



INNOVATIONS FOR SUCCESSFUL SOCIETIES

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Interviewee: Mendsaikhany Enkhsaikhan

Interviewer: David Hausman

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Innovations for Successful Societies, Bobst Center for Peace and Justice
Princeton University, 83 Prospect Avenue, Princeton, New Jersey, 08544, USA
www.princeton.edu/successfulsocieties

HAUSMAN: This is David Hausman, and I'm here with Mr. [Mendsaikhany] Enkhsaikhan in Ulaanbaatar, the 1st of December, 2009. Mr. Enkhsaikhan, have you agreed to be recorded for this interview?

ENKHSAIKHAN: Yes, thank you.

HAUSMAN: Great. I'd like to start by asking you something about your background and how you came to be prime minister, and the jobs that brought you to that point and the jobs that you've had since.

ENKHSAIKHAN: *I'm an economist, and I graduated from Kiev University, Ukraine, in 1978, and then I finished my Doctor of Science at the Russian Science Academy in 1984. That time was a time of changes, the time of perestroika in the former Soviet Union. Of course it influenced me, and when I finished with my studies in 1987—when I came to Mongolia it was the end of the '80s and the beginning of the '90s. It was right time for changes for me. At that time, I also worked as the director of the Market Research Institute. It was very helpful to understand what was happening in former socialist countries in the world. At that time I started my political life.*

The first parliamentary election was held in 1990, and I participated and won a seat, with a newly established party, Democratic Party, and I started my political life. That time was a very enthusiastic time. A new parliament was established. We worked on new draft of the constitution. At that time, I worked as the chairman of the standing committee on economic policy in the new parliament. We did a lot of things to start market reform in the Mongolian economy and to change the whole face of society.

I remember at that time, for the first time in history of Mongolia, we accepted the existence of private property, private ownership in Mongolia. It was very unusual for society at that time.

From 1990 until 1992, we prepared society for privatization of state-owned enterprises, and we started with privatization of livestock. At that time, all livestock belonged to the state, and we gave it to private ownership. It was the start of changes. Then in 1992, the new parliament adopted a new constitution, and according to this constitution we announced a new election, an election not only for parliament but for the presidency.

In 1993 I [began] work as the chief of staff for the first Mongolian president.

HAUSMAN: Mr. [Punsalmaagiin] Ochirbat?

ENKHSAIKHAN: *Yes. I worked until 1996. Then also I participated in elections. At that time, I headed new young parties in the election. For the first time in Mongolia, democratic parties won a majority in the parliament, and as head of the coalition I was nominated from this coalition to be prime minister. Until 1998 I worked as prime minister. We did a lot of things. Now it is difficult to remember. One of the biggest issues was civil service reform. At that time the prime minister's office also worked with a group of economic advisors. It happened that working in this group were many talented people. Many of them started in the US and western countries, and they were very helpful for me.*

Somewhere among them, they raised this idea to make civil service reform. At that time, of course, before us, they delivered in many ways, and we started

experiencing stuff from many countries. Among them, New Zealand's reform experience was very attractive for us. First, the country of New Zealand had almost the same conditions as Mongolia. We started, and we made a new beginning. Since many years past, we still have not reached the goal.

HAUSMAN: I wonder if I could ask you a bit about how the civil service was when you first arrived in office. What were some of the issues and challenges facing it?

ENKHSAIKHAN: *When I came to office, before that time, the UN [United Nations] group tried to help Mongolia change the civil service. They also made many starting points. But when we came to office, we had their work, and we changed the direction of the changes. That's why I would say this work was done not by our people. It was also done by people before us, and many people participated in this reform process.*

HAUSMAN: Can you say a little more about the UN program and what it had tried to do, and how you changed directions?

ENKHSAIKHAN: *It was a long time ago. I don't remember. I know at one point it almost totally changed the direction. The UN people prepared one option. We accepted another option.*

HAUSMAN: What were some of the problems you hoped your civil service reform program would solve?

ENKHSAIKHAN: *In our program?*

HAUSMAN: In the civil service in Mongolia at the time, what were some of the biggest problems that you wanted to address?

ENKHSAIKHAN: *The main problem was, many people went from the state sector to the private sector, and of course the capacity of civil servants was increasingly dropped. The main problem was how to attract talented, experienced people into the civil service. It was, I think, one of the biggest problems.*

HAUSMAN: Any other problems?

ENKHSAIKHAN: *Also, civil service was untouched by—it was very politicized, and maybe 100% of civil servants were people with old party identifications. It created also many difficulties to change society. Ultimately, many civil servants worked not for the state, but for their own party. It was the mentality, the mentality from the past period. Of course, later it was necessary to change the situation.*

HAUSMAN: How did you go about choosing the plan for civil service reform?

ENKHSAIKHAN: *You ask very detailed things—it happened a long time ago, and after so many things happened [laughter], it is not easy to remember quickly, yes? But from that time, already more than 10 years have passed, and we still have not reached the goal. Because civil service in Mongolia is still politicized. Before we started, it was politicized by one party; now it is politicized by two big parties. It still creates problems for Mongolian society.*

HAUSMAN: I wonder if I could ask you how you formed a team to address these problems. How did you recruit the economic team that you mentioned earlier?

ENKHSAIKHAN: *At that time an economic policy support team was financed in the prime minister's office. It was also very helpful; this team always generated ideas how to make reforms and they provided us with information: what country is—what reforms are going on. USAID [United States Agency for International Development] financed the economic policy support team, and it was very helpful.*

HAUSMAN: Do you remember whether you considered options from other countries before deciding on the New Zealand ones, and which other options you considered?

ENKHSAIKHAN: *In detail, I can't remember, but before I asked—one option was prepared by the UN expert, and I remember one thing: we totally changed this option and we accepted New Zealand's option.*

HAUSMAN: Why was that?

ENKHSAIKHAN: *We talked about a lot of things. First, a country like New Zealand made [it so] civil servants can work as private [...]. Many people in the private sector work for themselves, and the attractiveness of New Zealand's experience was almost the same. You can work in civil service, but you can work hiring out interests, private interests. It was to put interests on a private basis.*

HAUSMAN: Create incentives?

ENKHSAIKHAN: *Yes, to create incentives like in private enterprises. It was one of the attractions.*

HAUSMAN: Was there anyone in particular on your economic team who was the main driver behind these reforms?

ENKHSAIKHAN: *I can name my economic advisers who were very helpful, especially Mr. [Sükhbaataryn] Batbold. He was very well educated and had a very wide range of knowledge, and he was, I think, one of the big pushers to make this kind of reform. Also I would name [...]; I don't know where he is working, but he was—he thinks in same direction as we think. It was very, very helpful.*

HAUSMAN: Let me ask you a couple of questions now about how you built support for the reforms. This can be a difficult process in many places. What kinds of individuals and groups could you rely on to back up your proposals for civil service reform?

ENKHSAIKHAN: *Of course, first, I was not president at that time. It was Mr. Ochirbat, and support from president's office was the first thing. The second thing is support from the majority in the parliament—at that time, the majority was the democratic coalition—to organize support from a majority in the parliament. We sent a lot of members of parliament to see New Zealand and to get information.*

HAUSMAN: Was it difficult to get the support of the majority of parliament?

ENKHSAIKHAN: *It was not easy. That's why we sent out many of them to the home country of these reforms.*

HAUSMAN: What were some of the other things you tried to gain that support?

ENKHSAIKHAN: *Now I don't remember. We did a lot of things.*

HAUSMAN: Any examples?

ENKHSAIKHAN: *As a politician, I used the situation. We started with—when I worked as Prime Minister in 1996, in one year we expected new presidential elections. Of course the majority, minority in the parliament want all candidacies to be in. I used this situation to promote these kinds of reforms among the majority and among the minority.*

HAUSMAN: Can you say a little more about that, how you used the prospect of the election to build support?

ENKHSAIKHAN: *I told candidates to write—to make these kinds of reforms in the presidential campaign program. My advisors on the economic policy support team also provided candidates with this information. They used this information for voters, and through them we got public support.*

HAUSMAN: Were those the Democratic Party candidates, or also the MPRP [Mongolian People's Revolutionary Party] candidates?

ENKHSAIKHAN: *Of course, yes. I used this situation, political situation. We expected the presidential election, and through candidates I got support.*

HAUSMAN: Did candidates from both parties support?

ENKHSAIKHAN: *Both parties, yes.*

HAUSMAN: What about—?

ENKHSAIKHAN: *For them it was interesting also to make speeches.*

HAUSMAN: So where did the opposition to the reforms come from in parliament? Did it come from one party in particular?

ENKHSAIKHAN: *No, from everywhere: from the majority, from the minority, especially from the majority. It was very difficult. One time you could say it was our own people, another time you could—to get support from your own people is very, very hard work.*

HAUSMAN: What was the cause of the resistance to these reforms? Why were people in both the majority and the minority against them?

ENKHSAIKHAN: *I think the main problem was understanding. It was too new a question, a problem for Mongolian decision-makers. It was difficult to understand deeply. I think the main problem was just personal problems.*

HAUSMAN: What sort of personal problems?

ENKHSAIKHAN: *We started even to send some members of the parliament to New Zealand to see the experience, and some people who were here also demanded to see New Zealand, and it created for us a problem. It was just personal. Nobody wants to understand just from papers. Everybody wants to go to see it there. It creates a big problem.*

HAUSMAN: How did you go about dealing with problems like that?

ENKHSAIKHAN: *We tried to send all the people who wanted to go to see, almost all. There was no other choice.*

HAUSMAN: You mentioned both sending people to New Zealand to see the reforms and telling the presidential candidates about the reforms. Were there other strategies you used to build support for them?

ENKHSAIKHAN: *One thing I also have to say: we even sent people to New Zealand, and when many of them came [back] to Mongolia, although they had opposing opinions, some people [had gone] to New Zealand [and seen not] a good experience but a bad experience. It also raised problems, questions, and discussions which prolonged our planned work a little bit. It was an interesting situation.*

HAUSMAN: Were there ways in which you used ideas from people who opposed parts of the reforms, or did you persuade them all?

ENKHSAIKHAN: *When people opposed, the easy way [was] to leave them—for the work [it was] good not to work with opponents, but to work with people who actually supported the main strategy.*

HAUSMAN: I asked this before, but let me go back and ask you again whether there were other things that you tried, in addition to the trips and the information you gave presidential candidates. Were there other strategies you used to build support?

ENKHSAIKHAN: *Civil service reform was not just one question, it was the main question. I used at that time—maybe it is a little bit different from this issue. We initially—our intention was to eliminate the import tax. We also used our president, and through our president we got the support of the majority. The majority in reality didn't want to eliminate the import tax. But politically for them it was necessary to support the candidate for presidency, and there was no way to support the candidate without eliminating the import tax. After the presidential election, we delivered a draft law to eliminate the import tax, and Parliament adopted this law, and Mongolia at that time became the first country which eliminated import tax.*

Because Mongolia is located right between two big nations, two big markets, our economy may be 80-90% dependent on imported goods, and import tax elimination was some kind of booster for economic reforms. I used that also to remember that political situation where this was proposed.

Concerning, not about reforms, but before, when we started democracy in market reforms: In the old regime we had one big organization, a state plan organization, a state economic plan organization. It was a big obstacle. Without the elimination of this organization it was difficult to make reform and originate this. At that time it was difficult to say: eliminate the state-run organization. It was very difficult to say. If you said OK, eliminate this organization, you lost support from the people.

At that time I worked as chairman of the Standing Committee of Economic Policy, and I chose a very different strategy. I put people who—it is a very personal question—people who can dissent from this organization, especially someone we then nominated as chairman of the Planning Committee. He was not an economist; he was absolutely an outsider. When he started as chairman of the Planning Committee, he made this organization dysfunctional, which was the kind of strategy to eliminate the whole state structure.

HAUSMAN: Who was that?

ENKHSAIKHAN: *It is a very personal question. At that time, we put at the head of the planning organization a microbiologist, who was a scientist, who was a very well known doctor. He is a microbiologist, and when he came to the planning organization he held the influence of this planning organization, which was very significant incorporated. It opened a chance to make reforms.*

HAUSMAN: Let me ask you again about civil service reform more specifically. Was it popular more broadly outside of Parliament, or was there significant opposition that you had to overcome in terms of the popular support as well?

ENKHSAIKHAN: *Now I don't remember the exact numbers, but about 10%, maybe 20% of the active population was involved, interested in civil service, in what is happening in civil services. I said it was necessary to get support from the president, from the majority, from the minority, from Parliament, also from governors in the provinces. Also it was necessary to get support from Sums [districts] in the administrative unit. There are now more than 300 Sums in Mongolia, and they are very crucial to the local population.*

HAUSMAN: How did you go about getting support from governors and so on?

ENKHSAIKHAN: *At that time, all governors of Sums were called to Ulaanbaatar, and we organized a big conference, and it happened for the first time in Mongolian history, first time all the governors from every Sum were together in Ulaanbaatar.*

HAUSMAN: When was that exactly?

ENKHSAIKHAN: *It was in 1997. It was the first time. Even today, I meet many people who work with the governors of Sums, they always comment to me and say it was wonderful. It was, I think, helpful for reforms.*

HAUSMAN: Can you say a little more about the conference, how long it lasted and how it was planned?

ENKHSAIKHAN: *I don't remember the details, but I remember that at the conference we told them what we are doing and why we are doing it. Then we opened the seminar for them, and we gave them a lot of information. I remember from the prime minister's office I would get a special present, gift. I remember I chose a watch. It is called [...] At that time it was very popular, especially among governors of Sums. It was just the start of reform, and even when today I meet with some governors they are carrying this watch and they are showing me.*

HAUSMAN: Did governors end up supporting the civil service reform, or was there opposition from them even after that?

ENKHSAIKHAN: *Emotionally they were very supportive. Because even the conference was called—the first time they came, many of them even hadn't seen the capital—and emotionally they were supportive, very supportive.*

HAUSMAN: Great. At the time, when you were planning the civil service reform, was there a time when you sat down and planned the process and the order in which things would be done, and who would be involved?

ENKHSAIKHAN: Yes.

HAUSMAN: Can you say more about how that happened?

ENKHSAIKHAN: *It was very detailed, very detailed. I don't remember about every detail. In my room we were sitting all together with my advisors, and we accepted what was planned on the paper. There was a list of questions, a list of work, and who was responsible everywhere behind. It was very detailed.*

HAUSMAN: In many places civil service reform efforts are seen as necessary to get donor funding, and others in the government are less enthusiastic about them. Is anything like that—or was anything like that the case here?

ENKHSAIKHAN: *You mean?*

HAUSMAN: I guess, to what extent did donors set the priorities, and to what extent did your government set them?

ENKHSAIKHAN: *Economic policy support then was very helpful. I remember it was by USAID. Also we got also some help from other organizations from other countries. I remember once we asked [...] to help, but I don't remember much to answer the question.*

HAUSMAN: If you could go back and do this again, would there be anything you would do differently?

ENKHSAIKHAN: *No, I think no, because it is not my choice, it is time's choice. At that time, first time, second situation. Every factor is pushed, and you have a certain space. We did in that space everything. That's what I think.*

HAUSMAN: If you had the chance to write a handbook for people in positions similar to those who were trying to put through civil service reform efforts in challenging environments, what kinds of topics would you consider most important, or what kinds of advice would you give to someone else?

ENKHSAIKHAN: *In the future?*

HAUSMAN: Someone in another country faced with a similar situation.

ENKHSAIKHAN: *That's difficult. Many years passed, and capacity building is very important, very important. Sometimes—at that time we fixed the salary of civil servants, and even in Mongolia we had a matrix, and we wrote what civil servant one, civil servant two, and accordingly what the salary is here, what the salary is there. To fix, to make this kind of matrix salary is a big problem; it is even not suitable in our thinking. We have to freeze salaries. I don't know how to freeze salaries, and if we fix it, it is a significant drop in incentives of civil servants.*

HAUSMAN: OK, thank you so much. Is there anything you'd like to add?

ENKHSAIKHAN: *No. Sorry, I don't remember.*

HAUSMAN: Thank you so much.