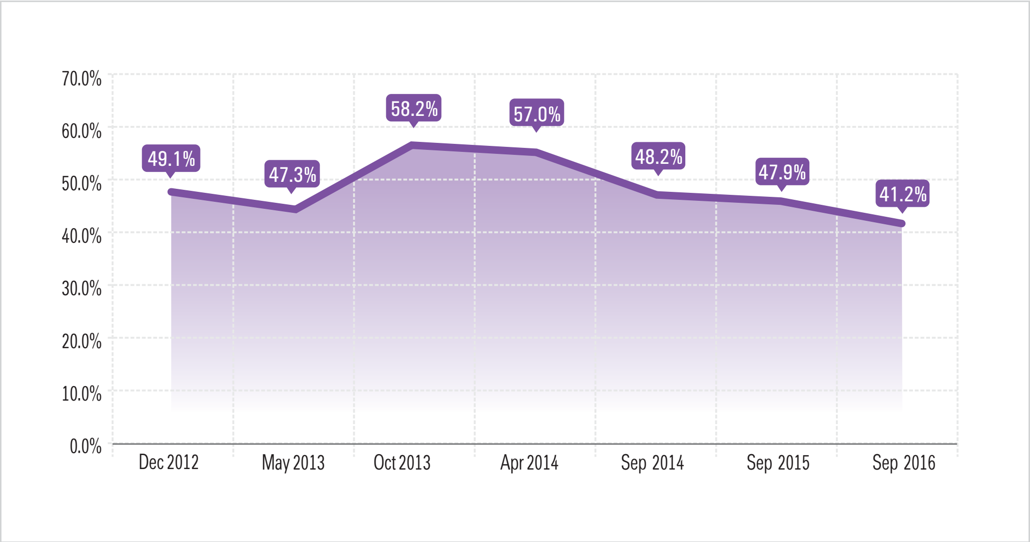
a)Sectors most vulnerable to corruption: Government services



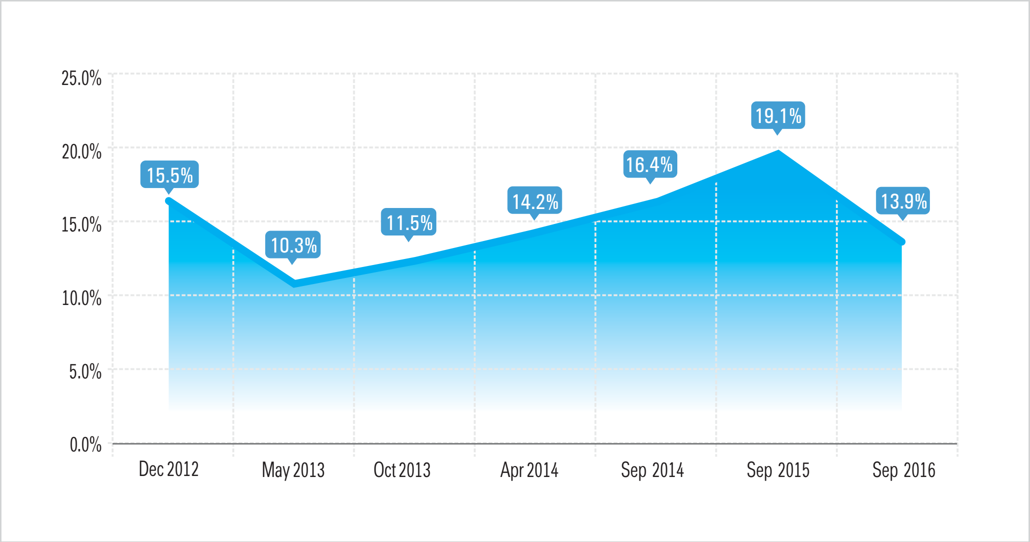
b) Sectors most vulnerable to corruption: Mining



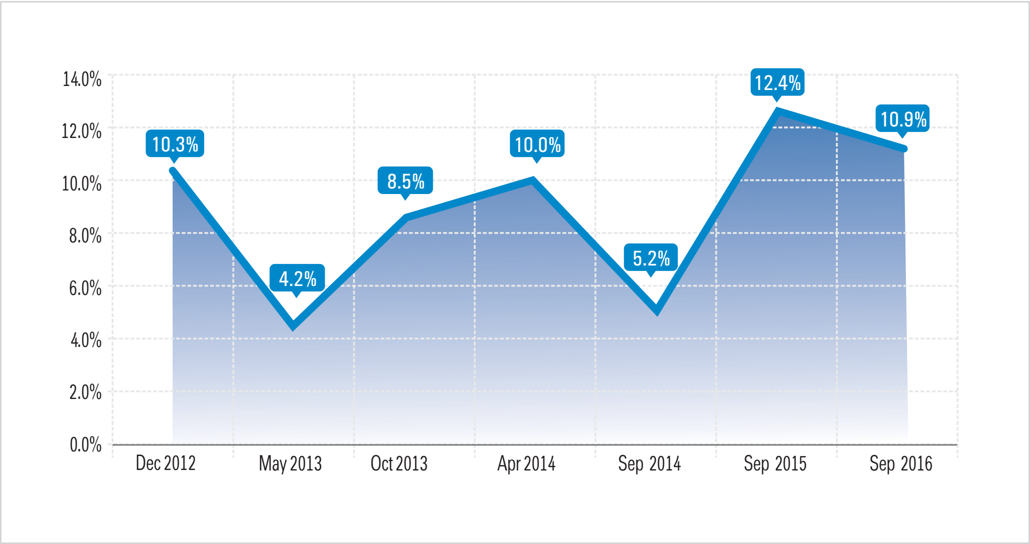
c) Sectors most vulnerable to corruption: Construction



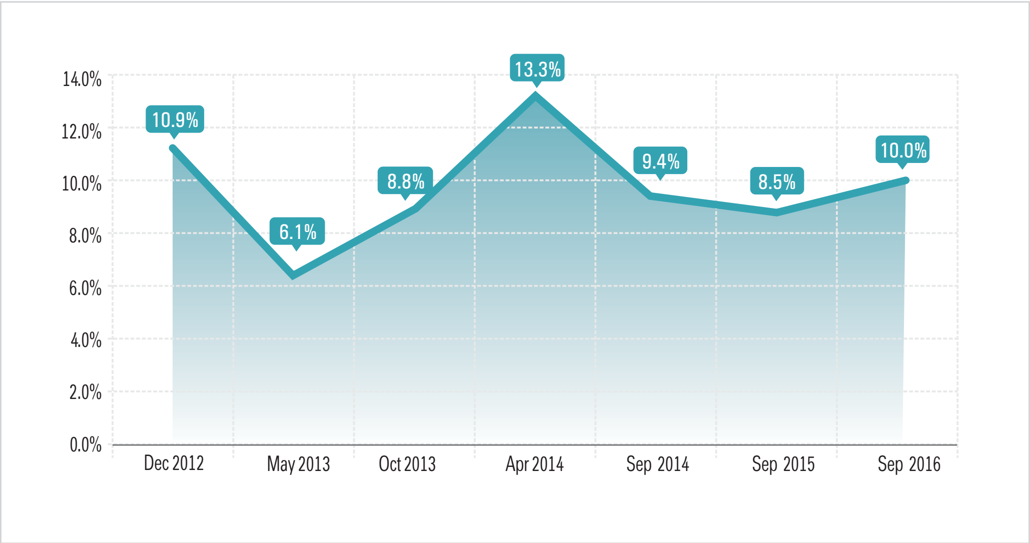
d) Sectors most vulnerable to corruption: Finance



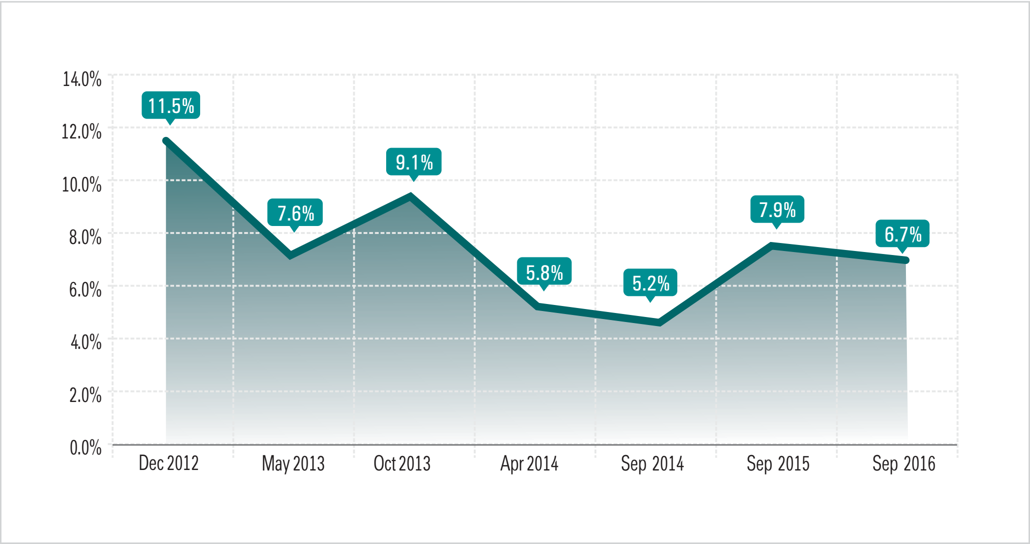
e)Sectors most vulnerable to corruption: Trade



f) Sectors most vulnerable to corruption: Electricity, heating and water

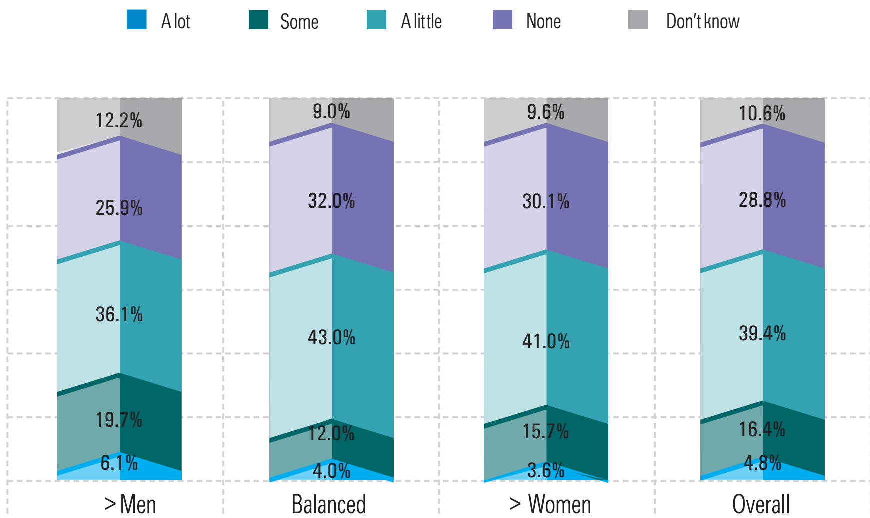


g) Sectors most vulnerable to corruption: Manufacturing



Differences in the perception of corruption in the private sector emerge when results are tabulated by companies' gender profiles (Figure 5.7). Male-majority companies appear to have a more negative perception than the other two groups. Almost a quarter (25.8 percent) believe that there is "some" or "a lot" of corruption in the private sector – a higher proportion than among gender-balanced or women-majority businesses (16 percent and 19.3 percent, respectively).

Figure 5.7: *In your opinion, how much corruption is there in the private sector? (by gender)*

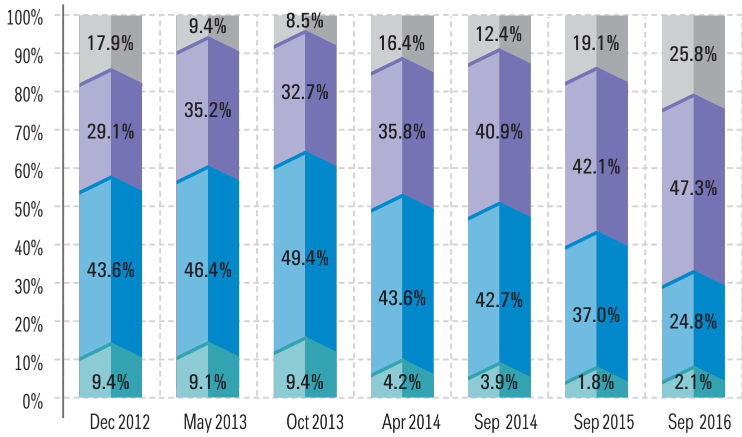


FIGHTING CORRUPTION

6. FIGHTING CORRUPTION

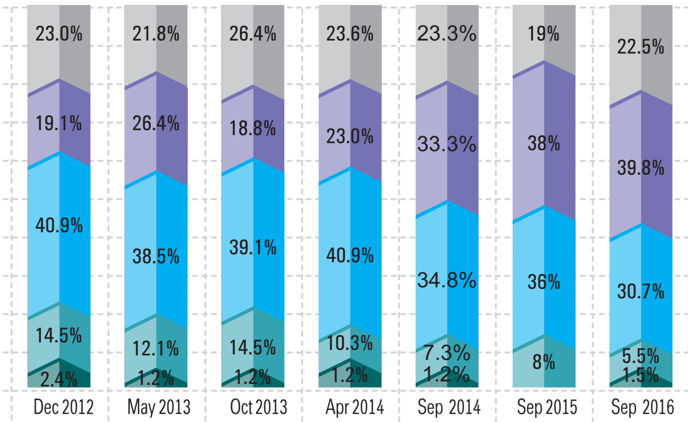
Since the survey began assessments of government efforts to combat corruption have been increasingly negative. The proportion of respondents with "extensive knowledge" about such efforts declined from 9.4 percent in October 2013 to 2.1 percent in 2016 (Figure 6.1). Correspondingly, the proportion of respondents who think that the existing Anti-corruption Law is "not at all effective" has gradually increased from 18.8 percent in October 2013 to 39.8 percent in 2016 (Figure 6.2). The assessment of the effectiveness of government anti-corruption measures has worsened: in 2016, only 4.2 percent think "there is less corruption" than six months ago, compared with 16.4 percent in May 2013 (Figure 6.3).

Figure 6.1: *How much do you know about the current government efforts to fight corruption?*



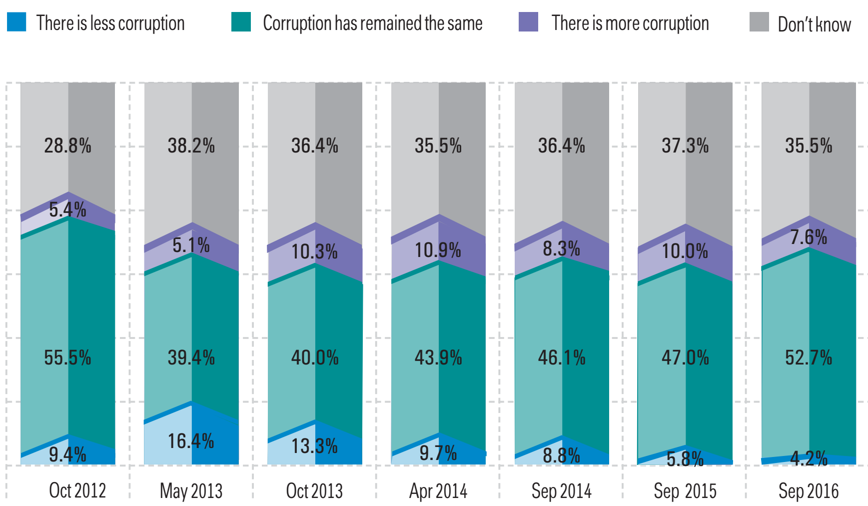
	Dec 2012	May 2013	Oct 2013	Apr 2014	Sep 2014	Sep 2015	Sep 2016
No knowledge at all	17.9%	9.4%	8.5%	16.4%	12.4%	19.1%	25.8%
Almost no knowledge	29.1%	35.2%	32.7%	35.8%	40.9%	42.1%	47.3%
Little knowledge	43.6%	46.4%	49.4%	43.6%	42.7%	37.0%	24.8%
Extensive knowledge	9.4%	9.1%	9.4%	4.2%	3.9%	1.8%	2.1%

Figure 6.2: *In your opinion, how effective are the existing laws to make the business environment transparent and non-corrupt?*



Don't know	23.0%	21.8%	26.4%	23.6%	23.3%	19%	22.5%
Not at all effective	19.1%	26.4%	18.8%	23.0%	33.3%	38%	39.8%
Hardly effective	40.9%	38.5%	39.1%	40.9%	34.8%	36%	30.7%
Somewhat effective	14.5%	12.1%	14.5%	10.3%	7.3%	8%	5.5%
Very effective	2.4%	1.2%	1.2%	1.2%	1.2%	0%	1.5%

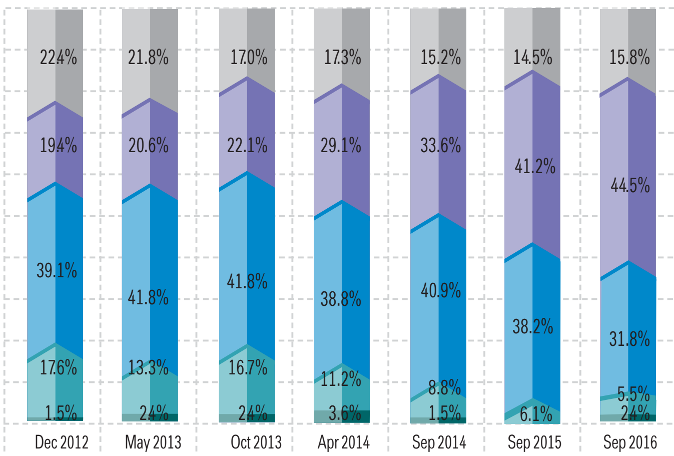
Figure 6.3: *In your opinion, what effect have the government anti-corruption measures had, specifically in your sector, compared with the situation 6 months ago?*



Respondents' evaluations of the government's efforts to eradicate overall corruption in Mongolia have grown increasingly negative. Between December 2012 and September 2016, the proportion of respondents who assess these efforts as "not at all effective" increased from 19.4 percent to 44.5 percent (Figure 6.4). Doubt in the ability and willingness of the government to punish corrupt officials is also at an all-time high (Figure 6.5): in September 2016, 67.6 percent of respondents said that the government "never" punishes corrupt officials, compared with the lowest rate, 39.7 percent, in May 2013.

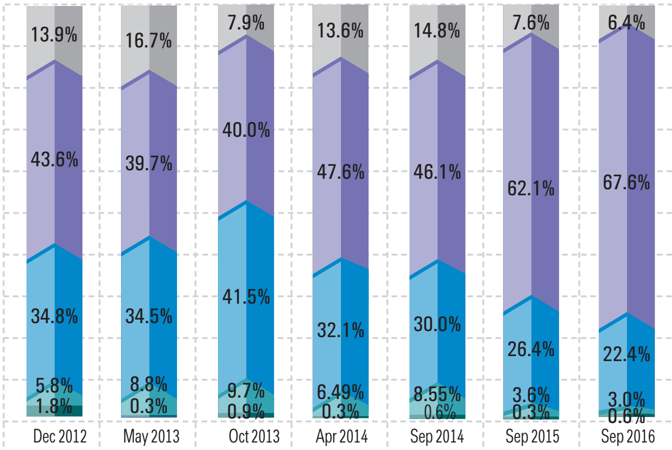
Attitudes have also shifted since 2015 regarding the legal responsibility of people participating in corrupt practices (Figure 6.6). In previous surveys, slightly more respondents believed that only those receiving bribes should be punished. However, in the most recent surveys, more respondents believe both parties should be punished. In 2016, 51.8 percent of respondents think that both parties should be punished, while 43 percent think that only those who accept bribes should face justice.

Figure 6.4: *In your opinion, how effective are the steps being taken by the government to eradicate overall corruption in Mongolia?*



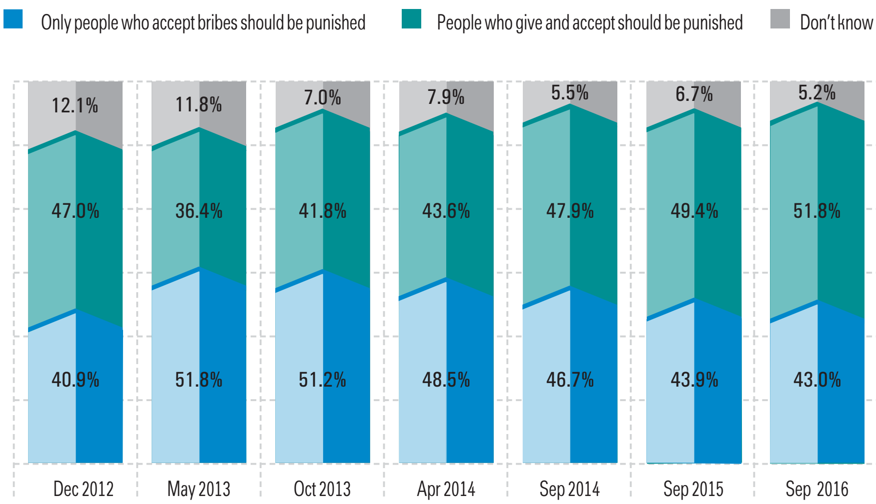
Don't know	22.4%	21.8%	17.0%	17.3%	15.2%	14.5%	15.8%
Not at all effective	19.4%	20.6%	22.1%	29.1%	33.6%	41.2%	44.5%
Hardly effective	39.1%	41.8%	41.8%	38.8%	40.9%	38.2%	31.8%
Somewhat effective	17.6%	13.3%	16.7%	11.2%	8.8%	6.1%	5.5%
Very effective	1.5%	2.4%	2.4%	3.6%	1.5%	0%	2.4%

Figure 6.5: *In your opinion, how often does the government punish corrupt government officials?*



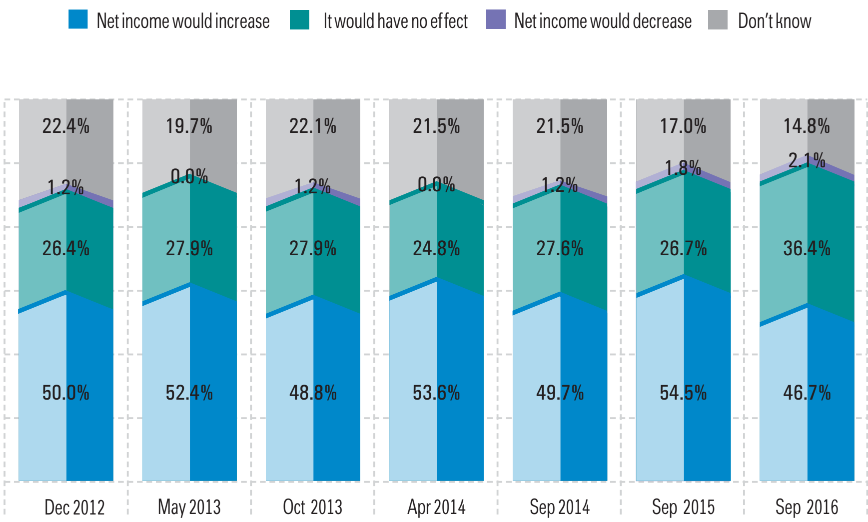
	Dec 2012	May 2013	Oct 2013	Apr 2014	Sep 2014	Sep 2015	Sep 2016
Don't know	13.9%	16.7%	7.9%	13.6%	14.8%	7.6%	6.4%
Never	43.6%	39.7%	40.0%	47.6%	46.1%	62.1%	67.6%
Rarely	34.8%	34.5%	41.5%	32.1%	30.0%	26.4%	22.4%
Often	5.8%	8.8%	9.7%	6.49%	8.55%	3.6%	3.0%
Always	1.8%	0.3%	0.9%	0.3%	0.6%	0.3%	0.6%

Figure 6.6: *Some people argue that, if the Mongolian Corruption Law is changed to prosecute only those who accept bribes, it will improve governance. Others think that both those who give and accept bribes should be punished. What is your opinion?*



The proportion of respondents who do not think that a reduction in government corruption would affect the net income of their company increased significantly – up from 26.7 percent in 2015 to 36.4 percent in 2016 (Figure 6.7). Correspondingly, the proportion who say that such changes would increase their net income has decreased.

Figure 6.7: *If the extent of corruption in government were to be reduced, do you think that it would result in an increase or decrease of the net income of your company, or that it would not affect your company income at all?*



Despite reporting low effectiveness of government anti-corruption efforts, companies are reluctant to introduce their own initiatives. Thus, in 2016, 72.4 percent of companies report that they have not taken any steps to combat fraud or corruption. This level of response has remained consistent over time (Figure 6.8). Furthermore, only 9.1 percent of respondents have reported a corruption case (Figure 6.9). Among those who have reported corruption, 43.3 percent say the reporting had no effect (Figure 6.10). Moreover, as of September 2016, 78.2 percent of respondents say their company has no written policy on dealing with corruption (Figure 6.11).

Figure 6.8: *Has your company taken any steps to combat fraud or corruption?*

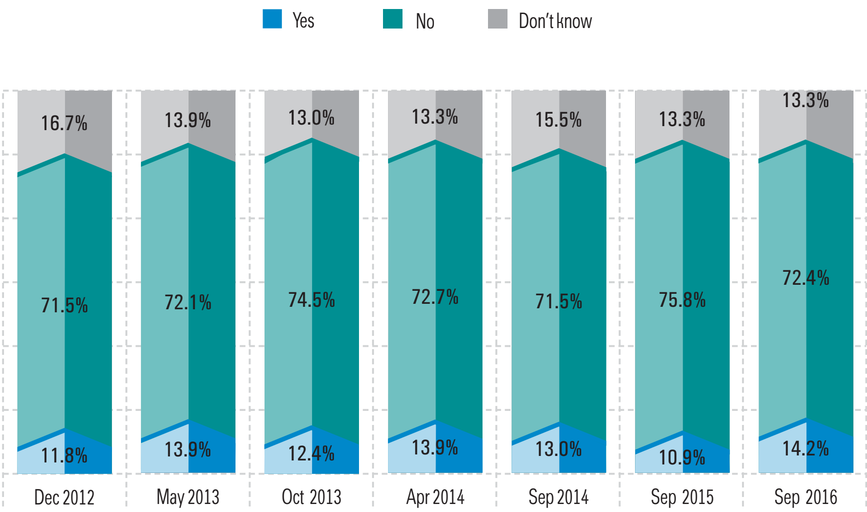


Figure 6.9: *Have you ever reported a case of corruption?*

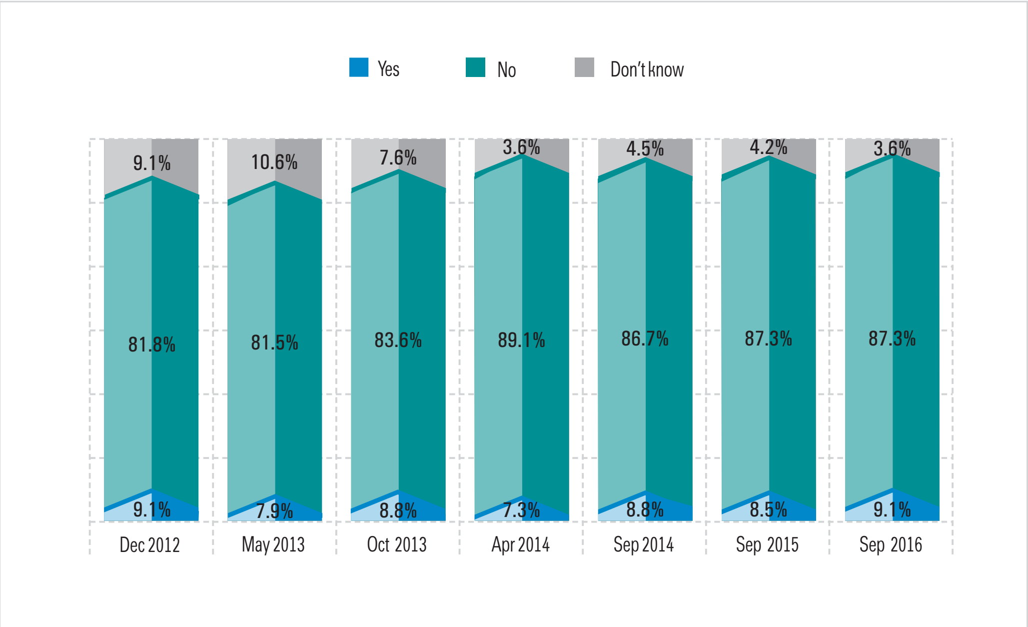


Figure 6.10: *If yes, did it have any effect?*

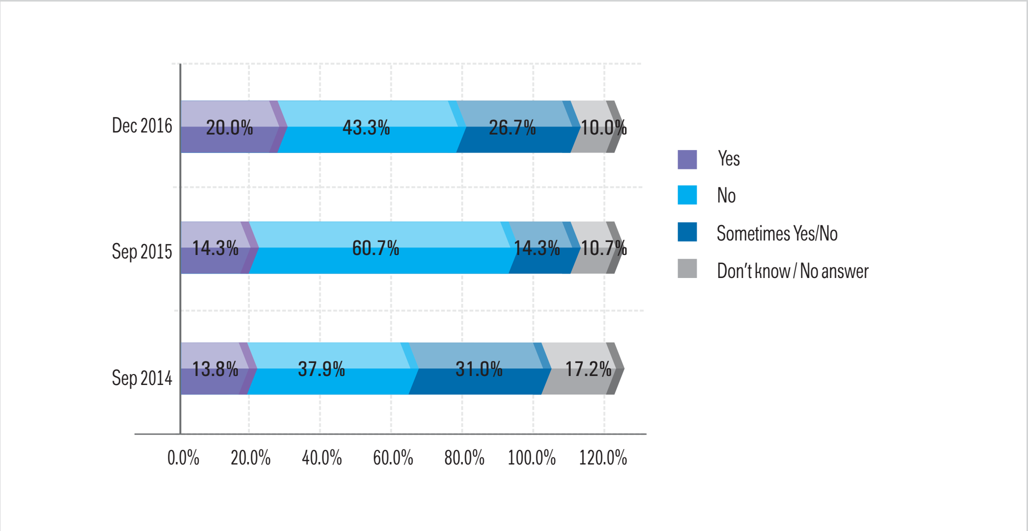
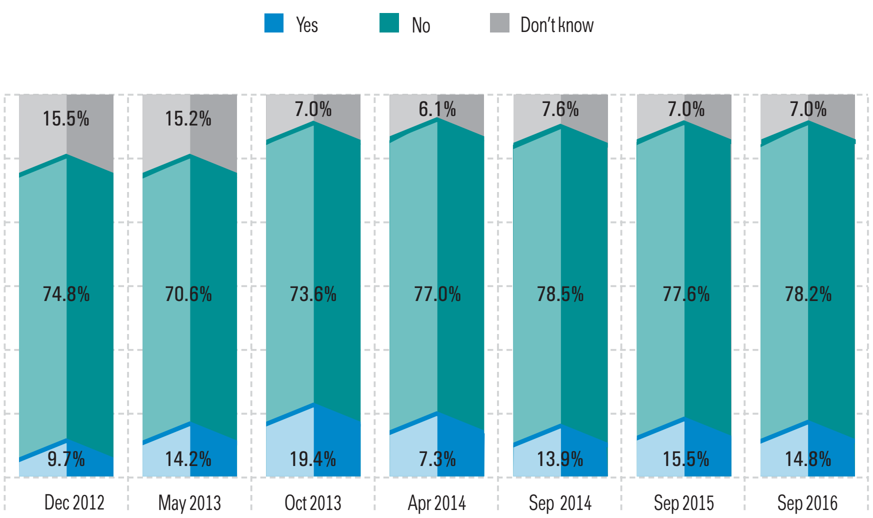


Figure 6.11: *Does your company have any written policy or rule about dealing with corruption within your organization?*

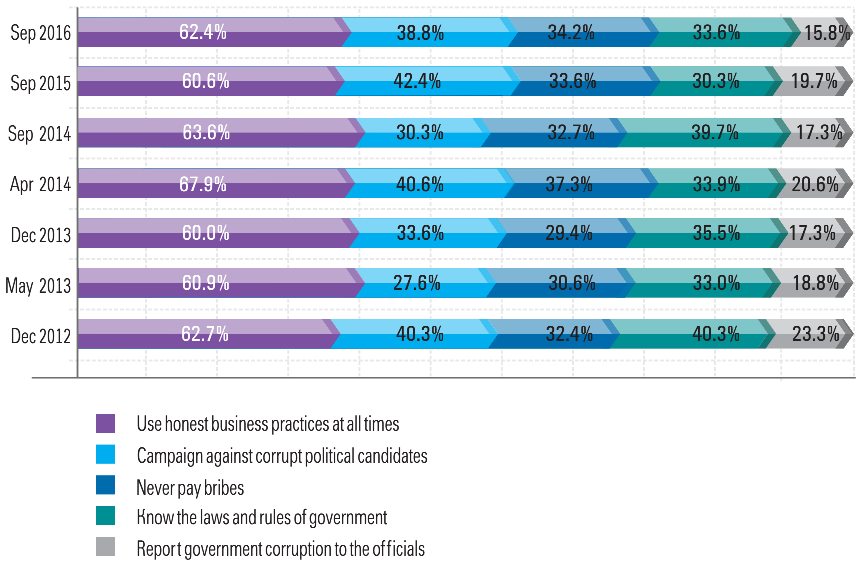


In September 2016, the sequence and figures of best practices to reduce corruption were similar to those observed in September 2015 (Figure 6.12):

1. Use honest business practices at all times
2. Campaign against corrupt political candidates
3. Never pay bribes
4. Know the laws and rules of government
5. Report corruption to the IAAC

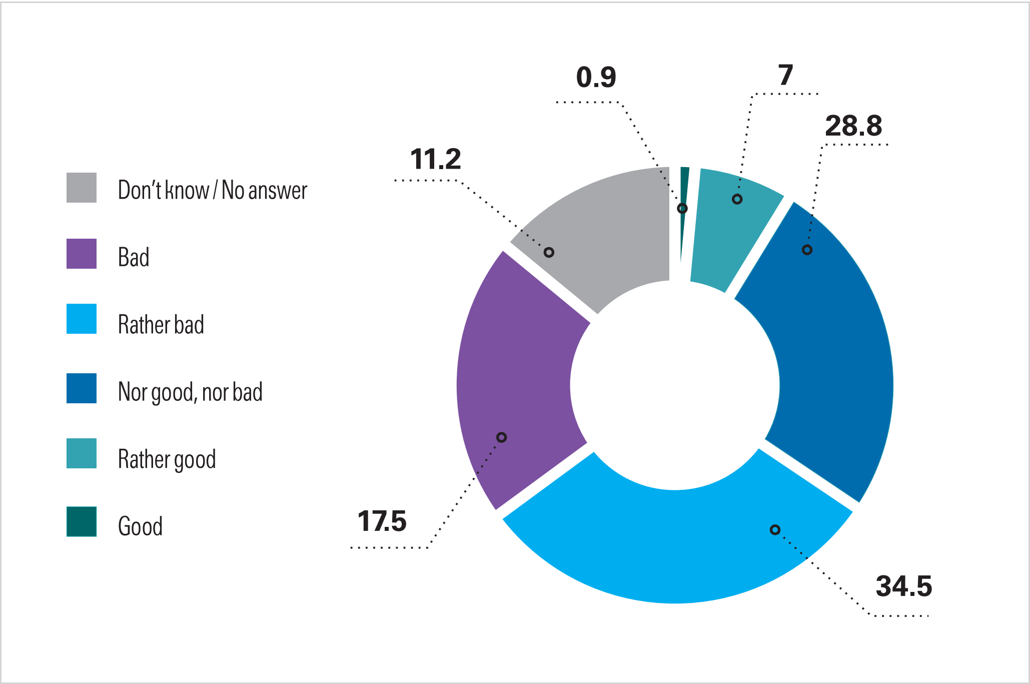
Although parliamentary elections are over, the preference for "campaign[ing] against corrupt political candidates" to reduce corruption was strong (38.8 percent). The next STOPP survey results will show whether this attitude will remain beyond the election period (2015–2016) and take its place among regular anti-corruption practices.

Figure 6.12: *Five best ways for private businesses to reduce corruption (3 responses allowed)*



Respondents' evaluation of the Independent Authority Against Corruption's (IAAC) efforts to reduce corruption in business is very low. Less than a tenth of respondents gave a positive assessment (7.9 percent), while over half gave a negative assessment (52.1 percent).

Figure 6.13: *Evaluation of IAAC efforts to reduce corruption in business*



SURVEY INSTRUMENT

Study of Private Perceptions of Corruption

O1. Company Number: ________ O2. Address of Company (only district) District: ________________

A.Company Information

1. Date of the creation : ____________________
2. Main company profile:

1	Services	
2	Trade	
3	Manufacturing	
4	Construction	
5	Mining	
6	Agriculture	
7	Other (Specify ________________________	

3. (A) Number of employees (permanent)_______________

(B)How many of your employees are men, women? (Percentage proportion)

Gender	1.	2.	3.	4.	5.	6.	7.	8.	9.	10.	11.
Male	100%	90%	80%	70%	60%	50%	40%	30%	20%	10%	0%
Female	0%	10%	20%	30%	40%	50%	60%	70%	80%	90%	100%

4. (A) Annual turnover _________________

(B) 1) Less than 150,000,000 MNT

2) 150,000,000 MNT and less than 2,000,000,000 MNT

3) 2,000,000,000 MNT and more

B.Losses

5.	In your opinion, how much of time does the company management spend on dealing with non-productive obstacles like renewing or obtaining permits, licenses waiting for official responses etc.?	None	1.
		Up to 25%	2.
		25- 50%	3.
		More than 50%	4.
		(Don't know)	5.

6.	How much of the company resources are wasted overcoming non-productive obstacles?	None	1.
		Up to 25%	2.
		25- 50%	3.
		More than 50%	4.
		(Don't know)	5.

C. Business conditions

7.	How satisfied or dissatisfied are you with the general business environment in Mongolia?	Very satisfied	1.
		Somewhat satisfied	2.
		Somewhat dissatisfied	3.
		Very dissatisfied	4.
		(Don't know/no answer)	5.

8.	During the last 6 months have investment conditions for company operations improved, worsened or stayed the same?	Improved	1.
		Stay the same	2.
		Worsened	3.
		(Don't know/no answer)	4.

9.	In the next 6 months, do you expect that company investment will ...?	Improve	1.
		Stay the same	2.
		Worsen	3.
		(Don't know/no answer)	4.

What are the main investment climate obstacles **(mark most important 3)?**

Higher taxes	1	Strong competition from other companies	10
Duties, official charges	2	Standards	11
Unofficial charges	3	Conditions of the labor market	12
Temporary prohibitions, restrictions	4	Access to credit	13
Permanent prohibitions, restrictions	5	Lack of management training	14
Availability and accuracy of the information	6	Lack of market research	15
Obtaining, renewing licenses and permissions	7	Other (Please specify)	16
Low level of professionalism	8	No obstacles	98.
Availability and cost of transport	9	Don't know/no answer	99.

11.	Which of the following agencies is creating the most of obstacles in your sector of business?	Specialized Inspection agency	1.
		Land utilization agency	2.
		Police	3.
		Tax office	4.
		Customs	5.
		City regulatory agency (hot tohijilt)	6.
		Hygienic agency	7.
		Local authority (sum, horoo)	8.
		Other (Please specify)	9.
		Don't know/no answer	10.

11a.	In your observation, derived from your business activity which of the following state service, agencies is most affected by corruption? **(Three responses allowed)**	Specialized Inspection agency	1.
		Immigration agency	2.
		Land utilization agency	3.
		Police	4.
		Tax office	5.
		Customs	6.
		The Authority for Fair Competition and Consumer Protection	7.
		Mineral Resources Authority	8.
		Social Welfare service	9.
		Court Decision Implementation agency	10.
		Government Independent Procurement agency	11.
		Other (Specify):	12.
		(Don't know/no answer)	13.

D. Public Sector Corruption

12.	In your opinion, how much corruption do you think there is in the public sector?	A lot	1.
		Some	2.
		A little	3.
		None	4.
		Don't know/no answer	5.

13.	When was the last time you had personal knowledge of a corruption transaction with government by a company in your sector of business?	In the last month	1.
		In the last 2-3 months	2.
		In the last 4-6 months	3.
		In the last 7 months to a year	4.
		More than a year ago	5.
		Never	6.
		Don't know/no answer	7.

14.	In your opinion, how often you do companies encounter corruption in public sector tenders and contracting?	Always	1.
		Often	2.
		Rarely	3.
		Never	4.
		Don't know/no answer	5.

15.	Is public sector corruption affecting your business directly?	Yes	1.
		No (skip to Q17)	2.
		(Don't know/no answer)	3.

16.	If yes, how much would you say public sector corruption is affecting your business operations?:	A lot	1.
		Some	2.
		Little	3.
		None	4.
		Don't know/no answer	5.

17.	How much do you know about the current efforts of the government to fight corruption?	Extensive knowledge	1.
		Little knowledge	2.
		Almost no knowledge	3.
		No knowledge at all	4.

18.	In your opinion, how effective are the existing laws to make the business environment transparent and non-corrupt?	Very effective	1.
		Somewhat effective	2.
		Hardly effective	3.
		Not at all effective	4.
		Don't know/no answer	5.

19.	In your opinion, what effect has the Government anti-corruption measures had, specifically in your sector of business, compared to the situation 6 months ago?	There is less corruption	1.
		Corruption has remained the same	2.
		There is more corruption	3.
		(Don't know/no answer)	4.

20.	In your opinion, how effective are the steps being taken by the Government to eradicate overall corruption in Mongolia?	Very effective	1.
		Somewhat effective	2.
		Hardly effective	3.
		Not at all effective	4.
		Don't know/no answer	5.

21.	In your opinion, how often does the government punish corrupt government officials?	Always	1.
		Often	2.
		Rarely	3.
		Never	4.
		Don't know/no answer	5.

D22.	In your opinion, how much the high level corruption or Grand Corruption is affecting your business?	A lot	1.
		Some	2.
		A little	3.
		None	4.
		Don't know/no answer	5.

D23	In your opinion is corruption in public sector spread more through individual contacts or it is spread more through organized group?	It is more represented by organized groups	1.
		It is more on individual level	2.
		It goes more or less equally both ways	3.
		Don't know/no answer	4.

E.Private Sector Corruption

22.	How much corruption do you think there is in the private sector?	A lot	1.
		Some	2.
		A Little	3.
		None	4.
		Don't know/no answer	5.

23.	In your opinion, how often do companies encounter corruption in private sector tenders and contracting?	Always	1.
		Often	2.
		Rarely	3.
		Never	4.
		Don't know/no answer	5.

24.	In your sector of business, how often do companies encounter corruption in the course of work?	Always	1.
		Often	2.
		Rarely	3.
		Never	4.
		Don't know/no answer	5.

25.	In your sector of business, how many companies do you think pay the right amount of tax to the Government?	Almost all companies	1.
		Most companies	2.
		Few companies	3.
		Hardly any companies	4.
		None of the companies	5.

26. Which of the following sectors do you think is most vulnerable to corruption? **(Three responses allowed)**

Minining	1
Construction	2
Manufacturing	3
Electricity, Gas and Water	4
Trade	5

Finance	6
Other private services	7
Government services	8
Don't know/no answer	9

E27.	In the past three years, how has the level of corruption in Mongolian business environment changed?	Increased a lot	1.
		Increased a little	2.
		Remained the same	3.
		Decreased a little	4.
		Decreased a lot	5.
		Don't know/no answer	6.

F. Government's Tenders

ADB 1	Do you bid on government's tenders?	Yes	1.
		No	2.

ADB 2	Do you think that political or family membership influence tender award?	Yes	1.
		No	2.
		Don't know/no answer	3.

ADB 3	Now that the Government Independent Procurement agency is in charge of government procurement, will you bid?	Yes	1.
		No	2.
		Don't know/no answer	3.

G.Fighting Corruption and Impact on Businesses

G27.	How do you evaluate the IAAC's performance in fighting corruption?	Very good	1.
		Good	2.
		Nor good, nor bad	3.
		Rather bad	4.
		Bad	5.
		Don't know/no answer	6.

27.	Some people argue that if the Mongolian corruption law is changed to prosecute only those who are receiving bribes it will improve the governance situation. Others think that both givers and receivers should be punished. What is your opinion?	Only people who accept bribes should be punished	1.
		Persons who give and accept should be punished	2.
		Don't know/no answer	3.

28.	If the extent of corruption in Government were to be reduced, do you think that it would result in increasing or decreasing the net income of your company or it would not affect your company income at all?	Net income would increase	1.
		Net income would decrease	2.
		It would have no effect	3.
		Don't know/no answer	4.

29.	Has your company taken any steps to combat corruption?	Yes	1.
		No	2.
		Don't know/no answer	3.

30.	Did you ever report a case of corruption?	Yes	1.
		No (skip to Q31	2.
		Don't know/no answer	3.

30a.	If you reported, did it has any result?	Yes	1.
		No	2.
		Sometimes "Yes"/ Sometimes "No"	3.
		Don't know/no answer	4.

31.	Does your company have any written policy or rule about dealing with corruption within your organization?	Yes	1.
		No	2.
		Don't know/no answer	3.

32. Among the following, which do you think are the three best ways for private businesses to help reduce corruption in the country? **(Three responses allowed)**

Never pay bribes	1	Report to the IAAC (Independent Authority against Corruption)	6
Use honest business practices at all times	2	Campaign against corrupt political candidates	7
Join a civil society organization whose mission is to fight corruption	3		
Know the laws and rules of Government transactions	4	Other (Please specify)	8
Report corruption to mass media	5	Don't know/no answer	9