Institutional change in a transitional economy: the reform of economics higher education in Mongolia

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Abstract

This paper discusses the problems of implementing a European Union Technical Assistance to the Commonwealth of Independent States (of the former Soviet Union) (EU/TACIS) project to reform Mongolian Economics Higher Education with the ultimate objective of improving the process of economic policy making. It emphasises the importance of historical, economic and administrative context for the design and implementation of project activities. Project activities are reviewed and the problems of implementation discussed in terms of the aid relationship and the particular circumstances of transition economies. The paper concludes that, while the project’s immediate objectives in terms of curriculum reform have been achieved, the sustainable change necessary to deliver the central, long-term objective remains elusive. © 1999 Elsevier Science Ltd. All rights reserved.

Keywords: Mongolia; Economics; Higher education; Transition

1. Introduction

In late 1995 the University of Manchester became the lead institution for the delivery of the EU/TACIS project to reform economics higher education in Mongolia over the years 1996–1998.¹ This reform was centred on the chief institution delivering economics education in Mongolia: the National University of Mongolia’s Economics Institute, renamed the School of Economic Studies (henceforth the SES) during the course of the project. The general objectives of this project were:

To adapt higher education in the EI (Economics Institute) to the requirements of the free market economy by strengthening the teaching and analytical research capabilities of the EI in the field of economics and thus contributing to the qualitative improvement of the decision-making process relating to the implementation of Mongolian economic policy.

This was translated into a number of specific commitments, which included reform of the eco-
nomics curriculum for the undergraduate and postgraduate degrees on western lines and encouragement of a western research orientation in the institution. This paper focuses on the problems encountered in our efforts to implement these commitments, attempts a preliminary evaluation of the project and seeks to identify the crucial constraints on the achievement of its objectives. To our knowledge there have been no similar projects within the TACIS programme and no publicly available evaluations.\(^2\) In addition, although based on the specific experience of educational reform in Mongolia, the issues raised and problems confronted are of wider relevance to other projects involving institutional change within transitional economies.\(^3\)

The Schools of Education and of Economic Studies of the University of Manchester jointly provided the main educational and economics inputs for this project,\(^4\) which included attachments of Mongolian academics in Manchester and elsewhere, study tours by Mongolians and technical assistance by academics and administrators from Manchester. The project also established a full-time office in the SES to support project activities and provided resources to develop a library and independent learning centre. Finally, a network of modern computers with supporting general and econometric software and a radio modem link to the internet were purchased and installed to enhance the educational and research base. However, despite these concrete activities, it became clear that success, in the sense of effecting real, self-sustaining change so as to meet the project’s overall objective, depended on carefully implementing the activities within the particular historical, economic and cultural milieu of the host institution. The interaction between project activities and these contexts generated difficulties of implementation which form the substantive core of this paper.

A central factor was Mongolia’s severe poverty. Gross domestic product (GDP) per capita in 1994 was estimated at US$330 per annum (International Monetary Fund, 1996).\(^5\) Moreover, it continued to undergo radical institutional and structural change in conditions of severe macroeconomic instability and recession despite being 8 years into transition and after 70 years of communist government, far longer than any other country outside the Soviet Union. A related factor was the geographic and political isolation which left a twofold legacy. Although successive general elections indicate little evidence of a desire to return to communism, there was, nevertheless, some evidence that the speed and extent of economic and social dislocation since 1990 had fostered a desire to re-capture the certainties of the old system. On the other hand, it was clear that many Mongolians, particularly the young and those with some exposure to western education or culture, enthusiastically, but perhaps uncritically and naively, embraced new ideas particularly regarding political democracy and the role of the market. Tension between these competing views is a particular problem for educational reform of a subject with a large ideological dimension such as economics, and coloured the acceptability of the project’s objectives, in certain instances hampering implementation.

The problems of economic disruption and ideo-

\(^2\) An investigation of the TACIS website indicated only two possibly comparable programmes in the higher education sector. These were: The reform of the international management institute in Kiev; Curriculum development in the Odessa state maritime university. However, on further investigation there was relatively little overlap. In addition, there were no detailed evaluations publicly available. A similar inspection of the World Bank website failed to identify any curriculum reform projects in higher education.

\(^3\) The transitional economies, as they are defined by the World Bank (1996), are the formerly planned or command economies of central and eastern Europe, the Russian federation and the other republics of the former Soviet Union, and the Asian economies of Mongolia, China and Vietnam. Although very different, the Russian federation and its immediate satellites including Mongolia exhibit certain similarities, in part arising from the speed of their attempt to move to a market economy.

\(^4\) The project has a number of other components viz. English language development, administrative reform, distance learning and the development of income generating activities. These components are not discussed explicitly in this paper.

\(^5\) There is an unusually wide range of estimates of Mongolian per capita GNP of which the IMF’s estimate is at the lower end; Kim (1996) gives details. By contrast the United Nations Development Programme (1997) ranks Mongolia as a medium human development economy, which is based upon an inexplicably high estimate of GDP per capita.
logical dislocation are particular to the transitional economies. However, it was soon evident that the project’s success also required careful attention to the problems characteristic of all aid relationships. Specifically, the framing of the Terms of Reference (henceforth TORs) illustrated the difficulties of constructing a project where there was little cultural or linguistic common ground. The resultant imprecision and occasional ambiguity in the wording of objectives and activities and their translation allowed damaging debates to occur about the boundaries of project activities. Shared understanding of technical words across cultural and language barriers was difficult, reflecting the more general problem of generating ‘ownership’ of the project by the host institution. In addition, characteristic limits to absorptive capacity restricted the speed of implementation. These included the administrative limitations endemic in the bureaucratic legacy of a command economy and the internal politics of the institution, which raised barriers which careful diplomacy could lower but not eliminate.

The third essential context which constrained the project was that of the broad characteristics of the higher education system within which reform took place. Curriculum reform cannot be abstracted from the existing curriculum, teaching and learning styles and the educational level of students. These constrain the extent and, crucially, the pace of curriculum change.

2. The Mongolian context

2.1. The economy in general

Mongolia is a landlocked country, bordering on the Russian Federation to the north and China to the south, east and west. It is one of the most thinly populated countries in the world, with 2.3 million people in a land area of 1.6 million square kilometres. Poorly developed transport and communications systems have exacerbated Mongolia’s isolation, as has its political and economic history. Following the national revolution of 1921, the Mongolian People’s Republic in 1924 opted to follow the ‘non-capitalist road’ of development and to integrate its economy increasingly with that of the Soviet Union (SU) in an attempt to break out of its chronic economic backwardness (Sanders, 1987, Chapter 4).

Until the middle 1980s, the growth of the Mongolian economy was generally judged ‘robust’ (The World Bank, 1992, p. 4). Both the The World Bank (1994) and the Asian Development Bank (1994) estimate the annual average rate of growth of GDP at market prices for the period 1981–1990 (1982–1990 in the case of The World Bank) at 5.6%. Growth slowed after 1988 and become negative in the post-reform period. The World Bank (1992, p. 4) has argued plausibly that by this stage Mongolia’s capital-intensive, import-dependent, centrally planned economy had become incapable of self-sustaining growth. By the second half of the 1980s, Mongolia had reached the limits of its chosen model of development, constrained by geography, history and politics as well as the inward-looking heavy industry strategy of industrialisation. The economy depended overwhelmingly on the FSU for trade, financial and technical assistance, was dominated by largely unprofitable public sector enterprises, and was clearly unable to cope with the twin external shocks of the cessation of capital flows from the FSU (which had accounted for up to 30% of GDP) and the collapse of the Council for Mutual Economic Assistance (CMEA) in 1991 (The World Bank, 1992, p. 4).

In 1984 the fall of Tsedenbal, Mongolia’s leader for much of the post-war period, initiated an economic and political reform process (Gibbons, 1992), and in 1986 Mongolia launched a programme of political reform and economic liberalisation. Its broad aims were the acceleration of development, the application of science and technology to production, the reform of management and planning, greater autonomy for enterprises and a more appropriate balance between individual, collective and social interests. In general, these reforms were not successful and the economic and political situation did not improve (Gibbons, 1992, p. 2). Partly as a consequence, and no doubt influenced by the changes that were occurring in the SU, popular demonstrations in Ulaan Baatar in March 1990 led to the first multi-party elections 4 months later. The Mongolian People’s Revolutionary Party (MPRP)
won the election with 68% of the popular vote and pledged to turn Mongolia into a ‘market oriented economy’ and create a pluralistic society with new political and administrative structures guaranteeing fundamental human rights, democracy and freedom of information (Collins and Nixson, 1991, p. 3). A new Constitution was adopted in January 1992, and a second general election held in July 1992 with the MPRP retaining power. In June 1996 the MPRP (the former communists) lost power to an opposition coalition (the Democratic Union), which won 50 of the Mongolian Parliaments 76 seats (The Economist, 1996, p. 75). There has been considerable political turbulence since that election, with two changes of prime minister during 1998. However, all of the governments between 1990 and mid 1999 have remained committed to the creation of a market economy and the process of reform.

Since the implementation of orthodox ‘shock therapy’ policies in 1990 and the collapse of the Soviet Union in 1991, the Mongolian economy has undergone a painful transition. Gross domestic product (GDP) at market prices declined for four consecutive years (1990–1993 inclusive) leaving national income 20% lower, with exports and imports more than halved. Real private consumption per capita declined by a third and real investment fell by two thirds. Inflation reached 330% in 1993 (The World Bank, 1994). Although there has since been some improvement with positive growth between 1994 and 1997 of 2.3, 6.3, 2.4 and 3.3%, respectively, in 1998 the economy was still well short of its pre-reform level of income, and the problem of inflation had not been satisfactorily mastered.

The social consequences of ‘adjustment’ have also been dramatic. Official unemployment in 1994 was estimated at 8.5%. In 1997 it was 7.6% and expected to rise. However, the estimated real unemployment rate in 1997 was 17.9% (see Bolormaa and Clark in Nixson et al., 1999). Real wages halved between 1990 and 1992 and probably declined by a further third in 1993. They have not risen substantially since that time (Bolormaa and Clark, ibid.). According to official estimates, the proportion of the population living below the poverty line rose from 16% in 1992 to 26.5% in April 1994. The figure for 1997 still remains over a quarter of the population. Approximately one in every four poor persons belongs to families in which nobody is employed (Nixson et al., 1999).

Pain and difficulty were inevitable in the reform process in Mongolia, but they have been intensified, in the words of The World Bank, by the ‘severe external shocks’ applied to the economy. Mongolia was undoubtedly ill-equipped to deal with those shocks, but to focus on them alone is to neglect the internal dynamics of the transition process. It could be argued that since 1990 successive governments have pursued policies that have deepened the crisis brought about by the shocks and have further harmed the well-being of the population. The Government in 1990 preferred ‘shock therapy’ to a more carefully sequenced and gradualist reform process. This choice was the Government’s own, although perhaps influenced by foreign advisers: there was, for example, external technical assistance in drafting the privatisation programme and the law on direct foreign investment (DFI).

The Mongolian economy has thus suffered a number of self-inflicted wounds, including ill-defined or non-existent development objectives, inappropriate sequencing of the reform process, and hasty and ill-advised privatisation measures. Great weight has been given to the orthodox policy prescriptions of the International Monetary Fund (IMF), The World Bank and other institutions and individuals that represent the ‘Washington Consen-
sus’ and, arguably, too little attention has been paid to those who advocated a more balanced, and perhaps more cautious, approach to economic reform. Critically, Mongolia lacked a well trained body of indigenous economists able to provide alternative perspectives grounded in Mongolia’s specific historical and economic circumstances. The project to reform economics education in Mongolia was an element of the wider attempt to remedy this shortage.

2.2. The educational context

Until 1990, when total expenditure on education accounted for 17.6% of government expenditure and 11.3% of GDP (Wu, 1994, p.xv), Mongolia invested heavily in education. Between 1990 and 1992, government expenditure and education expenditure were cut by 57.6 and 56%, respectively. By 1993, the allocation to education had been reduced to 15.2% of the state budget and to 3.8% of GDP. Economies included halting capital investment in education, retrenching non-instructional staff, cutbacks in foreign financing of university students, inflationary erosion of real value of student stipends and charging tuition fees in post-secondary and higher education (Wu, 1994; International Monetary Fund, 1996).

Higher education has also been restructured. Before 1990 the Mongolian State University (renamed the Mongolian National University in 1992) was the only university in Mongolia, with eight other higher education institutions. Since then four other universities have been created and a number of specialised institutes once attached to particular ministries have become colleges (the Economic College, for example). In 1992 universities adopted new degree structures, and research, previously conducted by specialised institutes under the Academy of Science, was integrated with teaching in universities. For example, the Economics Research Institute of the Academy of Science merged with the SES. The State Planning Commission relinquished its control of university admissions and the setting of enrolment quotas (Wu, 1994, pp. 6–7; Bray et al., 1994).

Mongolia’s 10 years of primary and secondary schooling, which are the entry point to university, are not comparable to 11 or 12 years of schooling offered by many other countries. This limited secondary cycle curtails the curriculum, requiring higher education to make up for part of the shortfall. Total years of schooling for a Mongolian university graduate are thus at least a year fewer than for students in most industrialised economies, and the reform of higher education will eventually necessitate the reform of senior secondary education (Wu, 1994, p. 7).

Data about the educational levels across the country as a whole exemplify the prior attainment of undergraduate students entering the SES. In 1993 the United Nations Development Programme (UNDP) estimated adult literacy at 93% (United Nations Development Programme, 1997, p. 136). Enrolment rates in education were also high, with 98% enrolled at primary level, 85% at secondary level and 15% at tertiary level (Wu, 1994, p. 2). However, there is reason to believe that these levels may have been eroded in recent years, given the dramatic decline in GDP and in expenditure on education noted above. The effects of such huge shifts in educational expenditure and their impact upon students entering the SES are difficult to evaluate fully, but there is manifest evidence of the disruption that reduced funding has caused in the school system. Some local education authorities have been unable to meet the cost of heating schools in the intense Mongolian winter and have, therefore, closed them during the winter months. During 1994 a month long teachers’ strike precipitated the closure of virtually all schools in the country. Funds for teaching and learning materials have been negligible due to the prior claims on school budgets of teachers’ salaries, electricity, heating and transportation (Robinson, 1995, p. 5).

Undergraduate students, other than a very small proportion consisting primarily of the sons and daughters of Russian expatriates, have progressed to the SES from a centralised Mongolian curriculum determined at national level which contained no elements dealing specifically with economics or business. However, two developments were expected to change this situation. Firstly, the Education Law of 1991 leaves 25% of the school curriculum free for teachers and schools to shape at local level, which could result in economics or
business-related studies being offered in some local authorities. Secondly, there is now a national programme of in-service training on curriculum development and change for primary and secondary schools, part of which involves the creation of new curricula and learning materials in the area of ‘economics and society’, as part of a social studies course to be taught in secondary schools throughout Mongolia. Although the time for this course is limited to 18 h of classroom work, it means that undergraduates now entering the SES will have been introduced to some basic economic concepts such as inflation, unemployment and the relationship between demand and supply.

The Mongolian Government recognises the demands that the move to a market economy will make on the education sector. Two documents in particular—The Management Development Plan (1992) and The Mongolian Education and Human Resource Master Plan (1994–1998)—emphasise the importance of developing economic and managerial capabilities and making higher education institutions more autonomous, flexible and research-oriented (Raffo and Boldbaatar, 1996).

The training of economists at university level in Mongolia began in 1947 with the creation of an Economics sub-faculty within the Humanities Faculty of the MSU. A full Economics Faculty was established in 1950, separated from the MSU in 1959 and reintegrated in 1967. In the 1992 reforms, the SES remained within the newly named MNU and the former Economics College of Zavkhan in western Mongolia became a branch institute within MNU. When the project formally commenced in 1995, the SES comprised Departments of Economics, Management, Marketing, Accounting, Statistics, Computer Science, Banking and Finance, Mathematics, Foreign Languages and a Population Teaching and Research Centre.

The curriculum normally offered to undergraduate students at the SES is a 4 year course. The nature of the student experience depends to an increasing extent, as students progress from the first year to the fourth year, upon their choice of specialist areas of study.10

3. The nature of the project

3.1. The terms of reference

The full terms of reference of the project are not reproduced in this paper but the project’s general objective refers explicitly to the ‘field of economics’.11 However, Mongolian and Western understanding of this apparently unambiguous phrase differed sharply. In Mongolia, as in other transitional economies, a degree from an institution such as the SES traditionally represented a training for a specific career path, very often with a strong vocational element. This is true of all of the non-economics degrees within the SES. Since the demise of the institutions of central planning and state direction of industry, this is no longer the case in economics. Nevertheless, the characterisation of the subject as a skills-based training has remained.

The variety of degree programmes within the SES indicates that economics as a discipline had primarily a managerial, applied emphasis. As in other centrally planned economies, “… an ‘economics’ course did not cover extensively principles of economics, but rather topics normally covered in typical management or general business courses” (Vredeveld and Ispirodonova, 1994, p. 261; the quotation refers to Bulgaria). Mongolian expectations of a vocational emphasis may also have been raised by the fact that the sponsor was the UNDP Management Development Program. In strong contrast, western tradition conceives economics as a discipline developing a way of thinking which provides a general purpose introduction to a wide range of jobs, careers and professions with, typically, the skill-based content of such jobs acquired on the job or via professional organisations and post-degree qualifications.

This difference in the perception of the subject and, therefore, of the relevant boundaries of the project’s key objective led to considerable problems between what the host institution was legitimately expecting and what the providing insti-

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10 Specialist degrees are awarded in the following areas: Statistics; Accounting; Banking; Demography with Statistics; Economics; Finance; Information Science; Insurance; Management; Marketing; Tax.

11 Appendix A provides a synopsis of the project’s objectives, outputs and activities.
tution felt authorised and empowered to deliver. With hindsight, the failure to appreciate this ambiguity in the specification of project activities and outcomes at the initial, framing stage is, perhaps, not surprising. The long-term objective was quite clearly stated as “strengthening the teaching and analytical research capabilities of the Institute (the SES) in the field of economics and thus contributing to the qualitative improvement of the decision making process related to the implementation of economic policy” (emphasis added). The immediate objectives were that the SES should be organised to reflect the demands of a market economy, that it should be the leading provider in Mongolia of training courses and materials at both undergraduate and graduate levels adapted to the realities of the market economy, and that it should be “capable of providing high level economic policy advice and contract research activities to the public and the private sector that reflect the realities of the market economy”.

Ambiguity arose in the sections relating to project activities and outputs. These refer to assistance in revising syllabuses and curricula related to economics and management training, and to the availability of revised and operational syllabuses in economics and management training by the end of the project. The TORs no longer see the project as purely economics focused, and a possible conflict of interest arises between economics education per se and management. This ambiguity permitted a broader interpretation of the project’s remit by the Mongolians and generated a gap, for some parts of the SES, between expectation and provision which, initially at least, compromised the project’s credibility. For example, with management included, business education and training with other related skills such as accountancy arguably enter the picture. This avoidable dilemma arose from the historically and culturally bounded determination of the subject’s domain. However, the reasonable, albeit western, interpretation of the TORs was that this was primarily an economics project developing undergraduate and postgraduate curricula and research and consulting capabilities. The immediate objective was to provide a model of western good practice: the Manchester degree and its supporting structures furnished a legitimate template.

3.2. The Manchester BA(Econ)

The objective of constructing a market-oriented economics degree programme requires decisions about content and structure. Although it was realised that it risked accusations of the imposition of a possibly inappropriate and culturally specific model it was decided that the first stage was to be the formulation of first year courses in microeconomics, macroeconomics and quantitative methods, in line with the content and typical structure of first year course levels in British universities. Manchester University’s first year economics courses served as prototypes. Apart from the fact that the technical assistants were familiar with these courses, there was another strong reason for their choice: the BA(Econ) at Manchester is a general social science degree which draws students from a wide background, with a substantial proportion from overseas, who will proceed after their first year to an extremely varied range of specialisms, including economics, economic history, accounting, sociology, anthropology, government and social policy; it is also available to non-faculty entrants such as geographers and computer scientists and supports students studying for degrees in related subjects such as accountancy and finance. Given the wide range of courses and degrees in the SES which are fed from the core courses, it was considered that the Manchester model would offer a useful starting point, as well as providing an obvious grounding at an internationally acceptable first year standard.

3.3. Economic literacy

Before the Manchester model could be applied, it was necessary to assess the degree to which students entering the SES were familiar with funda-

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12 The re-formulation team were well aware of the criticism likely to emerge from this decision. However, the TOR was very specific: “… that economics teaching and research will be orientated towards mainstream economics similar to that taught at universities in western market economies.”
mental economic concepts. Accordingly, an economic literacy test (Soper and Walsted, 1987) was conducted with the first and second year students. It included 46 questions designed to assess the economic understanding of students with respect to basic macro, micro and international economic concepts, applying five of Bloom’s six original taxonomies—knowledge, comprehension, application, analysis, and evaluation.\(^{13}\)

A test which compared SES students with final year US high school students was deemed appropriate, since the first year at the SES is, as noted above, regarded as equivalent to the final year of pre-university schooling offered in the majority of western educational systems. The performance of SES students in some respects compared favourably with some categories of results obtained by US high school students.\(^{14}\) However, the progress of the SES students between their first and second years of study was evidently modest compared with US students’ progress between grades 11 and 12, suggesting that significant improvement in their economic understanding would be required if they were to reach international standards of attainment. Clearly the SES’s expectations that their first year students would match the economic comprehension of western school-leavers were not being realised. There were also significant discrepancies between the performance of students in different departments within the SES, suggesting that the establishment of a common core for all first and second year students at the SES should go some way towards reducing such large discrepancies. The conduct of the tests was less than ideal, but the results were judged to be significant enough to offer an aid to policy formulation on the project.

3.4. Delivery mechanism

The establishment of a Western style degree inevitably involves a considerable one-way transfer of information. However, a specific requirement of the project was that all changes must be negotiated, agreed and, indeed, owned by the SES and its staff. For this reason the establishment of the SES degree programme was conceived in terms of a dual process consisting of visits and meetings both in Manchester and Ulaan Baatar. Groups of Mongolian academics visited Manchester for, initially, 2 month attachments. Their brief was to observe, collect materials and interrogate the Manchester approach for both content and structure, and to undergo intensive English language training.\(^{15}\) These visits were supplemented by return visits by Manchester academics and administrators giving seminars to staff in Ulaan Baatar. These initial seminars covered administrative structures, degree structures, teaching methods, course content, examinations procedures, evaluation techniques and procedures and structures to support research and consultancy.

Logically, assistance in the early phases would concentrate on the reform of undergraduate courses in the first and second years, known locally as the foundation and core years, respectively. There was little point at first in reforming courses for the later years of students who would have started in an unreformed programme: as students proceeded through the course, the years concerned could be reformed on a rolling basis.

4. Issues in implementation

The implementation of the project met a range of difficulties in addition to the ambiguity which surrounded the term economics discussed in the Section 3.1 above.

4.1. Institutional issues of organization

A central issue in seeking to change behavioural patterns is the underlying culture of organizations (Handy, 1985, Chapter 7). After three generations under a command economy, with a key role played

\(^{13}\) The details of the questions asked and the quantitative analysis of the answers are available on request from Mr David Hall.

\(^{14}\) Rural students from US high schools scored substantially lower than SES students drawn from predominantly rural aimags—even though it might be expected that US students would score more highly because of the cultural specificity of the tests.

\(^{15}\) Language training at Manchester was supplementary to the (very successful) programme operating in Ulaan Baatar.
by a foreign patron state, the very idea of local initiative and innovation had become extremely stifled; moreover, there was no strong prior tradition of commercial ability and entrepreneurship. This shortcoming pervaded many areas of activity in Mongolia, with the result that for many members of staff in the SES there was an acute dilemma: they had been inculcated with an ethos of passive acceptance, simply doing what they were instructed to do, yet they were being enjoined to accept and implement a radical revision, from diametrically different foreign patrons, upsetting the received but now discredited wisdom of their past system. For the young staff, this was an opportunity, yet one for which they lacked experience; for the older staff, it was a threat, requiring that their experience, which would normally have been a valuable intellectual asset, be completely discarded.

4.2. Lack of collegiality

A specific but related problem which seemed to arise out of Mongolia’s particular experience as a transitional economy we identify as a lack of collegiality. This expressed itself in a variety of ways. There appeared to be very little staff involvement in the design of curricula as a whole. Course and curriculum development were determined in a strongly top-down manner. There was no mechanism equivalent to a formal faculty board, or even to specific departmental meetings. Without such arrangements, it was not clear how there could be systematic analysis of courses and curricula, with feedback on their effectiveness, student assessment, and a host of other central issues. In addition, staff members perceived their responsibilities very narrowly: they were to teach specific courses for which they were solely responsible, and in which their teaching contact hours largely determined their salary, and of which they were, understandably, very possessive. They could neither express general responsibility for the SES, nor for the individual development of students beyond their individual courses. Concern for teaching and examination standards had no means of expression, and neither could staff contribute generally to the rational structure of courses with appropriate progression towards degree combinations.

4.3. Resource shortages

An important constraint upon the teaching and learning strategies employed within the SES was a severe shortage of learning resources. The shortage of teaching and learning materials hampered both staff and students and acted as a brake upon internally generated curriculum development. The main problem was a shortage of Mongolian language-based materials which meet the needs of current economics and business courses. In banking, for example, Mongolian texts reflected the needs of a banking system set up to service a heavily planned economy with little or nothing related to a banking system in a transitional economy. Library facilities at the SES itself were especially poor with very small stocks of largely outdated Russian language texts. Although there was a severe shortage of modern Mongolian texts at the main university library, there was an adequate collection of up-to-date English language economics and business texts but unfortunately very few staff or students understood enough English to use them. It is not surprising, therefore, that an inquiry conducted amongst 87 students in the pre-implementation stage of the project established that only 33% of them claimed access to texts even when they were available. Again, some members of staff at the Institute had written short booklets including text and/or problem solving exercises which had been commercially published. These booklets, which had been written for particular courses and included some satisfactorily modern materials, were sold to students for a minimal sum. However, such booklets were available for a relatively small minority of first and second year courses.

The lack of suitable texts for staff and students was compounded on a number of occasions by simple shortages of paper, reflecting both national shortages of paper and restricted local funding. It meant that few handouts were made available to students at either seminars or lectures. A survey of 87 students drawn from all four undergraduate years revealed that only 16 of the 29 courses offered in the first semester provided formal study
materials. Often lecturers had written extensive notes on the courses which they taught, but were unable to reproduce them for distribution to students, so that much time in lectures was wasted as students copied down notes written on a blackboard or read out aloud by lecturers.

5. Issues in programmes and curricula

5.1. Course design

Seminars devoted to the content of core courses revealed serious problems about programme and course design. Investigation into the curriculum structure of the undergraduate programme at the SES revealed a number of anomalies. The total student contact time in terms of lectures and seminars varied from one specialist area to another, once students had completed their first year at the SES. The number of courses studied in years two to four varied from one specialist area to another. Progression for students from general to more specialised courses was not always clear and the structure of the undergraduate degree did not always offer students a clear progression from their earlier years towards more specialised study of a particular area in their later years.

5.2. Inappropriate content

There were several dimensions to this problem. First, it became quickly apparent that it was inadvisable to concentrate narrowly on some absolute western standard of content for introductory economics courses. The individual circumstances of Mongolia are such that a specific course about the characteristics and problems of developing and transitional economies is a necessary adjunct to any course on economic principles. In particular, the presumptions which the typical western student brings to their studies, for example, ideas of property rights, types of business structures, forms of banking organisation, are unlikely to be well grounded, at least for some years, in the typical Mongolian student. This has profound implications for courses based, as the SES’s micro and macroeconomic courses were, on standard western textbooks, relayed through lectures and abbreviated distributed notes.

Second, economics courses, and the replacements initially proposed by the SES, were uniformly too demanding, if measured against the content of equivalent courses at western universities. A similar problem was evident in mathematics, where courses appeared to be taught without reference to the needs or level of understanding of students taking the economic theory courses; and there appeared to be no means to rectify or even address this schism. The results of the Economic Literacy Test suggest that student background knowledge in economics amongst entering students was lower than in a western university, and that failure rates were extremely high in economics, suggesting a reduction in content, and an increase in context. In particular, the technical knowledge and technical skills required of career-track economists were more appropriate to second and, sometimes, third year undergraduates (corresponding to third and fourth years at the SES). Moreover, technical skill seemed to be regarded much more highly than any consideration of understanding, and there was minimal linkage to Mongolian circumstances. This resulted in courses in which there was only a very limited relationship between the exposition of economic principles and the Mongolian economy in practice. The mode of instruction, with a strong emphasis on lectures based heavily on foreign texts and multiple-choice assessment techniques, produced a very mechanistic form of instruction.\(^\text{16}\) Nonetheless, repeated suggestions that course content be reduced were strongly resisted. In part this may have reflected the direct linkage between contact teaching hours and salaries, which would suffer if there were re-structuring towards more self-directed student work. However, there seemed little concern that students’ abilities or workrate were legitimate constraints on course

\(^{16}\) The results of this were apparent in the second year microeconomics course. Despite the fact that the students in second year are arguably at about the same level as first-year British undergraduates, the texts designated for the SES course were far too advanced. In addition, it was questionable whether some of the theoretical structures being taught from these texts applied in the contemporary Mongolian context.
and programme design. In addition, the need to integrate courses into a coherent programme structure, involving the provision of materials and attention to student progression, met only limited recognition.\textsuperscript{17}

5.3. Pedagogic issues

The dominant approach to the learning process within the SES can best be described as a knowledge transmission approach to learning, which treated undergraduate students largely as passive objects in relation to their learning. The lecturers were the sources of knowledge which they passed on to students in both lectures and seminars. There was little opportunity for students to enquire, investigate or explore: instead the emphasis was very much upon the acquisition of knowledge. This can be characterised as the view that teaching is coterminous with learning, dispensing knowledge as some form of commodity. Factual dissemination was the dominant and preferred form of teaching. This approach to the learning process, combined with a severe shortage of materials which students could use to complement lectures, led to what might be described as a culture of undergraduate dependency in which students depended almost exclusively upon the knowledge imparted by their lecturers. This view is reinforced by survey results which indicated the impression of 66\% of students that their teacher’s lecture notes were probably sufficient for satisfactory progress on the course. This approach was strongly reflected in very high contact hours which left virtually no time for individual, small group or non-directed study.

Not surprisingly, the assessment system at the SES both reflected and reinforced the dominant model of learning. The emphasis was upon tests which sought to ascertain the knowledge acquired by students. Although occasionally there were tests with short written answers, examinations were typically either multiple choice or oral answers. There was little opportunity for students to write at length on particular issues or to be examined on investigations based upon their own research.

The dependence of multiple choice and oral questions meant that there was no second marking. Not surprisingly, there was no system of external examiners. The external examiner system is far from universally employed among western universities, and would be difficult to introduce at the SES (though not impossible); but the SES regime meant that courses were, in effect, hermetically sealed, and that the process of student assessment yielded hardly any practical feedback information as to student understanding, had no appeal procedure, and was potentially open to corruption. A more student-centred approach to examinations, and, implicitly, to course design, was discussed but met with much resistance and a certain misunderstanding. Problems in the area of assessment were particularly apparent in the economics courses taught at the SES. For example, the second year microeconomics course had the highest failure rate of all the SES second year subjects—about 25\%—and was said by students to be the most difficult course of the year. Such failure rates are not unknown in the UK, but they appeared more disturbing when the mode of assessment was examined.\textsuperscript{18} A course failure rate of 25\%, when a candidate could achieve the pass mark by chance plus careful attendance, was a cause for serious reflection and concern. It would seem that pressure for intellectual respectability was distorting the structure of courses beyond the appropriate level of student ability, and indeed beyond the level required to form a well-understood base for stu-

\textsuperscript{17} An example of this concerned the teaching of macroeconomics. While there were two microeconomics courses in the first 2 years, there was only one course in macroeconomics, given in the first year. The successor course was not offered until the fourth year, by which time most students would have proceeded to non-economics specialisations for which the second macroeconomics course was, in principle, preparing them.

\textsuperscript{18} Marks for the course were allocated according to the following proportions: attendance at lectures, 25\%; term-time multiple choice assessments, 25\%; examination multiple choice tests, 50\%. Multiple choice questions required students to choose one of four possible answers and the overall pass mark is 44\%. Thus a student who attended all lectures and gave random answers to multiple choice questions could expect to gain the following marks under the above headings: attendance at lectures, 25\%; term-time tests: 25\% × 0.25, 6.25\%; examination 50\% × 0.25, 12.5\%; total, 43.75\%.
ents, the majority of whom proceeded to non-economics courses later in their degree. To some extent, this was understandable given the paucity of teaching resources, especially textbooks in Mongolian, so that the appropriation of corresponding (and usually difficult) western technical texts was an easy expedient, conferring authority on the teachers but offering little to the students, who, as we noted earlier, had limited English and restricted access to the texts concerned.

5.4. Organisational structure, administrative limitations and quality assurance

It was evident that many of the problems of, for example, collegiality and pedagogy, arose from administrative limitations. The administration of the SES was very compartmentalised so that not merely were there serious problems of course design and delivery with inappropriate and ill-thought out progression, but there were also simple administrative failings which some elementary reorganisation could address. For example, some of the economics courses taught in the first 2 years involved significant duplication of lectures: they might be given by separate teachers to specialist groups of students who elected for different later specialisations. Although there was a problem concerning the availability of large lecture theatres—or rather their habitability because of financial problems of heating during the severe Mongolian winter—some rationalisation of these small duplicated lecture classes seemed most desirable, not least as a means to release resource for other teaching reforms that are desirable. Again, the prevailing salary structure was a disincentive to reform.

It was clear that without the reform of the administrative structure of the SES and the institution of mechanisms for quality assurance in teaching, there were likely to remain serious and central problems at the SES. In addition, the establishment of mechanisms which ensured accountability among the staff and responsibility to the university and society at large seemed a necessity. The role and composition of specialist subsidiary committees and boards which enhance collegiality was reviewed; in particular, the importance of undergraduate course and examinations boards in which the department as a whole vests responsibility was emphasised. A suitable structure of committees offering a forum for staff and for the development of policy is a pre-requisite for any such sense of community. Of course, nobody seeks a plethora of administrative structures but there did appear to be unfulfilled roles for a computer users’ committee, an examinations committee, a research committee and an overall faculty or school committee with inclusive membership, plus the possibility of departmental committees as appropriate, as well as a promotions committee if a formal structure for staff appraisal and promotion eventuated.

Human resource management also posed problems. As remuneration depended on teaching contact hours, with little or no reference to class size or nature of contact, the suspicion and misgiving evident in regard to teaching reforms which we broached was understandable. For example, combining lecture groups into larger sizes would reduce immediate remuneration, with no offsetting advantage to the staff concerned. The seriousness of this restriction is all the more apparent given the very low level of academic salaries in the Mongolian Republic. There were also problems for older staff, who had taught subjects under the old regime which were now outmoded, and found it difficult to adapt to the change of political and academic culture. In addition, there appeared to be no systematic mechanism for career progression. There was no recognised criteria of teaching, administration and research, linked to an explicit progression of grades of lectureship and professor, nor any formal method of assessment or appraisal of performance. The introduction of a variety of different methods of staff assessment and appraisal depending on the different objectives of the exercise were suggested and outlined: peer review; student course appraisal; appraisal by senior colleagues; comments from external examiners; and external appraisal including inspection by the funding ministry on the lines of the UK’s Higher Edu-

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19 These issues are to be addressed in a second project which will focus more specifically on university level administrative reform.
cation Funding Council (HEFC). Of course, all of these reforms required a restructured academic contract which was formally beyond the remit of the project. Nevertheless, reform of the academic contract seemed crucial if curriculum change was to succeed. The inherited structure offered no incentive to the teaching changes discussed above, and no incentive to innovation in teaching methods at large.\(^{20}\)

5.5. Research and consultancy

The inadequacies of career and salary structure compromised the SES’s express desire to foster a culture of research, since research appeared to be more or less unrewarded, and could reduce the lecture’s teaching time. Involvement in, and understanding of, research by SES staff seemed limited, and there was little acceptance that this would become an important staff responsibility. The formidable difficulties of adjusting to western patterns of thought, and the insulation of teaching from peer scrutiny, are probably even more acute for something as personal and exposed as research. More interest was evidenced in the discussion of administrative and academic structures than in the abstractions of research. Again, reform of the career and promotion path would seem to be a prerequisite for the establishment of a research culture. Nevertheless, some simple structures based on the perspective of an individual pursuing an idea to publication could encourage research activity. Progress to publication was depicted as an iterative process of presenting ideas at several different levels and in different media for critical response. An idealised progression from workshop, internal seminar, external seminar, conference and discussion paper before submission to journal, with frequent review and re-writing between stages, was adumbrated. Specifically, it was recommended that the SES should establish an internal and external seminar programme and a discussion paper series.

6. Other general issues

The absorptive capacity of the School of Economic Studies is limited and this constrained both the extent and rate of progress. For policy changes to be successful, there must be an effective mechanism of implementation, in which two critical elements can be found. One is collegiality, which fosters mutual support and improvement, to the benefit of individuals and the institution. The other element is the focus of principal–agent analysis, namely a system of information and incentives (Stiglitz, 1993, pp. 566–572). An effective system of rewards requires that the principal (the university) knows the value of the work done by the agent (the lecturer), and that the agent responds to the incentives made available to him/her by the principal, be they positive such as salary or promotion, or negative such as stagnation or dismissal. We have seen in the course of our analysis that there were severe limitations on the effectiveness of the principal–agent relationship in the SES. The measurement of teaching effectiveness was problematic, and the reward to academic ability and innovation difficult to administer. There was some evidence that staff took extra employment in order to supplement their low pay. If so, the internal incentive of salary was inevitably diluted by such outside earnings. At the upper end of the reward spectrum, incentives could become perverse: abler staff benefitting from the project by learning English, acquiring higher degrees, foreign contacts and research skills, becoming attractive targets for other employers. Thus there was a high staff turnover, with faculty members who had visited the UK and/or participated in the training seminars held at the SES moving to other institutions. This

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\(^{20}\) Many of our discussions came to focus on the mechanism, or rather the absence of such mechanisms, for quality assurance, as considered by the HEFC’s divisions of quality audit and of teaching assessment in the United Kingdom. The DQA systematically reviews, inter alia, the following issues in its institutional audits: institutional mechanisms for quality assurance: (i) mechanisms for quality assurance in the design, approval and review of programmes of study; (ii) mechanisms for quality assurance in teaching and learning, including the monitoring of student progress; (iii) mechanisms for quality assurance in student assessment and award classification procedures; (iv) mechanisms for quality assurance in staffing; (v) mechanisms for verification, feedback and enhancement processes; (vi) mechanisms for responding to views and feedback and disseminating information about subsequent action.
internal brain drain, especially severe after the new government came to power in mid-1996,\textsuperscript{21} may well be of social benefit in terms of the ultimate effects of the project (taking to other institutions changed attitudes and new skills developed in part through their participation in the project) but it carries private costs in damaging the achievement of the project’s immediate objectives. Moreover, the shortages of staff which high turnover betokens restrict the use of sanctions for poor performance, thus diluting the effectiveness of the principal.

There were a limited number of competent and committed faculty members with adequate English language capabilities. These were individuals who inevitably were already highly committed in the areas of activity (teaching, consultancy) and thus the time that they were able to make available for participation in the project was limited.

The absorptive capacity of the SES was also effectively limited by the lack of coordination (or indeed in some cases lack of cooperation) between the major donors. For example, other donors offered scholarships to central faculty members which weakened the ability of the project to train staff and ensure that they stayed in the host institution.

The aid relationship between donor and recipient also raised a number of issues. It has long been recognised that tensions can arise between donor and recipient with respect to, \textit{inter alia}, the interpretation of terms of reference, possible conflict of objectives, the balance between training and material/hardware inputs, and the more specific individual expert/counterpart relationship. While every effort was made to encourage recipient ownership of the project, each side evidently retained an agenda not wholly consistent with that of the other.

Such differences of view and interpretation can take surprising forms. Given Mongolia’s history, geography, institutions and poverty, one might question the appropriateness or usefulness of transferring western orthodox economic theory to be taught to Mongolian undergraduates. Yet, contrary to what might be expected, many of the Mongolian economists apparently seek textbook orthodoxy without the critical perspective! The seminars held in the SES considered a range of issues which were particularly relevant to Mongolian development—issues of market failure, the importance of institutions, the role of the state in the development process, the nature of market/exchange relationships, issues of entrepreneurship, competition and regulation in a post-privatisation economy, as well as discussions of economic development issues within the structuralist tradition—but these the audience often seemed to consider peripheral to mainstream analysis. This in part reflected a technocratic tradition within the former Soviet system of economic analysis, but also represented simply a switch from one orthodoxy to another without too much intellectual soul-searching.

7. Conclusions

In assessing any project, one needs to be aware of both proximate and ultimate effects of technical cooperation (Casson et al., 1986, Chapter 6). Proximate effects relate to the direct or immediate objectives (project outputs) in terms of trained personnel, the development of skills and increased institutional capabilities. Ultimate effects are longer term and are expected to result from project outputs. They are more difficult to evaluate and associate with a particular project because they often have the character of joint products with earlier or other activities. We would expect education sector projects, ceteris paribus, to generate particularly significant ultimate effects.\textsuperscript{22} Nevertheless, a number of clear conclusions emerge at this stage from our specific experience which moderate the achievement of both proximate but also, perhaps,

\textsuperscript{21} Several of the younger, enthusiastic members of staff in the SES left to take up positions in the new government or in the central bank.

\textsuperscript{22} Casson et al. (1986, Chapter 6) surveys the studies evaluating the effectiveness of technical cooperation projects in the education sector. It appears that projects dealing with curriculum and materials development are successful in achieving their planned results but poor at disseminating them through the educational system.
The administrative restructuring of SES was judged a success by independent monitors. Apart from its new name and legal status, there was a new director and a new system of job descriptions and contracts. New, participative committees were set up for planning; teaching; research and consultancy; and personnel. Course reformulation made much progress, and an Independent Learning Centre was promoting the use of learning packs for independent study. English and information technology instruction were proceeding well, and senior personnel had been appointed to manage the consulting and research functions, though there was much remaining to be done in those areas. Our judgement is that research and consultancy are inherently long-term issues. Research requires skills which will remain scarce until a cadre of staff with overseas research degrees can be assembled and retained. The major research output thus far is a text on the Mongolian economy that will be published in both English and Mongolian (Nixson et al., 1999). Consultancy was also problematic because there was no local tradition of consultancy enterprise in this area, limited knowledge of potential consultancy markets, and limited marketable skills. Areas for attention noted by the assessors included the master’s degree, which needed urgent restructuring, and strategic direction as a whole, for which a formal plan was needed. Notwithstanding their early fears which we noted above, the SES staff were said to be highly appreciative of the project.

In general, we observe first that project context is all important: in this we include historical, institutional, administrative and political dimensions. The characteristics of the transitional economy, its managerial and administrative peculiarities and the particular characteristics of the sector within which the project is located must all, as far as possible, influence the framing of the project document and the TORs. In our project, the TORs posed problems, obliging the participants to learn by doing. This is a common experience which cannot and should not be avoided. But there were structural factors, perhaps not identified either when the TORs were formulated or during the inception visit, which had a profound effect on implementation. With hindsight we can see how TORs might well have been formulated differently if project context had been more fully appreciated at an earlier stage, but intimate knowledge of context is often lacking in the early stages.

Second, the absorptive capacity of the host institution must be properly assessed. This conditions the initial planning of project activities and, crucially, the speed of implementation. However, absorptive capacity is partly determined by what we have referred to as the aid relationship itself, and by the dynamics that develop as the project is implemented. Managerial capabilities and commitment, in both the host and the provider institutions, the quality of leadership, and staff changes and turnover which affect leadership, all determine absorptive capacity. These factors were highly significant in our own experience; they all need careful and continuous monitoring as a project advances.

Third, the framework within which the receiving institution operates constrains what is feasible. Although this project was primarily within the SES it could not ignore conditions and changes occurring elsewhere in the education system. The overall education dimension had to be taken fully into account. In particular, reform of higher education cannot be treated in isolation from the curriculum and level of student attainment in the secondary sector. Nor can courses be reformulated and degree structures transformed without careful attention to the needs of an emerging market economy and the potential job markets which are likely to be generated. This poses taxing problems for providers, who cannot forecast the progress of the economy with any degree of certainty, and for hosts, some of whose staff may be wedded to old views of central planning while others embrace an oversimplified view of how markets perform.

The key proximate objective of our project was to enhance substantially the capacity of the SES to develop and sustain the processes of curriculum improvement and development, to introduce new programmes of study as appropriate, at both undergraduate and postgraduate levels, and to establish and develop its research and consultancy capabilities. As Casson et al. (1986, p. 208) point out, the
raison d’être of technical cooperation is to help the host institution towards a healthy self reliance. They further argue (Casson et al., 1986, p. 209) that self reliance has three dimensions:

- a general ability to determine knowledge needs that cannot be met domestically, to identify where such needs can be met, to know how to acquire this knowledge and how to adopt and use it at home;
- the ability to undertake domestic research, problem solving and problem formulation;
- the ability to sustain these capabilities.

A purely technocratic approach to the transfer of knowledge can help the achievement of proximate objectives and seemingly solve the ideological problem inherent in economics. We have argued above, from observation, that the Mongolians have tended to transplant one set of ideological certainties for another. The real challenge is to develop a critical approach to the knowledge that is being transferred with the ultimate objective being the development of a Mongolian SES that is able to go beyond narrow textbook models and develop a richer and more creative intellectual and scholarly environment and tradition.

For the project to be judged a success, it must achieve objectives which encompass ultimate as well as proximate objectives. Ultimate objectives are inherently more difficult to evaluate, since they extend far beyond the project boundaries. A university can be seen as an intellectual capital goods sector, able to reproduce itself and to supply key inputs to other sectors vital to the development process. Sustainability is the result of the effectiveness with which the project transfers knowledge and ensures its absorption by the host institution and also the concomitant development of capabilities. Proximate project objectives are met through the establishment of those capabilities, but ultimate objectives are only met through their further development, refinement and strengthening throughout the economy (Nixson, 1991).

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Appendix A

Project synopsis

Project title: Reform of economics education in Mongolia

Project no.: MG94.01/02/01/B003

Country: Mongolia

Project objectives

1. The EI to be organised in such a manner as to reflect the demands of a market economy;
2. The EI to be the leading provider, in Mongolia, of training courses and materials at BSc and Master’s level adapted to the realities of a market economy;
3. The EI to be capable of providing high level economic policy advice and contract research activities to the public and private sector that reflect the realities of the market economy.

Planned outputs

1. Administrative procedures in the NUM revised and documented for transfer to other institutes.
2. A strategic plan for the EI published and supported by a medium term marketing and financial strategy.
3. First year foundation courses operational in English and IT.
4. Revised economics and management course implemented in the first three undergraduate years.
5. Training workshops mounted by EI staff for
180 colleagues in CMDI and Zavkhan Economics College.
6. A functioning materials development capacity in the EI and first trials of distance learning materials for first year students.
7. A functioning research and consultancy service institutionalised.
8. Four papers on the economic transition in Mongolia accepted for publication in international journals.

**Project activities**

1. Trained administrative staff document revised procedures to support centralised records.
2. Strategic planning for the EI based on analysis of records.
3. Information Technology and English departments upgraded.
4. EI staff reformulate BSc and master’s courses and disseminate to other Mongolian institutes.
5. Economics and management staff supported in selecting, generating and trialling materials.
6. Assessment systems revised to monitor student progress and lay groundwork for distance learning.
7. Income generating activities mounted and documented to inform financial administration and planning.
8. EU mentors support five policy-orientated researches into the Mongolian economy.

Project starting date: 1/10/95
Project duration: 36 months

**References**

The Economist, 1996. p. 75.