

University of Applied Sciences



**VAN HALL
LARENSTEIN**
PART OF WAGENINGEN UR

PASTORALISTS AND CRAFTSWOMEN GROUPS IN MONGOLIA

Socio-economic viability of a chain network for handicraft production



A Research project Submitted to

**Van Hall Larenstein University of Applied Sciences in Partial Fulfilment of the
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Management of Development
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**By
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Best wishes for all of you,

Munkhbolor Gungaa
Founder of Tsagaan Myandas NGO

DEDICATION

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TABLE OF CONTENTS

ACKNOWLEDGEMENT	I
DEDICATION	II
TABLE OF CONTENTS	III
LIST OF TABLES	V
LIST OF FIGURES	V
LIST OF BOXES	V
ABBREVIATIONS	VI
ABSTRACT	VII
CHAPTER ONE: INTRODUCTION	1
1.1. Research background	1
1.2. Research problem	3
1.3. Research objective	3
1.4. Research questions	4
1.5. Research framework	4
CHAPTER TWO: RESEARCH STRATEGY AND METHODOLOGY	5
2.1. Type of research	5
2.2. Study Area	5
2.3 Research methods	5
2.3.1. Desk research	6
2.3.2. Field research	6
2.4. Selection of respondents	6
2.5. Data processing and analysis	7
2.6. Planning	7
2.7. Limitations	7
CHAPTER THREE: LITERATURE REVIEW	8
3.1. General features of Mongolia	8
3.2. Wool and Felt	9
3.3. Value chain	9
3.4. Gender and gender in value chain	10
3.5. Cost and Benefit	11
3.6. Producer organisations	12
3.7. Gender integrated organisational model (GIOM)	12

CHAPTER FOUR: ASSESSMENT OF EFFECTIVENESS AND EFFICIENCY OF THE FIBRE PRODUCER ORGANISATIONS	14
4.1. Fibre value chain analysis	14
4.2. Producer organisations analysis	19
4.3. Cost and benefit analysis.....	32
4.3.1. Costs	32
4.3.2. Revenue and value shares	35
4.3.3. Time and labour.....	36
4.4. Market for the craft products	37
CHAPTER FIVE: DISCUSSION	38
5.1. Fibre value chain	38
5.2. The producer organisations	38
5.3. Cost and benefit	39
5.4. Market for the craft products	39
CHAPTER SIX: CONCLUSION AND RECOMMENDATIONS	41
6.1. Conclusions.....	41
6.2. Recommendations.....	44
REFERENCES	46
APPENDICES	49
Appendix I: Price information of livestock raw material in Mongolia as of July, 2012	49
Appendix II: GIOM checklist	50
Appendix III: Business Case Features: interview with pastoralist organization(s)	54
Appendix IV: Summary of Case studies: Interviews with key respondents and informants ...	59
Appendix V: Photos.....	82

LIST OF TABLES

Table 2.1. Marital status of pastoralist and craft women	6
Table 2.2. Overview of the respondents	6
Table 2.3. Planning schedule of field research	7
Table 4.1. General features of the producer organisations	19
Table 4.2. Differences of the producer organisations	30
Table 4.3. Features of livestock type	32
Table 4.4. Fixed cost of pastoralist groups	32
Table 4.5. Variable cost of pastoralist groups	33
Table 4.6. Fixed cost of craftswomen groups	33
Table 4.7. Variable cost of craftswomen groups	33
Table 4.8. Cost price of shipping	34

LIST OF FIGURES

Figure 1.1. Research framework	4
Figure 2.1. Map of Altanbulag district, Tuv province	5
Figure 3.1. Value chain actors, supporters and context	9
Figure 3.2. Integrated organisational model.....	13
Figure 3.3. Quick scan model.....	13
Figure 4.1. Value chain map of sheep wool sales.....	17
Figure 4.2. Value chain map of sheep wool and felt carpet sales	18
Figure 4.3. Quick scan of effectiveness and efficiency of POs.....	31
Figure 4.4. Total costs of pastoralists and craftswomen groups.....	34
Figure 4.5. Value share per kg of sheep wool	36

LIST OF BOXES

Box 1.1. Felt blanket market.....	3
Box 4.1. The GIOM of the pastoralists groups	21
Box 4.2. The GIOM of the craftswomen groups.....	22

ABBREVIATIONS

CBA	Cost and Benefit Analysis
FDI	Foreign direct investment
GDP	Gross domestic product
GIOM	Gender Integrated Organisational Analysis
GiZ	Deutsche <i>Gesellschaft für Internationale Zusammenarbeit</i>
HNP	Hustai National Park
IUCN	International Union for Conservation of Nature
LLC	Limited Liability company
MNCCI	Mongolian National Chamber of Commerce and Industry
NASM	National Agency for Standardization and Measurement
NGO	Non-governmental organisation
POs	Producer organisations
SME	Small and medium enterprise
UNDP	United Nations Development Programme
UNDAF	United Nations Development Assistance Framework
VCA	Value Chain Analysis
WAMIP	World Alliance of Mobile Indigenous People
WWF	World Wildlife Fund

ABSTRACT

The research was conducted in Altanbulag district (suum in Mongolian language) central province of Mongolia. The overall objective of the research is to study the socio-economic viability of a chain network operated by pastoralists and craftswomen groups for handicraft production. Such viability could become a production model for alternative income source in rural areas. The research found out what is the effectiveness and efficiency of the producer organisations (pastoralists groups and craftswomen groups).

The research has been carried out through case studies with checklist questions and interviews among eighteen members of the POs including the pastoralists (men and women) and the craftswomen as well as ten other informants including chain actors, supporters, NGOs and donor projects. The Value Chain Analysis, Cost and Benefit Analysis and Gender Integrated Organisational Model methods have been used in order to gather data about the effectiveness and efficiency of the POs.

A secondary data on the concepts of value chain, gender in value chain, producer organisation and cost and benefit, which are relevant to the research problem, was reviewed. The findings based on the practice were compared to the theoretical concepts.

The findings showed that the POs are different with each other based on their geographic location (natural steppe area & suum centre), type of activity (animal husbandry & craft production), source of income (livestock & craft products) and status of women (married, divorced & widow). The POs are also different within each other: Some pastoralists groups are not only supplying unsorted wool to the traders but also processing it and making craft products. Some craftswomen groups have longer term plans than the others, who are working only for daily survival.

It was also found that the POs have limited organisational capacity which is related to that they do not know how to organise themselves as a business oriented chain network, which is referring to their effectiveness. They also have limited business orientation which is related to that they do not realise the market requirements in terms of consistency in product quality and volume and, poor financial administration in cost and benefit analysis, which is referring to their efficiency.

The findings also show that in general the importers in Europe are all positive and willing to obtain products from Mongolia. However, the buyers are reluctant to invest in development of new products due to uncertainties of the product design consistency and volume. Besides, the transport costs are relatively high and thus products are demanded to be very special in designs and quality.

The position of Tsagaan Myandas NGO is supporter in the current sheep wool and craft value chain. In fact it is also playing as an exporter's role through linking the POs to an importer Zishi Nomad Design LLC. Although the business transaction and information between the POs and the importer flows through the NGO, the money flows directly to the POs. In this gap, the NGO is not benefiting from the value chain. Then the challenge for the NGO is to get unit cost for its service from the producers in order to strengthen the market linkage for the POs.

Tsagaan Myandas NGO is in the middle of the producers and the importer as the linkage of the market and information. If the NGO does not support the POs, the POs will not get the market access themselves directly. If the POs do not supply adequate wool to the craftswomen, the craft production will not function at the level of the market demand. Therefore, when there is a model chain network between the producers, supporter, exporter and the importer with mutual benefits, there would be a win-win relation in the chain.

CHAPTER ONE: INTRODUCTION

This research focuses on studying the socio-economic viability of a network between pastoralists and craftswomen groups in rural Mongolia for export oriented value added production and processing of livestock fibre. As a representation of the livestock fibre, sheep wool was taken as a research example. The model could be extended to other fibres such as horse and camel hair. The gender dimension focuses on the traditional role of women in pastoral societies as raw material processors and how this role can contribute to empower them to face the challenges related to the backwardness of rural Mongolia.

1.1 Research background

Researcher

With commitment to support the pastoralists in Mongolia, I, the researcher, founded **Tsagaan Myandas NGO**, established in July, 2008, which aims to promote and protect nomadic art and culture, rural socio-economic development, sustainable livelihoods, and ecotourism, national and international cooperation and contribute to conservation of natural resources. The NGO has implemented development projects for pastoralist groups and craftswomen groups in Altanbulag soum (local name of district), Tuv province in Mongolia for poverty reduction and economic empowerment through linking them to international market since 2008.

Seeking for other organisations who could be interested in supporting the pastoralists in Mongolia and channelling their craft products to European market I was fortunate to find Mrs. Matthea Dominique van Staden from the Netherlands during my employment for Hustai National Park in 2006. Since then a relationship of mutual interest in cultural and commercial fields was built.

Partner organisations

As a result of it now **Zishi Nomad Design company** and **Foundation Made in Mongolia** based in the Netherlands are the partner organisations of Tsagaan Myandas. We share same vision on how to develop livelihoods of nomadic people, who are in risk of extinction.

Marketing and sales of felt craft products of the pastoralists and craftswomen is facilitated by the Zishi Nomad Design company. The company realised the craft products have not only business potential but also show uniqueness of Mongolian nomadic art and culture. And thus it opened a foundation Made in Mongolia in 2008. The foundation promotes the nomadic art and culture of Mongolia in the Netherlands. Considering this effort the founder of the company and the foundation Mrs. Matthea Dominique van Staden has been appointed as the Honorary Cultural Envoy of Mongolia in the Netherlands since 2010 at present.

Target groups of Tsagaan Myandas NGO in this research

As mentioned above the research focuses on two groups of people living in same geographic area in Altanbulag district or soum in Mongolian language. These groups were formed on volunteer basis by facilitation of Hustai National Park in 2004-2005. These as follows:

- 1) **Pastoralist groups** moving seasonally on natural steppe areas. The group names are:
 - a) Mongol Esgii
 - b) Bayansonginot
 - c) Tost
- 2) **Craftswomen groups** based in the soum centre. The group names are:
 - a) Mungun Savaa
 - b) Uran Shirmel
 - c) Altan Ugalz

Both groups (the pastoralists and craftswomen) are considered as **producer organisations (POs)** in this research.

1) The pastoralists groups:

The main source of income is the livestock (sheep, goat, horse, cattle and camel). The primary income is generated from meat and dairy products. The secondary income is generated from livestock fibre including cashmere from goat, wool from sheep and camel, hair from horse and leather from cow and yak.

Division of labour between men and women in any pastoralist society is sharp but complementary. The men are in the periphery of rearing livestock and selling processed products at market, and the women's position is central symbolizing as they are in charge of the tent or *ger* and processing raw material of livestock such as milk, meat and wool.

In the soviet time in Mongolia between 1921-1990, the livestock was state owned and the pastoralist men and women did not have ownership over it. At that time, the women's position was equal to the men's. When the transition from centrally planned to market economy taken place from 1990, the livestock was privatised and came under men's ownership. There is not paper evidence on who owns what. Since the men are considered as heads of households, women do have access to the resources but do not have control over them (Altanbagana and Chuluun, 2008).

In the pastoralists groups, women are married and are dependent on their husbands in income generating activities. However, a few women in these groups have some access to the wool and make craft products on small scale. They control the income from sales of the craft products.

Adding value to the sheep wool could be one of the substitute income sources in rural areas of Mongolia. It could play an important role in generating additional income in case of unpredictable natural condition *dzud*, which is extremely cold winter (- 40 to -50 degrees at night).

2) The craftswomen groups:

The women, who were former pastoralists, have moved to the soum centre following the decline of nomadic way of life as the first step of migration from the rural to urban area. Most of the women in these groups are belonged to female headed households. Most of them are divorced and widow. Few of them are married, but they face alcoholic problems caused by their husbands. Their husbands often do not have education and are unemployed. Due to lack of alternative income and high unemployment rate, now, these women are under the continuous threat of migration to bigger cities.

Adding value to the sheep wool for the craftswomen groups is not only efficient source of income but also it avoids from other side effects caused by forced rural to urban migration in Mongolia such as prostitution, alcoholism and poverty. Moreover, the dedication to make handicrafts links them to their traditional roots and provides special status as women entrepreneurs and cultural heritage keepers, generating a horizon of interest and hope to others in the same situation.

Mongolian wool and international market

The reason to choose sheep wool for the research is due to its exceptional quality is undervalued. Traditional resilience of pastoral community-cultural landscape systems is being affected by climate and socio-economic changes related to mining and goat-cashmere production activities which have led to a loss in resilience and further degradation of the rangelands, riparian areas, and water bodies (Altanbagana and Chuluun, 2008).

The reason of focusing on the international market is due to the local market for selling the crafts products is limited by tourist oriented souvenirs in small scale and it does not give significant benefit for the POs.

Moreover, the products made of Mongolian livestock fibre are accepted in 7200 ranges of goods on EU markets with import tax exemption (MoFALI, 2012). Therefore the value added fibre products have potential to raise the country's market share in the world.

Tsagaan Myandas NGO and Zishi Nomad Design LLC play important roles in linking the POs to the European market. There are potential business offers in the Netherlands to trade processed sheep wool. An example of felt product market in the Netherlands is shown in below box 1.1.

Box 1.1 Felt blanket market

Mrs. Ylvie Fros, director of Centre for Academic Art of Riding and Natural Horsemanship in the Netherlands has proposed to import horse blankets made of felt. Samples of the blanket were made by women members of Mongol Esgii pastoralist group in July 2012. The importer has appreciated the blanket quality and ordered 20 pieces more. The women are making the blankets now and it is expected that the quantity and quality would meet the requirement as the first samples (Own experience, 2012).



Photos. Felt blanket for horse

1.2 Research problem

Due to the condition of rural women, who are marginalised from opportunities of education, employment and equal status in decision making within the households, through Tsagaan Myandas NGO, I created an employment opportunity for the women in the two types of groups in Altanbulag soum. Although the women have started adding value to the sheep wool and earning income from sales of the handicrafts, the quality of the products does not often meet the requirement of the consumers in European market and it is causing them to lose the opportunity for more product order. The main problem is that they have limited **organisational capacity (effectiveness)** and **business orientation (efficiency)**.

1.3 Research objective

The objective of this research is to study the socio-economic viability of a chain network operated by pastoralists and craftswomen groups for handicraft production as a model for alternative income source in rural areas.

The research is intended to recommend strategies for the pastoralists and craftswomen groups to improve their export oriented value chain.

1.4 Research questions

1. What is the functional effectiveness of the POs?

Sub questions:

- What is the current situation of sheep wool and felt carpet value chains?
- What is the functioning of the pastoralists and craftswomen groups in the current value chains?
- What is the position of women and men in the pastoralists and craftswomen groups?

2. What is the economic efficiency of the POs?

Sub questions:

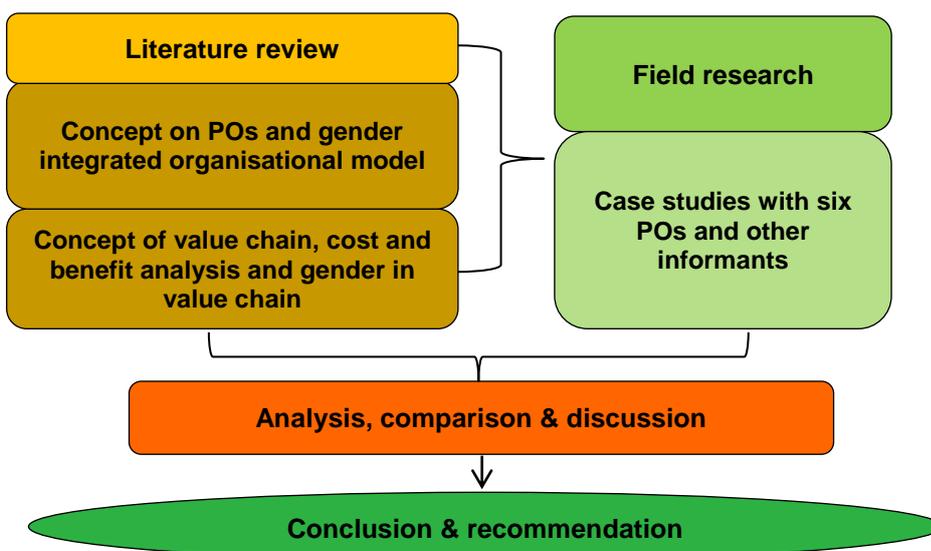
- What is the market for the craft products?
- What are the general variable and fixed costs related to the production and processing?
- What is the benefit and value shares from sheep wool sales?
- Who controls over benefits?

1.5 Research framework

Following research framework was designed in accordance with the research objective and the research questions. This framework will be used as guidance to this research.

The overview of the framework below (see Figure 1.1) is operationalized as the concepts of gender in terms of women's economic empowerment, value chain in terms of cost and benefit at processing and producing levels in the chain, and producer organisations will be studied through literature study and the main questions will be investigated by field research. Based on the conceptual framework and field research the data collected will be analysed using the tools of Gender Integrated Organisational Model (GIOM), Value Chain Analysis (VCA) and Cost and Benefit Analysis (CBA). In the discussion part, the data collected from real life and analysed will be compared to the literature study and that will lead to conclusion. As a result of the whole research a recommendation will be provided for the POs and Tsagaan Myandas NGO.

Figure 1.1. Research framework



CHAPTER TWO: RESEARCH STRATEGY AND METHODOLOGY

The research methodology covers type of research, study area, research methods, and selection of respondents, the data processing and analysis methods, planning and limitations.

2.1 Type of research

The approach of this research is based on data obtained from study of literature, documents and from internet sites and field research. The research is both qualitative in terms of organisational effectiveness and quantitative in terms of economic efficiency (cost and benefit, etc.) of the POs based on data collected from case studies.

2.2 Study Area

The research area focuses on Altanbulag soum of Tuv province (see figure 2.1), which is vicinity (70 km) to the capital city Ulaanbaatar.

The reason to choose this location of Altanbulag is based on its proximity to capital city Ulaanbaatar, where the researcher is resided, which simplifies transport issue both to conduct this research as well as to export the products.

Tuv province is one the twenty one provinces in Mongolia located in central part. Altanbulag is one of 27 soums (districts) in this province and it covers a total area of 417, 0 thou. ha with a population of approximately 3100 as of 2010.

The research was carried out in two locations. 1) Altanbulag soum centre, where the craftswomen groups live. 2) Buffer zone area of Hustai National Park, where the pastoralist groups live. Total 70% of the park territory belongs to Altanbulag soum. Distance between the pastoralists groups and the craftswomen groups location is around 30 km.



The primary economic activities of people in this soum are livestock keeping based on rotational use of pasture and the secondary activities are operating cheese factory, vegetable growing, sewing, felt making and community-based tourism.

Altanbulag district has approximately 80.5 thousand heads of livestock. Annually average 60 tonnes of cashmere, 500 tonnes of meat and 10 thousand leather are prepared and 100 ha field is used for growing vegetable (Socio-economic survey, 2010).

Figure 2.1. Map of Altanbulag district Tuv province
Source: adapted from <http://www.worldatlas.com/>. 2012.

2.3 Research methods

Two main methods were used for this research. These are: desk research and field research.

2.3.1 Desk research

A desk research, which provides secondary data about the concepts on producer organisations, value chain and women`s economic empowerment, was conducted before going to the field work.

2.3.2 Field research

The field research was carried out in case studies through interviews in two phases: 1) interviews from key respondents: pastoralists and craftswomen groups and 2) interviews from additional informants: chain actors, supporters, NGO staff and donor project officers.

2.4 Selection of respondents

The selection of respondents was based on:

- 1) Balanced participation of craftswomen and pastoralists: one woman and one man from each pastoralists group; two women from each craftswomen group. Additionally, a “bookkeeper” (one member who is charge of financial matter of the group) of each group: Total 18 people.
- 2) Limitations in special characteristics of Mongolia: road (bumpy and dust road), budget (cost for 4 wheel drive vehicles), location of people (due to high mobility of people and long distance)

The selection of the respondents was facilitated by the researcher`s network built during my previous employment in Hustai National Park for 4 years.

The current status of the respondents:

Table 2.1 Marital status of pastoralist and craft women

MARITAL STATUS	Married	Divorced	Widow
Pastoralist women	3	-	-
Craftswomen	2	5	2

Total 28 respondents including Board members (men and women) of 3 pastoralist groups (Bayansonginot, Mongol Esgii and Tost) and 3 craftswomen groups (Altan Ugalz , Mungun Savaa and Uran Shirmel) as key informants and chain actors (traders), supporters (Made in Mongolia foundation based in the Netherlands, Mongolian Agency for Standardization and Metrology (NASM), National Chamber of Commerce and Industry (MNCCI), Altanbulag district governor and Tsagaan Myandas NGO staff (Community development officer) as respondents were selected purposively. Some officers of donor projects funded by UNDP, WWF, Hustai National Park/HNP and GiZ were interviewed for additional information (See 2.2).

Table 2.2. Overview of the respondents

Key informants	Number of interviewee	Respondents	Number of interviewee
Bookkeeper of pastoralists groups	3	Trader/wholesaler	1
Bookkeeper of craftswomen groups	3	MIM NL	1
Women pastoralist	3	Altanbulag governor	1
Men pastoralist	3	Tsagaan Myandas NGO	1
Craftswomen group 1	2	MNCCI	1
Craftswomen group 2	2	MASM	1
Craftswomen group 3	2	Projects UNDP, WWF, HNP & GiZ	4
Total	18		10

2.5 Data processing and analysis

The information about the organisational model of the groups was analysed using the checklist with elements of the Gender Integrated Organization Model (GIOM). The checklist questions were developed adapting to this model and the features of the producer organisations.

Strengths, weaknesses, threats and opportunities (SWOT) of the POs were defined under the model. The GIOM is an instrument to assess gender issues by describing, analysing and diagnosing an organization from a gender perspective showing all the elements of an organization in an interrelated way. This tool provides for an in depth institutional and organizational analysis of gender units in respect of underlying gender strategy, structure, systems, procedures, staff policies management and culture (De Boer, 2000).

Gender sensitive Value Chain Analysis (VCA) tool was used in order to gather and analyse data about the current position of the groups and cost and selling prices of the products in the existing value chain.

The VCA is an in-depth value chain study with characteristics of analysis: **mapping** the whole range of activities: from production to consumption and **geographic coverage** for markets and trends at all levels (local, regional, national and international) (Laven and Eerdewijk et al, 2009).

The data about cost price of the raw materials and processed products was analysed with tool of Cost and Benefit Analysis (CBA). The CBA estimates and totals up the equivalent money value of the benefits and costs to the groups of projects to establish whether they are worthwhile (Hoekstra and Verschuur, 2010). The data about the cost price was found in limited extent due to availability of the bookkeeping details of the POs and thus the self-experience of the researcher was also contributed.

In order to define if the enterprise of the groups are worthwhile, the CBA method was used in combination of calculating the fixed and variable costs and the total costs.

The checklist - Business case features was used in order to collect information about the efficiency of the two groups.

2.6 Planning

Table 2.3. Planning schedule of field research

Week	Activities
Week 1, 2 & 3	Literature study & preparation for data collection
Week 4, 5, 6 & 7	Data collection (start an interview with respondents and then continue with key informants)
Week 8, 9, 10, 11 & 12	Data analysis and finalisation of the thesis report

2.7 Limitations

The pastoralist community members do not register the precise number of their livestock by the types (horse, camel, cow, sheep and goat) due to they do not count the heads regularly and avoid from report to the government. Therefore rough figure was found.

The data on annual turn-over of the communities was not found in details due to there was not adequate bookkeeping and the pastoralists avoid from working with papers than herding the animals.

CHAPTER THREE: LITERATURE REVIEW

This chapter elaborates general features in Mongolia, concepts of wool, felt, value chain, gender in the value chain, cost and benefit, producer organisations and gender integrated organisational model. Background information about the concepts was derived from literature study.

3.1 General features of Mongolia

In a geographical context, Mongolia's landscape ranges from taiga to desert through a variety of natural steppe subject to periodic variations in moisture and desiccation (Gumilev, 2009). Since only 10% of the total territory is suited for agriculture and only 1% of the arable land is cultivated with crops, livestock production continues to be crucial for the approximately 3 million of Mongolians scattered on territory of 1,5 million km². Mobile pastoralism is not only an essential part of Mongolia's cultural heritage, but also it is an adaptive strategy to get a certain horizon of food security under extreme climate conditions, where drought is a common place in this part of Asia (Altansukh, 2006). The mobile pastoralism is considered as the most extensive pastoral model. In practical terms it is related to a communal concept of land tenure and continuous use of tents as dwelling, as well as high disposition to mobility. They do not spend part of the year in settlement areas as transhumant and semi-nomadic pastoralists do (LPP, 2010).

Fratkin and Mearns (2003) noted that:

In a climate context, Mongolia has an extreme continental climate with long, cold winters and short summers, during which most of its annual precipitation falls. The most challenging time comes in winter, when the temperature falls until – 50 degrees at night. During this period the situation of the animals reaches at limit of survival. The most dangerous factor in winter is the unpredictable prevalence of *dzud*, extremely snowy condition in which livestock are unable to find fodder through the snow cover. It is one of the most serious disasters that affect rural population and animals in Mongolia. Due to the consequence of the *dzud*, in 2009 and 2010, there was a sharp decline in GDP. The economy, inflation, and household food security were further tested by the impact of this catastrophe.

In a socio-economic and historical context, the collapse of the Soviet bloc in the early 1990s drove to the dismantling of the pastoral collectives and the privatization of formerly state-owned livestock, coupled with severe economic hardship for those unable to benefit from new economic opportunities. It led to a dramatic reassertion of the importance of pastoralism within the Mongolian economy. Mongolian pastoralists continue to herd their animals on common pastures and enjoy constitutional protection of their land rights, supported by an evolving legal and institutional framework. However, a number of trends within and outside the pastoral livestock sector have combined to reduce livestock mobility, with the net result that future sustainability is by no means assured.

Mongolia rebounded quickly with surging commodity prices, and with on-going high levels of foreign direct investment (FDI) in the mining sector, which has made Mongolia now as one of the fastest growing economies in Asia. But the vast increase in FDI, mainly in the mining sector, and corresponding economic growth have not been harnessed sufficiently for poverty reduction, food security, job creation, and transfer of technology (UNDAF, 2011).

At present, hindering issues around the livestock fibre processing sector are the collapse of raw material procurement system, export of unprocessed raw materials, mainly to China and Russia, which are the geographic neighbours of Mongolia, domination of primary processing in the factories, obsolete techniques and technologies, weak competency in finished goods and no regulations in imports of similar and substitute goods (Luvsandorj and Khashchuluun, 2012).

3.2 Wool and felt

In the book of Mullins (2009), it clearly emphasized about the Mongolian wool and felt making. The felt making is seen as a community activity that only succeeds through the collaboration of several makers. In Mongolia, felt is a way of life. It forms the basis for the traditional lifestyle, holding everything together: the society figuratively and the ger literally. The Mongolians tie their tradition of felt making all the way back through Hunnu to Pazyrik. Felt has often served as a symbol of wealth and abundance in Mongolia, as seen in its use in the thirteenth century coronation ceremonies described by Plano Carpini. Felt would not lose its status as time went on, and during the seventeenth and eighteenth centuries, felt was the preferred currency for the payment of taxes in Mongolia, to be substituted with a horse only in the case of non-payment. Felt making is both the source and the venue for an entire ecology of Mongolian folklore and beliefs.

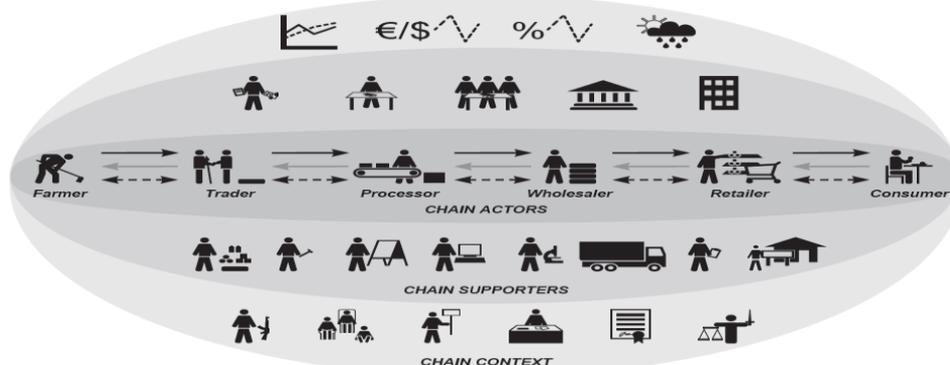
Carpets made of wool of Mongolian sheep are potential to raise the country's market share in the world if carpet industries shall be supplied by coarse wool of Mongolian sheep, and produce woollen carpets of modern design and style that can meet international customers' demand and interests (Luvsandorj and Khashchuluun, 2012).

3.3 Value chain

In order to understand the function of the pastoralists and craftswomen groups the value chain mapping is one of the effective tools to use. The indicators of the value chains are based on information on functions, actors, supporters and quantified data on selling price of processed and unprocessed sheep wool.

KIT and IIRR (2010) defined that a value chain is an entire system of production, processing and marketing of a particular product, from inception to the finished product. It consists of a series of chain actors, linked together by flows of products, finance, information and services. The value chain concepts combined value chain analysis and development for understanding of competitive challenges, and to identify vertical coordination mechanisms with the aim to improve access to markets and increase productive efficiency, while ensuring that all actors including the resource-poor benefit. This concept points out that products are produced through a sequence of activities carried out by different actors, who add value at every stage or function (see figure 3.1). Some important functions include producing, trading, processing, wholesaling, retailing and finally consuming.

Figure 3.1 Value chain actors, supporters and context



Source: KIT and IIRR, 2010.

The individuals or organisations that produce the product, or buy and sell it are called as the **chain actors**. The flows of finance, information and services are not limited to the actors.

Other individuals and institutions are also involved, surrounding the chain actors. These are called as **chain supporters**.

When a farmer sells the raw material to a trader, the **product** goes in one direction, and **money** goes in the other. In addition, the farmer and trader exchange **information** on quantity of the product and delivery terms. They also provide **service** to each other. It includes dry the products, sort and grade them, put them into sacks and take them to a convenient pick-up point.

Apart from the key functions of actors in the concept, there are also support functions, such as input supply, financial services, transport service, packaging and promotion (Roduner, 2007). Such support functions may be direct or indirect to actors at all stages in the chain and are aimed at enhancing value and profit share amongst actors for the proper functioning of the chain (KIT and IIRR, 2008).

According to Richter (2005): “*Value chain development considers all the steps of production process. It analyses the flow of product, actors involved and linkage among them. The analysis helps to identify strengths, weaknesses, opportunities and constraints in a value chain. It also takes into account market demands, buyer’s requirements, quality standards, and boundaries between the national and international chains*”.

3.4 Gender and gender in value chain

When supporting the economic empowerment of the women through value chain, the concept of gender should also be explained. Gender is defined by FAO (1997) as ‘*the relations between men and women, both perceptual and material. Gender is not determined biologically, as a result of sexual characteristics of either women or men, but is constructed socially. It is a central organizing principle of societies, and often governs the processes of production and reproduction, consumption and distribution*’.

Despite this definition, gender is often misunderstood as being the promotion of women only. However, as we see from the FAO definition, gender issues focus on women and on the relationship between men and women, their roles, access to and control over resources, division of labour, interests and needs. Gender relations affect household security, family well-being, planning, production and many other aspects of life (Bravo-Baumann, 2000).

The gender in value chain is argued by some researchers as follows:

UNIFEM (the United Nations Development Fund for Women) defines women’s economic empowerment as “having access to and control over the means to make a living on a sustainable and long term basis, and receiving the material benefits of this access and control”. This definition goes beyond short-term goals of increasing women’s access to income and looks for longer term sustainable benefits, not only in terms of changes to laws and policies that constrain women’s participation in and benefits from development, but also in terms of power relationships at the household, community and market levels (Carr, 2000).

When considering whether or not a woman have been economically empowered, it is necessary to consider the available opportunities for employment (both in formal & informal sector); opportunities for business; gaining of control on own/good income; gaining of valuable skills or capacity building and access to productive resources. Besides, economic empowerment also includes ways of enabling earned cash to be shared among the households; visible evidences of livelihood improvement resulting from the earned cash etc. (Scheyvens, 2000).

About empowering the women through the value chain development LPP et al. (2010) considers that promoting niche markets has the potential to enable women to gain entrepreneurial skills and earn money, and to raise their status in traditional societies. If

women can benefit more from what they were already doing on a small scale and get access to better markets, changes occur both in the chain and in gender relations.

Regarding the entrepreneurial skills for the women, capacity building for women is an essential step. Meaningful participation in value chains requires that women have skills, access to and control over resources, and are sufficiently confident to make decisions. From many different kinds of capacity building, business training can improve planning and financial management and agricultural training can raise quality and productivity. Capacity building strengthens and diversifies women's knowledge of each linkage in the chain, allowing them to become more independent. Because of discrimination in education and society, women may lack the technical skills they need to engage in value chains. Serving women is good for business and women (KIT and IIRR, 2012).

As suggested in the KIT and IIRR (2012) collective actions such as organising producer's organisation or self-help groups, in the case of the pastoralists and craftswomen groups, to be organised in the chain network would help individuals to meet their goals and speak with one voice to challenge inequality and advocate for change.

Furthermore KIT and IIRR (2012) noted that reframing the traditional role of rural women as a household caretaker to one as caretaker of business and the environment. Farming in an environmentally friendly way offers three types of benefits: 1) It conserves the environment. 2) It can improve farmer's incomes by reducing the cost of production and improving product quality. 3) Coupled with a gender program. It can promote gender equity. Helping women boost their economic activities expands their horizons in other aspects of society.

3.5 Cost and benefit

The research is concerning the economic activity of the POs and their position in the value chains and thus the cost and benefit as well as profit and loss analysis is one of the essential parts.

The concept of cost is much familiar and important in economics, which was introduced by Wallace, a British economist. In the words of Wallace, by cost of production "is meant the total sum of money required for the production of specific quantity of output, or in other words, cost refers to all the payment and expenses which are necessary to obtain the factors of production, land, labour, capital and management required to produce a commodity.

According to Hoekstra and Verschuur (2010): "for economic analysis it is necessary to relate technical knowledge of production to the costs and returns associated with production. If the farmer wants to run his farm as an economic production unit, his aim should be to produce output of which the total value exceeds the total value of the input. In that way there will be a profit. There will be a loss if the total value of the input is higher than the total value of the output. The total value of the output is called gross output and the total value of all input is equal to the total costs".

Total value output – Total value input = Profit or loss

Regarding the variable and fixed costs in the reader of Jan Hoekstra mentioned that input used on the farm differs; some input lasts for over a year, other input can only be used once. Some are for general farm use and others will only be used in one of the farm enterprises. For this reason the total costs are divided into two groups called variable and fixed costs.

Variable costs + Fixed costs = Total costs

Fixed (or overhead) costs which are not directly related to the amount of crop or fibre in this case produced on the land resources and they have to be paid whether anything is produced or not and include land rent, land taxes, loan repayments and living expenses. The fixed costs are all kinds of expenses which do not vary with rate of production or which do not depend on level of production, are known as fixed cost. Such cost is to be incurred even at the zero level of production or whatever the production level is but such cost is to be faced by producer. For example, if a producer wishes to establish a shoe factory, he has to meet certain expenses right from the very beginning, such as the cost of machinery, rent of the building, interest on capital, property tax etc. all these expenditures are known as fixed cost.

Variable costs, which are directly related to the amount of crop grown or fibre sheared in this case and so with the amount of variable inputs used. For e.g. vaccination of livestock, fencing or sheltering. The variable costs are costs whose volume varies with the rate of production. Variable cost increases as the output rate of a firm increases and decreases as the firm's output rate decreases. For instance, the larger the output of shoe factory, the larger will be the payment for labour, material, fuel, power, transportation services etc.

Total cost is the sum total of total fixed cost and total variable cost at each level of output. Mathematically total cost is given as $TC = TFC + TVC$

3.6 Producer organisations

Regarding the POs, Da Silva (2007) defined that *the POs are typically community-based, operating under community norms and values of social inclusion and solidarity. Members, and often employees, are drawn from the community, and the benefits of the organisation directly and indirectly support the community. This social embeddedness keeps transaction costs low, and creates a strong sense of ownership. POs in developing and transition economies often receive substantial support from external stakeholders, such as government agencies, donors and NGOs.*

As stated in the World Development Report (2008), it argues that the POs are a fundamental building block of the agriculture for development agenda by reducing transaction costs, strengthening bargaining power and giving smallholders a voice in the policy process.

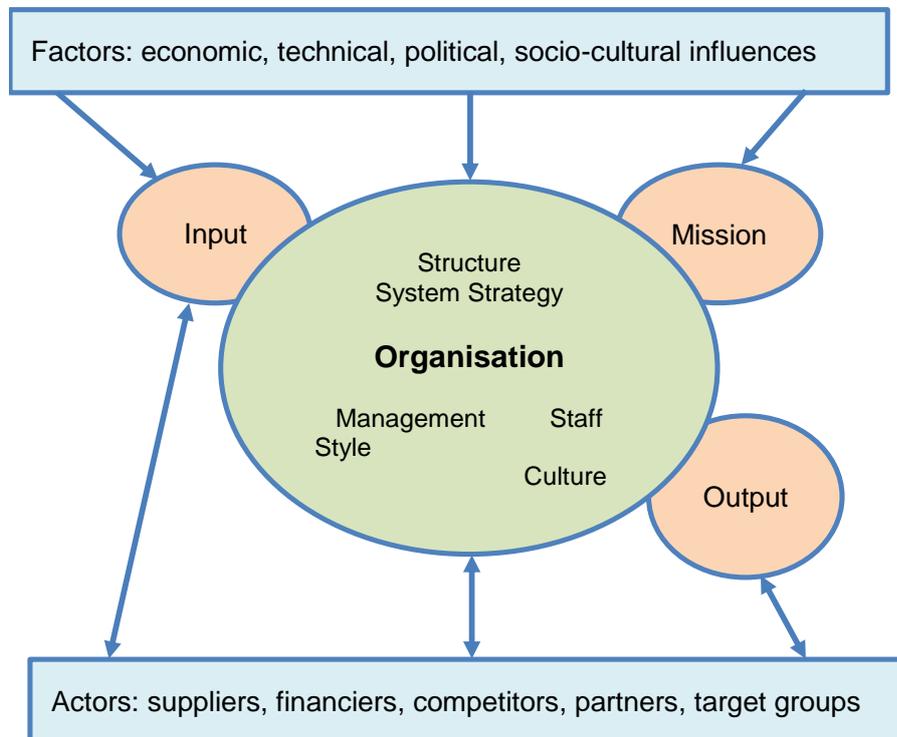
3.7 Gender Integrated Organisational Model (GIOM)

In order to understand how the POs are self-organised, the GIOM tool was adapted. The GIOM offers an overall tool to put the various elements of an organisation in their place, be it a government department, a non-governmental organisation, a local government, a people's organisation or a private enterprise wherever in the world. However, it is an overall model, and instead of seeing it as a tool, one might rather refer to it as an organisational concept. By applying the IOM from a gender perspective one can assess gender equality in organisations. The IOM consists of 5 external components and 6 internal components (See figure 3.2). The **external components**, mission, outputs, inputs (together called the external organisation), factors and actors (together called the institutional elements) describe the environment of the organisation or have strong relations with this environment. The **internal components** describe the internal choices (MDF, 2004). This means the explorations are made on the inside, strategy, structure, systems, staff motivation policies, management styles and culture as well as the way in which the organisation responds to its institutional context by addressing specific issues related to gender. Therefore a gender integrated tool to analyse organisations is applied (De Boer, 2000).

Reviewing the most obvious facts concerning all elements can provide a first identification of strengths and weaknesses and the opportunities and threats of the organisation (SWOT) The

model also shows the relations, between Mission-Input-Internal Organisation-Output (MDF, 2004).

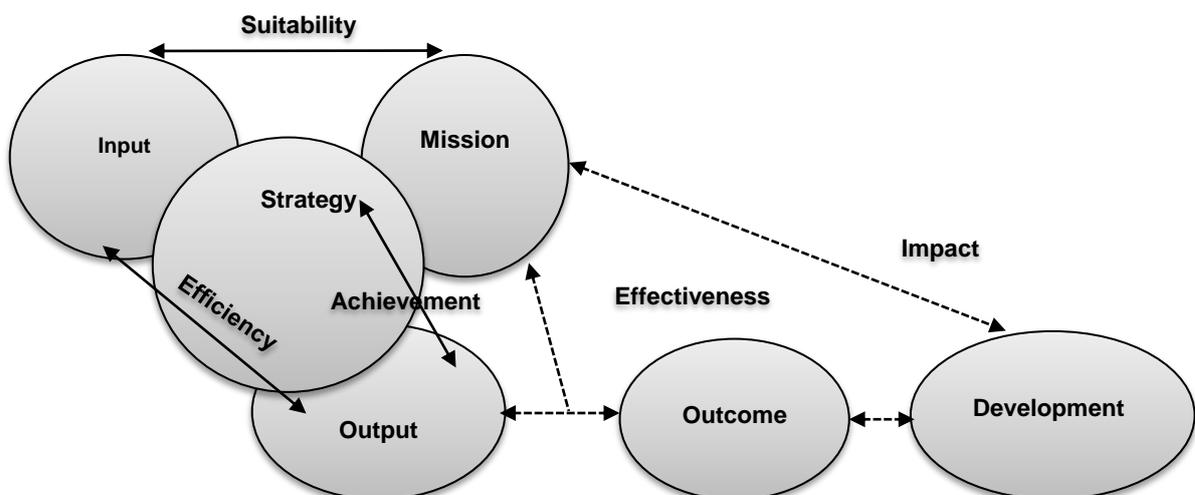
Figure 3.2 Integrated organisational model



Source: MDF, 2004.

The GIOM tool was used to analyse the producer organisations in terms of effectiveness and efficiency with help of Quick Scan model in reconciliation with the analysis of cost and benefit. The Quick Scan model is also known as External Organisation Analysis that looks at the GIOM elements at the borderlines of the organisation and its link with the environment (MDF, 2004). Following figure 3.3 shows the model of the Quick Scan.

Figure 3.3 Quick scan model of effectiveness and efficiency of POs



Source: MDF, 2004.

CHAPTER FOUR: ASSESMENT ON EFFECTIVENESS AND EFFICIENCY OF THE FIBRE PRODUCER ORGANISATIONS

This chapter reflects the research findings and analysis based on the field work and the literature review in accordance with the research questions.

4.1 Fibre value chain analysis

The current situation of the sheep wool and felt carpet value chains was analysed based on the interviews with the key respondents and additional informants.

The functioning of the pastoralists and craftswomen groups in the both chains was analysed in accordance with the information provided by the group members.

The position of men and women in the chain and in the groups was also analysed through the interviews with the female and male members of the groups.

According to the findings, the position of the pastoralists and the craftswomen groups in the current value chains is shown in figures 4.1 and 4.2. The research looked at the production and processing level, where the pastoralists and craftswomen are the main actors. In the chain maps, selling price of the sheep wool and felt carpet is also indicated. Furthermore, the value chain maps show the labour and control of the men and women.

Here, two different value chains are shown in figures 4.1 and 4.2.

- Figure 4.1 shows the current value chain of the sheep wool. The pastoralists groups are mere suppliers. The wool is sold to Mongolian and Chinese traders. The value addition process is operated mainly in China.

The main findings and analysis on the sheep wool chain are as follow:

1. Mainstream of the sheep wool flows to China and the Chinese factories add value and market the finished products in EU.
 2. The pastoralists groups are the suppliers of the wool to the traders. Both men and women are the labourers in shearing the wool. But, men deliver the wool to the traders and control the cash. Between 70% - 80% from total shared wool (approx.1000 kg wool is sheared per HH) unsorted wool is sold to the traders.
 3. The selling price of the unprocessed wool is EUR 0,26 per kg. The pastoralists do not need to sort the wool. The sorting, diversifying and value addition is done at the function of processing in Chinese factories.
 4. Current policy of the Government of Mongolia supports more to export the animal fibre than adding value to it.
 5. The pastoralists get loan from the banks to cover costs until the shearing season starts.
- Figure 4.2 shows the current value chain of sheep wool and felt carpet. The pastoralists groups are also the suppliers, but they assume a primary processing task obtaining already some value addition. The sheep wool processed by the pastoralists is supplied to the craftswomen groups. The craftswomen groups process and add much more value to the sheep wool transforming this processed wool into the high quality handicraft items. The products are sold at European market.

The main findings and analysis on the both sheep wool and felt carpet chain are as follow:

1. Some women in the pastoralists groups also make felt carpet and sell them directly to Zishi Nomad Design LLC. The selling price of the carpet to the retailer is EUR 80,00 per m². However, their volume of production is less due to their tasks related to animal husbandry consume much time. The women are skilled in traditional way of

- making felt products. If they make felt carpet, the quality is appreciated by the consumers. If they make new design products, the quality of the products are uneven.
2. The craftswomen groups work for full time on the carpet production. The volume of the production at the craftswomen groups is higher than the pastoralists groups. They produce 10-15 carpets per year with average size of 3x3m². The quality of the products is different between the three groups depending on their expertise.
 3. The women in both craftswomen and pastoralists group control over the income generated from the carpet sales.
 4. Both men and women pastoralists are the labourers in the function of production. They shear the sheep wool together. But, men deliver the wool in selling price of EUR 0,26 per kg to the processors and control over the cash. Between 20% - 30% from unsorted wool (approx. 1000 kg wool is sheared per HH) is used for the processing.
 5. Tsagaan Myandas NGO is doing business transaction between the POs and the importer. The NGO charges 30% commission (EUR15,0 from 1m²) from the importer for each product unit. It is functioning as the supporter to both groups linking them to the market and sharing information with Zishi Nomad Design LLC. The NGO keeps direct information flow with the producers and the importer. The producers have direct money flow with the importer.
 6. The export products require certificates of origin and conformity that are issued by MNCCI and MASM.

Chain actors

In the sheep wool value chain (figure 4.1) the pastoralists groups are in the position of the fibre producing suppliers. This is the current value chain of the fibre in Mongolia, where the pastoralist groups sell the wool in raw form at only EUR 0.26 per kg to local traders. The local traders resell the wool to Chinese traders by EUR 1, 00 per kg.

The figure 4.2 is the sheep wool and felt carpet value chain, where the pastoralists groups are supplying the wool at the same time processing it themselves and selling the value added crafts products to European market. Besides, in the chain, the craftswomen groups are also the actors as processors of the wool and sell the products to the same market in Europe.

Gender in the value chains

Among the pastoralists they sell the fibre to the traders and the money is controlled by the men. When the wool is processed and crafts are produced, the women receive the money themselves. The women are empowered through making the craft products. It shows that not only adding value to the wool but also supporting the economic empowerment of women.

In the production and processing stages of the chain, both men and women play an important role to shear the sheep, collect the wool, pack and deliver it to the traders and craftswomen groups for further processing. The men are responsible for packing and transporting the raw material to the traders. The women are more responsible for shearing and collecting the wool. The pastoralist women, according to the chain map 4.1, process the wool on small scale and sell the craft products to the European market as the craftswomen do. They also use the wool for their household purpose such as felt hides and belts for the tents (so called *ger*) and carpets. The women in the pastoralist communities are skilled in traditional method of processing the fibre whereas the women in the soum centre are more specialised in sales oriented processing. It is evident that the craftswomen groups in the soum centre are the main source of labour for the production and processing of the fibre and they control their resources themselves.

Zishi Nomad Design LLC

Zishi Nomad Design based in the Netherlands plays an important role as an importer (figure 4.2) of the felt craft products to the European market. It places the product order to the

producer organisations and Tsagaan Myandas NGO facilitates to link them and logistic arrangements for payments and shipments.

Chain supporters

In the first chain, the Government of Mongolia supports the export of the raw material to China with low cost since there is no processing industry in the country.

The banks such as Khan and Xac are the main credit and loan providers. They get the loan in order to pay for urgent fees such as tuition fee for their children, purchase of inputs and run a small and medium business.

Hustai National Park supports the pastoralist communities, which are located in its buffer zone area, in a way of providing employment as the park rangers, purchasing pastoralist products for its tourist camp restaurant, sending tourists interested in nomadic lifestyle and promoting the pastoralists for nature conservation and alternative income generations. The Park has also support to the craftswomen communities by facilitating to get grants of improved equipment for wool processing, work place and marketing the products at its tourist camp shop.

In the second chain, Tsagaan Myandas the NGO is the support organisation for the POs. The POs do not have direct link to the European market themselves due to the barriers of language, logistic arrangements, far distance and so on. Therefore all the logistics and marketing of the products are assisted by the NGO. Tsagaan Myandas is the non-profit organisation with aim of helping the rural economic development and nature conservation and it is playing an important role to link the POs to the market until they become self-organised and independent.

The National Chamber of Commerce shows its support legally to ship the livestock origin products by providing a certificate of origin whereas the Mongolian Agency of Standardization and Measurement issues a certificate of conformity.

The banks also provide a credit for the POs to run their small and medium businesses. The Xac bank offers micro-credits for starters and the protection of the natural environment. However, the local people, particularly, the women have limited capacity to access business loans and micro-credits do not allow to develop viable export oriented businesses.

Flow of products, money, information and services

When the producer organisations sell the **products** to the trader, the product goes in one direction and money goes in the other. This exchange is repeated at each stage in the chain. (See figures 4.1 and 4.2. The black arrows from bottom to up represent the product and the green arrows from top to bottom for money).

All the actors from supplying to wholesaling stages exchange **information** on quantity of the product, quality requirement, delivery terms and price bargaining. The pastoralists provide **service** to the traders on sorting and grading the product, packing it into sacks and transporting in to purchase centres. In both figures 4.1 and 4.2 the information and services are represented by the dashed arrows.

Figure 4.1 Value chain map of sheep wool sales

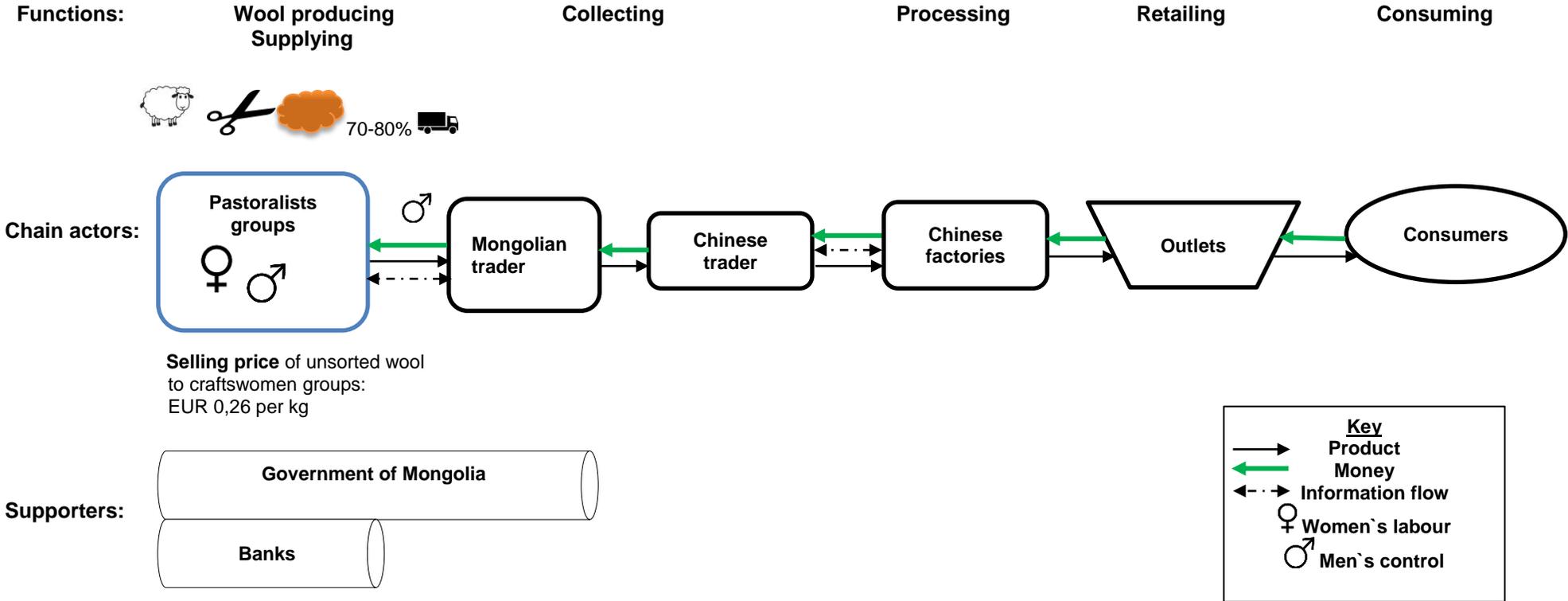
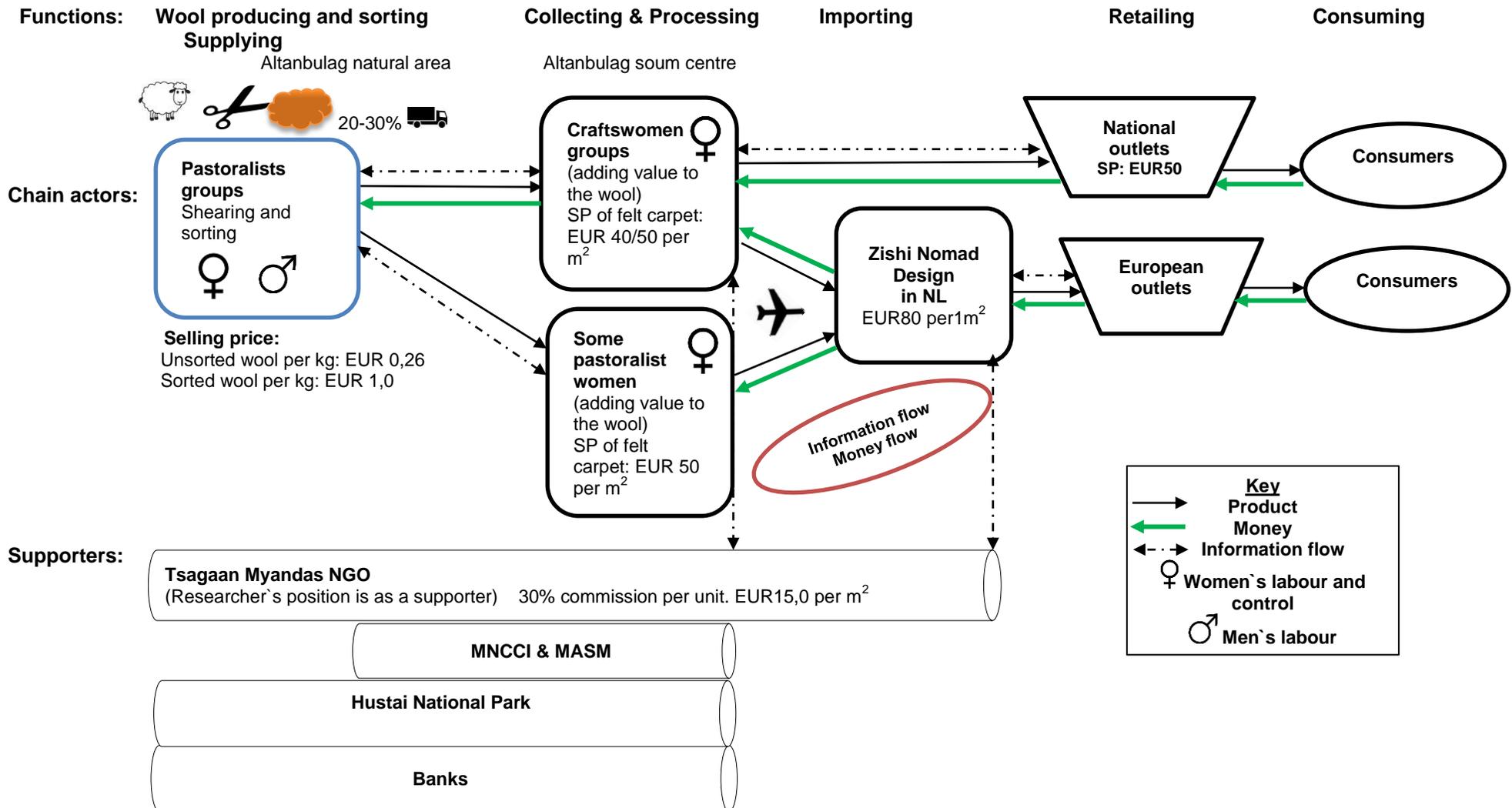


Figure 4.2 Value chain map of sheep wool and felt carpet sales



4.2 Producer organisations analysis

In this section general features of the POs and the position of women and men in both types of the groups were analysed based on the data collected with help of the GIOM checklist.

Strengths, weaknesses, threats and opportunities (See boxes 4.1 and 4.2) as well as similarities and differences (See table 4.2) of all groups were investigated. The similarities or the common features of the groups are found in their mission, input and output. The differences between the groups are found in features of the community structure, system, strategy, management style, staff and culture.

The effectiveness and efficiency of the producer organisations were also analysed by the Quick scan model with link to the GIOM.

Following matrix in the table 4.1 shows general feature of all six groups in terms of year of establishment, location, number of members, women and men in the Board and leadership, number of livestock, product differences and turn-over of 2011.

Table 4.1. General features of the producer organisations

Features/POs	Mongol Esgii	Bayansonginot	Tost	Mungun Savaa	Uran Shirmel	Altan Ugalz
Type of groups	pastoralist	pastoralist	pastoralist	craftswomen	craftswomen	craftswomen
Year of establishment	October 2004	October 2004	March 2005	August 2004	March 2005	June 2008
Location	Altanbulag in buffer zone of national park	Altanbulag in buffer zone of national park	Altanbulag in buffer zone of national park	Altanbulag soum centre	Altanbulag soum centre	Altanbulag soum centre
Number of members	10 HHs	7 HHs	9 HHs	5 HHs	5 HHs	6 HHs
Number of women in Board	3/10	2/7	2/9	5/5	5/5	6/5
Number of men in Board	7	5	7	-	-	-
Leadership (male/female)	Male	Male	Male	Female	Female	Female
Income source	Livestock and felt products	Livestock and CBT	Livestock and CBT	Felt products (carpet)	Felt products (carpet)	Felt products (slippers)
Number of livestock	500 - 1000	300 - 1000	300 - 800	n/a	n/a	n/a
Volume of wool processed per year	200-300 kg	100-200 kg	100-150 kg	200-400 kg	150-200 kg	100-200 kg

Remarks: *HHs – households; CBT - community based tourism & n/a – not applicable

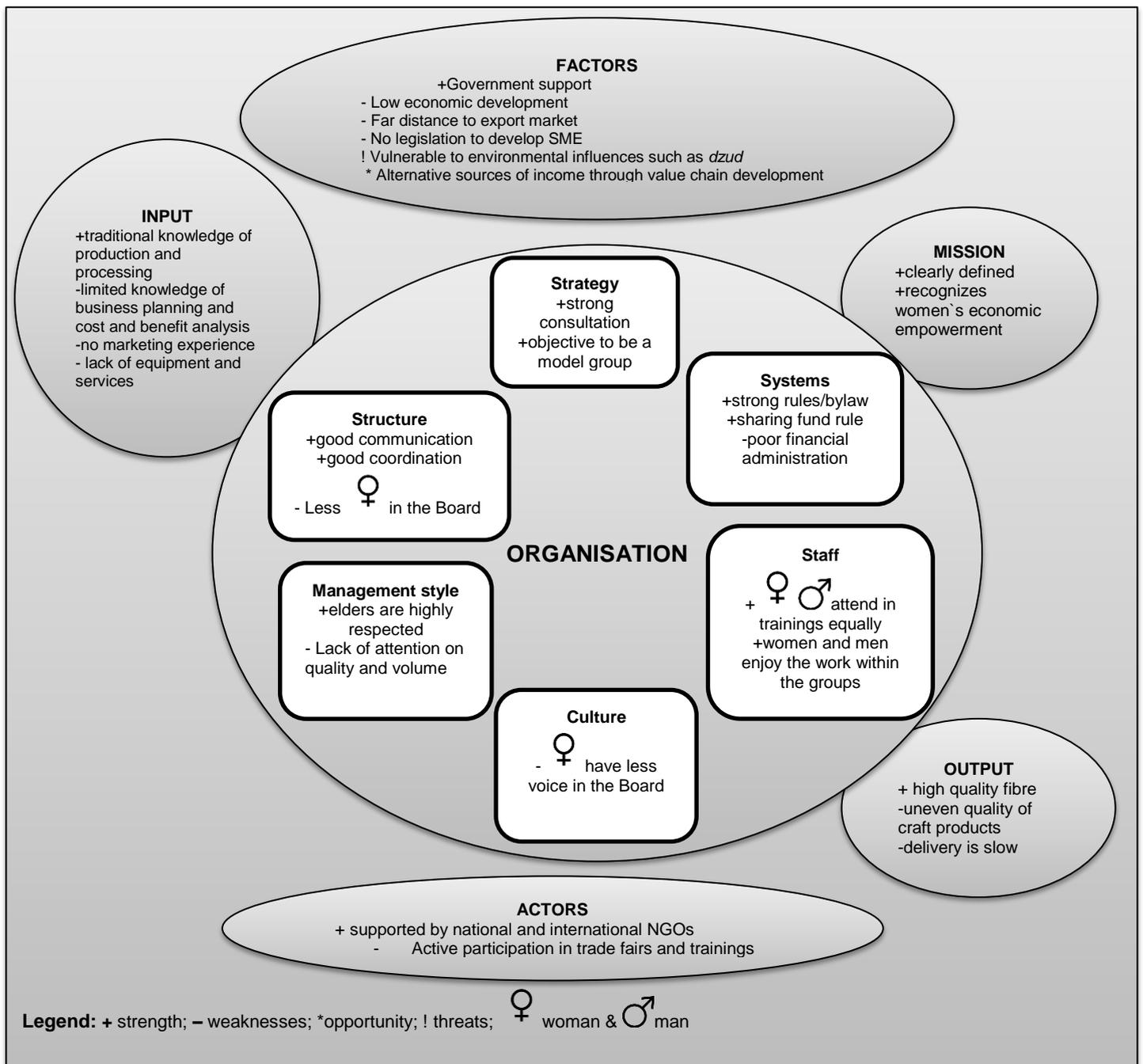
According to the above matrix, the POs are different as pastoralists and craftswomen groups. The groups were established between 2004 and 2008 on volunteer basis. The pastoralists groups are located in natural steppe areas in the buffer zone of Hustai National Park. Their lifestyle is nomadic moving seasonally and living in the gers. The craftswomen groups are located in the soum centre living in houses. Both types of groups consist of 5-10 households. In the pastoralists groups the number of women in the Board is 2-3. So the Board is male dominated. The craftswomen groups consist of all women members. Thus the Board

members are 100% women. The leadership in the pastoralists groups are male whereas female in the other group. The pastoralists groups have 300-1000 heads of livestock and their main income source is livestock, felt products and community based tourism for the pastoralists. The women in the soum centre do not have livestock and thus they generate income from the felt products adding value to the sheep wool purchased from the pastoralists. Average volume of the sheep wool processed annually for the both group ranges between 100-300 kg.

GIOM Analysis

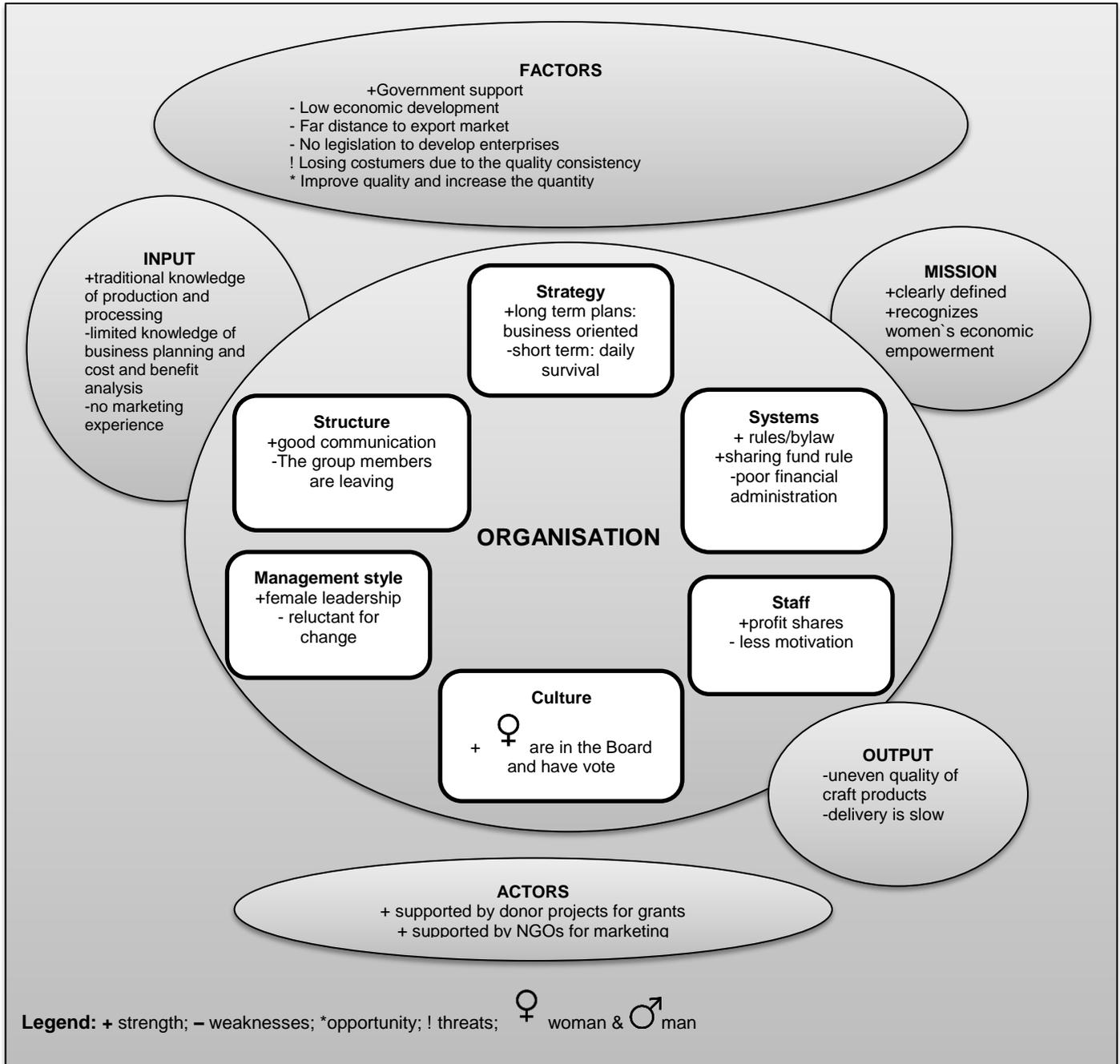
With help of the GIOM, following boxes 4.1 and 4.2 indicate the features of the internal organisation and external environment of the both POs as well as the strength, weaknesses, opportunities and threats of the POs are also analysed.

Box 4.1 The GIOM of the pastoralists groups



Adapted from: MDF, 2004.

Box 4.2 The GIOM of the craftswomen groups



Adapted from: MDF, 2004.

Results of the GIOM Analysis

According to the GIOM analysis for the POs following issues were found:

For the pastoralists groups (box 4.2):

- Limited knowledge of business planning and cost and benefit analysis and poor financial administration
- No marketing experience and lack of attention on product quality and volume
- Lack of equipment and services
- Less women in the Board
- Product delivery is slow due to lack of raw material in storage and regular means of transport
- Far distance to export market

For the craftswomen groups (box 4.2):

- The group leaders are reluctant to changes in terms of renovation and innovation of the products
- Limited knowledge of business planning and cost and benefit analysis
- Poor financial administration
- Although the fibre is highly qualified the processed craft products do not meet quality standard for export
- Some communities do not have short and long term strategy but work for daily survival
- Some members are leaving due to the demotivation by the leaders
- Product delivery is slow due to lack of raw material in storage and regular means of transport
- Far distance to export market

Mission

The mission of **the pastoralists groups** is nature conservation, sustainable pasture management, value added dairy and craft production and development of community based tourism. The mission is clearly defined and recognises women`s economic empowerment placing emphasis on craft production.

The mission of **the craftswomen groups** is to generate income through adding value to livestock fibre and make craft products. It is clearly defined and recognises women`s economic empowerment.

Inputs

The pastoralists groups are skilled in traditional methods of livelihoods such as pastureland animal husbandry methods, processing meat and milk products as well as the crafts. However, there is lack of equipment and services of third parties such as water, electricity and accountancy.

There is a major financial risk for the groups. It is directly expressed by the number of livestock and its stable growth. In case of any catastrophic situation the community loses large number of livestock. The community obtains up to date information about market prices of the raw material and daily news of the country from different sources such as TV and mobile operated by solar panel, radio, and visitors.

The pastoralists are organised and managed by their group Board and all the households are members of the board. Generally, the women representation in the board is less than the men. The Board meeting is organised not less than twice annually and it approves the group activity and budget plans and presents reports. Besides the Board, there is also a Supervisory committee, which consists of up to 4 pastoralist members and they are responsible for controlling the group performance and management of the group sharing fund with specific regulation. The supervisory committee reports to the Board. The pastoralist groups are led by men and they are elected by the all members meeting. The leaders are responsible for convening monthly meetings of the group, delegating the group at national and international level and sign on contracts.

In terms of transport, each household has their private means of transport such as horse, motorcycle, Russian jeep and medium sized trucks. The men in the households often use the vehicles so they are more mobile than the women.

The craftswomen groups do not herd livestock. They also have traditional knowledge of production and processing of the wool. They make the craft products such as felt carpet, slippers and souvenirs. However, they have limited knowledge of business planning and cost and benefit analysis as well as no marketing experience.

As the pastoralists groups, they are also organised by the Board and supervisory committee. All the members are female and thus the management apex is led by the women. Up to 20% of profit generated from sales of the crafts is allocated for the group sharing fund.

These groups are located in the soum centre and have access to public transport, service and information.

Outputs

The pastoralists groups and the craftswomen groups offer products originated from livestock. The pastoralists produce and process meat, dairy and fibre products. The main products are the milk, meat and some felt products for their household use or to sell on small scale. Some pastoralist women also managed to create a work place in Altanbulag soum centre. For example, Mrs. Dulamsuren, member of Mongol Esgii pastoralists group rented a work place in the soum centre and hired four unemployed women from female headed households. She herself is responsible for the livestock herding and other pastoralist related jobs. But in winter time, when there is less pressure in the livestock keeping activities, she comes to the soum centre and works together with these women on making craft products.

The craftswomen produce the felt products in the soum centre. They are not involved in animal husbandry anymore and thus they work for full time on the processing and production.

The products of the groups generally take into account on what differences in roles, needs, and/or interests of men and women. The women`s role in the production and processing of the livestock fibre for the craft production is highly appreciated within the households and groups.

There is a need of women to empower economically in order to develop alternative income sources to be resistant in any risk situation, particularly, during the natural disaster, the *dzud* in the case of the pastoralists. For the craftswomen as they are the heads of the households, they need regular employment.



Photos. Dzud in winter of 2010

There is interest of both men and women in the groups to develop value added craft production sector as a model chain network developing small and medium enterprise. Therefore the groups have common roles, needs and interests to improve their livelihoods and preserve the traditional method of production and processing.

There is certain range of demand for these products in local, European, USA and Russian market. However, the continuity of the product volume and quality is insufficient for international market.

The delivery of the products is slow due to lack of storage of the raw material and regular transport.

External relations

The main target groups or consumers of the POs to market the fibre crafts products locally are rural and urban people such as business men/traders, organisations and the government. At international level, the main market of the felt carpet is in the Netherlands (Amsterdam) and Belgium (Antwerpen) and of the horse hair is in Italy (Cremona). Zishi Nomad Design LLC is the importer and builds network with the retailers and consumers who are interested in doing business with Mongolia. The POs intend to improve their international market access in a way of increasing the volume of production and processing and improving the product quality that to be met by the international standard.

The pastoralist groups are located in buffer zone of Hustai National Park and it has been supported by the park in organising trainings, hiring local people as rangers and providing some grants and credits.

Since 2008, Tsagaan Myandas NGO has supported both types of the groups under its poverty reduction project by promoting livestock fibre production and market access.

The groups have good relation with local government and policy makers elected from this region. The local government supports the groups providing work space in the district centre with low cost rent and promotes distinguished groups to be awarded and share their experiences with others.

Mongol Esgii the pastoralist group is one of the examples of distinguished group. The group was awarded by the government of Mongolia as the best performed pastoralist group of Mongolia in December, 2011 and the award was accompanied with EUR1500. According to a Decree of Mongolian Government dated as March, 2009, a procedure to award the best

pastoralist was adopted. The main criteria for the best pastoralists is based on their sound contributions to develop traditional pasture-based animal husbandry methods, increase the livestock productivity and quality, value added production and input to socio-economic development in rural areas (Government of Mongolia, 2009). Additional threshold was that one of the women members represented the groups at the Global Gathering of Women Pastoralists held in Ahmedabad, India in November 2010 with support of Tsagaan Myandas and joined as a member community to the World Alliance of Mobile Indigenous People (MARAG, 2010).



Photos: Mrs. Dulamsuren (R) is at Global Gathering of Women Pastoralists, India, 2010

From the craftswomen groups, Mungun Savaa is another distinguished group with its performance of making felt products such as complete ger felt including wall and floor carpets, door and roof covers for the Government protocol reception ger. Mrs. Tsendsuren, the group leader is one of the well-known felt makers in Mongolia and she is inheriting her skill to young ladies through series of trainings on making the felt products.



Photos. Mrs. Tsendsuren (standing in the middle) teaching on felt making

External factors

Socio-economic situation and legal framework in this area is not conducive on certain extent to the performance of the POs. Because the Government of Mongolia has not yet pursued a policy towards the POs to develop the small and medium enterprises based on their available raw material.

Socio-cultural norms and values are highly respected among the POs and society. However, the physical environment throughout the country affects much to the POs` performance and

well-being. The highest risk of the POs is natural disaster, the drought that occurs in both summer and winter. In winter of 2010, Mongolia was affected by winter drought (*dzud*) when the temperature reached – 40-50 degrees in the night. This extreme winter disaster has led to great livestock mortality (around 20 per cent of the national herd), the loss of pastoral livelihoods and rural displacement and affected 28 per cent of the country's population. Whilst environmental conditions were the immediate cause, contributory factors include a changing climate, current herding practices and weak governance. The severity of the event points out herding vulnerability, a lack of *dzud* preparedness and climate's disruptive impact on steppe pastoralism (Sternberg, 2010). Immediate concern focuses on the great livestock mortality rate (about 20 per cent of the national herd), its impact on 28 per cent of the country's population and the loss of livelihood that will lead to displacement and out-migration from rural regions (UN 2010 and IFRC 2010).

The rural infrastructure and social service provision, including access to markets and appropriate banking facilities are inadequate. The road condition is bad to reach the POs. The pastoralists do not have social and health insurance since they do not pay income tax. The POs are located in far distance to the markets. Therefore, the POs are often dependent on other organisations in order to get facilitation to get market access. The banks provide loans, that are not conducive to the pastoralist women due to they do not have legal ownership of property to serve as a collateral. The craftswomen, who own equipment and work houses, have more chance to get loan from the bank.

Pastoralist or rural women's delegation and leadership in all levels from the household to the politics are not recognised in general terms unless there is specific commitment of the groups to empower the women in economic development.

Current governor of Altanbulag district is committed to support to the female headed households and women pastoralists during her election period. It is unclear who will be the next governor as a result of upcoming local election in Mongolia to be taken place in October, 2012. Regarding the election, local people lack education of election since there are only few people go to primary, secondary and higher education. Most members of the POs have primary (4 years) and secondary education (8 years).

In Mongolian pastoralist society, the girls are more encouraged to go to schools than the boys due to the man power is needed for herding the big animals such as camels, horses and cows. At the same time it is also related to the boys are considered as the family property owners, while the girls get married and live with their spouse's family.

The young generation (boys and girls) of the pastoralist households go to universities and colleges nowadays. It has both advantage and disadvantage according to the group members that the children, who went to the university in Ulaanbaatar, mostly leave their home and settle down in cities. They lose their interest in herding livestock, but more interested in working in the field of teaching, economics and laws as well as mining. Quite few of them study in agricultural field that helps the families to improve their livestock herd status in terms of veterinary and other services.

Regarding the mobility and settlement in urban areas, there is lack of labour in the pastoralist households and that only the elders left behind and demand to hire paid pastoralists.

Strategy

The pastoralist groups, Bayansonginot, Mongol Esgii and Tost are well organised in terms of planning and implementing the group works. The groups have a clear strategy for short and

long terms that are translated into a realistic annual plan. The groups planned various activities in 2012 of which the most related to the research is to develop value added craft production and processing sector as well as community based tourism. They are acting as model chain network in the country. The plan is strategized by gender sensitive actions such as economic empowerment of women pastoralists through training the trainees on business management, product development and marketing of export oriented crafts including the felt products (horse saddle blanket and carpets). The groups are also seeking for a method of processing the fine horse hair for the European market.

Due to the leadership skills, production skills and financial and technical capacity on certain extent, the craftswomen groups are different from each other in their planning.

Mungun Savaa is a leading craftswomen group representing the women in entrepreneurial development. The group has a short and long term strategy to inherit the craft making techniques to young generations and ensuring the sustainable market access through improved quality of the production.

Uran Shirmel is a well committed women group and specialised in felt carpets. However, if compared to Mungun Savaa, its production technique is inadequate and thus it is still not ready yet to market their products in Europe. The group has short term needs of producing the crafts for daily survival.

Altan Ugalz craftswomen group was established later than the other two groups and it does not have clear plans for the short and long term. It works also for daily survival as urgent needs.

Structure

In the pastoralists groups, there is less women members in the Board. Women have votes in the Board, but less voice in decision making.

However, the decision making structure based upon a clear division of responsibility. The group leaders share and distribute all tasks in accordance with the annual plan and action plans to each household and monitors the performance during the group meetings.

There is a sufficient communication between management levels and that helps the work to be done timely and cost effectively.

For the craftswomen groups, although there is good communication there is a trend observed that some members are leaving the groups. It is related to demotivation of members, when there is less product order and it is also related to that some women are older than others that is affecting the performance of the production.

Systems and processes

The groups follow their bylaws. According to the group bylaw, the bookkeeper is responsible for all the financial and administrative procedures and he keeps records regularly and report to the Board and supervisory committee. However, the groups have poor financial administration in terms of estimating the cost and revenue. The groups have fixed and revolving assets and sharing fund. The financial source of the groups consists of donations of individuals, households and organisations as well as operational income and other sources. In case of the groups have already achieved in their goal or face financial and other scarcity, they may be abolished. If so, the group asset at the time of abolition will be shared equally to each member.

Membership of the group is voluntary and those who have same goal and activity may join the group and the membership is decided by the group meeting. All the members are obliged to respect the Group bylaw and the Regulation of Group Fund. There is not any membership fee since the groups are formed on volunteer basis joined with common needs and interest in nature conservation and livelihoods improvement.

The groups have various productions and processing of livestock materials including dairy, meat and crafts. It follows the traditional method, however, due to increasing demand of creative design of the craft products and food safety concerns the attention on the quality control is concerned, but the realisation of ensuring the quality standard is insufficient. It is due to that there is lack of information and awareness of market needs.

In the work process or operationally the women are the decision makers whereas on policy level the men take the leadership role.

The bookkeeper of the groups prepares the financial and non-financial reports to annual and quarterly meetings. The groups have no obligation to make a report to any agencies unless volunteer payment of personal income tax in order to get pension.

Staff motivation

The groups have average 7-10 household members as of 2012. Each household has average 6-8 people including elders and children. Both men and women within the groups enjoy working equally based on the group income shares and emergency aid for the households below living standard. In trainings and meetings organised by external bodies, both men and women attend equally. Although the leaders of the group decide and obtain opportunities for learning, they share the knowledge and skills with the other members in a way of train and trainees approach.

The motivation of the group members is the benefit and encouragement through leadership support of developing a chain network within the group to process and produce livestock food and fibre product. Women are motivated by its small and medium enterprise development. They are supported by the men with help of supplying sufficient raw material to produce the craft products and sales of them on local and European markets. Tsagaan Myandas NGO plays an important role in linking both types of the groups to European market and provides some critical requirements of quality standard and volume of production and processing. It also encourages the women in the community to improve their skills in more export oriented product development.

One of the groups, namely, Mongol Esgii pastoralists group has initiated to build a community centre and the construction work finished in June 2012 with help of the Government's monetary award as the best performed pastoralist group of Mongolia-2011. This pastoralists' group centre accommodates the whole members' gatherings, cultural events; display of products as well as it provides information about the pastoralists group for visitors.

Management style

The leader of the groups tries to emphasise equal opportunities for men and women within his/her own members in reference to their roles, needs and interests. S/he is able to identify the strong and weak points of the members. Although the management of the group concerns about the women's empowerment and men's role, the term gender is not popular throughout the society and is not realised whether it refers to the social differences between

women and men. Unless some reluctant attitude of the craftswomen groups observed on changes on the product quality and volume, the management of the groups generally pays attention adequately to improve their skills on business planning and financial management. The relation of the management with the members is well concerned and the task performance is monitored regularly.

Culture

There is an adequate balance between hierarchy and participation as well as attention to performance and concern for the people. It was observed that the groups focus on team building activities in a way of producing and processing the raw materials jointly and benefit mutually.

Accountability and transparency is not fully ensured, however, the management of the groups keeps its balance.

The pastoralist women members are involved in the Board and group meetings in certain extent. Due to the society norms and values the pastoralist women have an attitude to let the men decide for themselves. It means the women usually voice themselves in informal circuits, while the men speak and decide at the group meetings.

Differences between the POs

Some specific differences between the pastoralists and the craftswomen groups were observed and analysed during the field research. Following matrix in the table 4.2 shows differences between the POs.

Table 4.2 Differences of the producer organisations

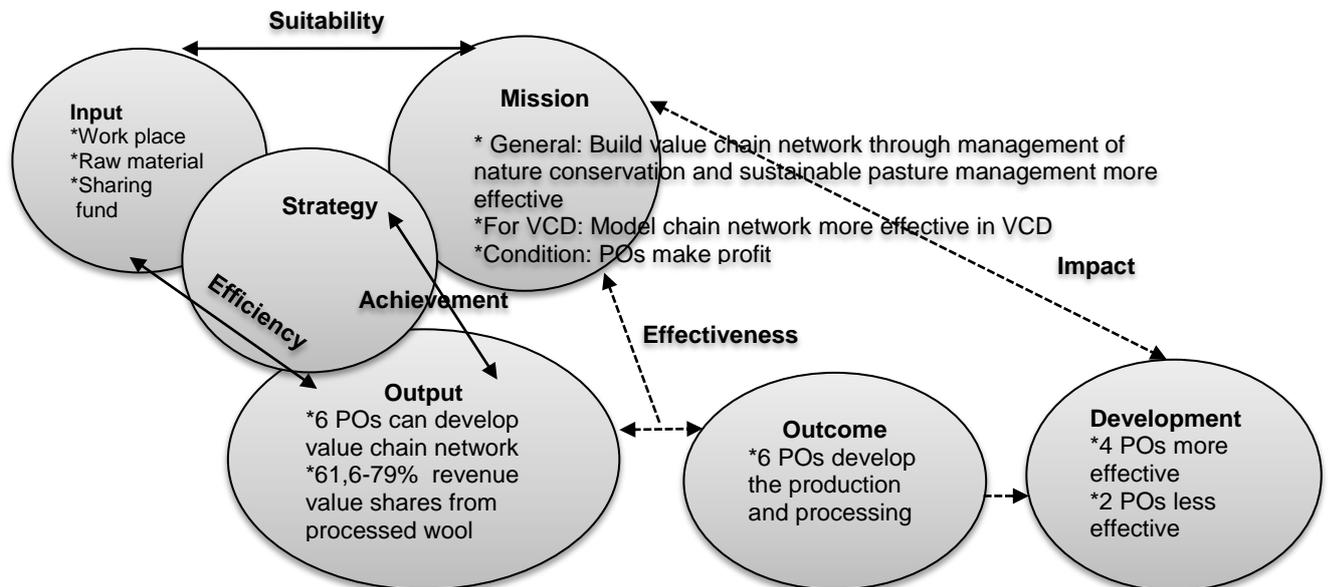
Indicators	Mongol Esgii	Bayansonginot	Tost	Mungun Savaa	Uran Shirmel	Altan Ugalz
Management style	Elderly respected leadership	Men leadership	Youth respected leadership	Female leadership	Female leadership	Female leadership
Structure	1 male	1 male	1 male	1 female dominated	1 female dominated	1 female dominated
Strategy	Long term	Long term	Long term	Long term	Short term	Short term
Staff motivation	Good	Good	Fair	Low	Low	Low
Culture	Patriarchy	Patriarchy	Patriarchy	Women have control	Women have control	Women have control
Skills	Carpet making	CBT service	CBT service	Carpet making	Carpet making	Souvenirs
Financial capacity	Community fund	Community fund	Community fund	Community fund	Community fund	Community fund
Raw material availability	Good	Good	Good	Fair	Poor	Poor
Attendance in trade fairs	Dutch design week, Border trade fair, national trade fairs	National trade fairs	National trade fairs	Dutch design week, border trade fair and national trade fair	National trade fair	Local trade fair
Network (national and international)	Member of WAMIP	Not yet	Member of WAMIP	No	No	No
Distinguished achievements in 2011	The best pastoralist community of Mongolia	The best pastoralist community in the buffer zone of HNP	n/a	The best craft makers in Mongolia	n/a	n/a

* WAMIP – The World Alliance of Mobile Indigenous People

Effectiveness, efficiency and suitability of the POs

Based on the facts that are found in the strength, weaknesses, opportunities and threats of the POs, with help of the GIOM quick scan the relations between information on elements using the indicator effectiveness and efficiency as well as suitability is judged in below figure 4.3.

Figure 4.3 Quick scan of effectiveness and efficiency of POs



Adapted from MDF, 2004.

Suitability:

For the pastoralists groups: They do not have specific work place to process the wool. But some women members of the groups have set up a new work place in the soum centre to make the craft products in winter time, when they have less work pressure.

For the craftswomen groups: They have work places with certain facilities to produce and process the fibre. They also have certain volume of raw material to make the crafts. The POs have the group sharing fund, which serves as a backup resource for financial needs.

Efficiency:

For the pastoralist groups, revenues from the sheep wool fall behind costs. Compared to other outputs of the sheep, the economic value of the raw wool is less. When the unprocessed wool is sold, the value share is 0,4%-1%.

For the craftswomen groups, revenues from the processed sheep wool or craft products are estimated by the value shares, which are 61,6%-79%.

Effectiveness: Regarding the mission of making the model chain network each of two pastoralists and craftswomen groups became more effective, but the performance of 2 craftswomen (Uran Shirmel and Altan Ugalz) drops in production and processing of value added craft products after the project intervention.

Achievement: Every PO has strategy definitions on what they need to produce in order to contribute to its mission. The achievement is measured by evaluating these strategies: the planned production and processing vis a vis the continuous quality and volume of the realised output.

4.3 Cost and benefit analysis

This section analyses total cost and value shares related to the wool production and processing. Furthermore this analysis answered to the question: who controls over the resources, men or women?

Regarding the fixed cost, land fee is not applicable to pastoralists In Mongolia due to the land is owned by the Government and the pastoralists may use it for free. The pastoralists do not pay pasture and cropland tax in accordance with Mongolian law of Land Taxation, 1997.

The number of cashmere goat head is higher than all other animals due to its economic value. The fewest animal is camel due to natural condition.

Based on the data collected from the pastoralist respondents, a general feature of the livestock type, number of livestock head per household and market price per livestock type in order to understand the overall output of the livestock products (See table 4.3).

Price information of the livestock raw material as of July, 2012 is listed in Appendix I.

Table 4.3 Features of livestock type

Livestock type	Average number of livestock per HH in heads	Economic value in EUR	Purpose
Horse	100-500	200,0-1000,0	Meat, hide, bone, milk, tail, mane, transport, racing sport
Camel	2-5	300,0-1000,0	Wool, milk, transport, racing sport
Cow	50-100	150,0-300,0	Meat, milk and hide
Sheep	200-400	30,0	Milk, meat, hide and wool
Goat	10-200	28,0	Milk and meat
Cashmere goat	200-500		Cashmere wool

Source: Mr.Nominchuluun, bookkeeper of Mongol Esgii community

4.3.1 Costs

Variable and fixed costs

The data of the variable and fixed costs were collected from both types of the groups. These are the general costs for production and processing of the fibre as well as for all types of livestock. Examples for the estimation of the costs were taken on either a pastoralist group or a craftswomen group. General feature of the fixed, variable and total costs are shown in the tables 4.4 - 4.7 and figure 4.4.

Table 4.4 Fixed cost of pastoralist group

No.	Description	Frequency	Cost (EUR)	Unit	Remarks
1	Labour (hired), mainly men	Yearly	960	80 EUR per pastoralist labour per month	When the family has more than 1000 heads of livestock, paid pastoralist is hired.
2	Running cost	Yearly	360,0	30,0 per vehicle (moto, jeep or truck)	To travel to district centre: 30 km & Ulaanbaatar: 70 km
3	Communication (mobile)	Yearly	120,0	10,0 per mobile	For the sales of products
4	Miscellaneous	Yearly	100,0		
Total			1,540,0		

Source: Mr.Nominchuluun, bookkeeper of Mongol Esgii pastoralists group

Table 4.5 Variable cost of pastoralist group

No.	Description	Frequency	Cost (EUR)	Unit	Remarks
1	Vaccination for livestock	Yearly	40,0	All animal	If necessary
2	Additional fodder (hay)	Yearly	120,0	Per sack	In case of catastrophe: drought in summer and winter It is given for small and weak animals
3	Fencing or sheltering (timber, spikes, dungs collection)	Yearly	200,0	For all livestock	If necessary. For animals in winter and spring
4	Miscellaneous	Yearly	200,0		In case of natural disaster, human and animal decease and any other risks
Total			560,0		

Source: Mr.Nominchuluun, bookkeeper of Mongol Esgii pastoralists group

Table 4.6 Fixed cost of craftswomen group

No.	Description	Frequency	Cost (EUR)	Unit	Remarks
1	Labour (hired), mainly women	Yearly	960,0	80,0 EUR per member per month	80,0 EUR is the standard minimum wage by law. When there is a product order additional profit is shared.
2	Rent for work place	Yearly	360,0	30,0 per month	It is used for all year round
3	Electricity of work place	Yearly	120,0	10,0 per month	
4	Running cost	Yearly	240,0	20,0 per vehicle (moto, jeep or truck)	To travel to district centre: 30 km & Ulaanbaatar: 70 km
5	Communication (mobile)	Yearly	120,0	10,0 per mobile	For the sales of products
6	Miscellaneous	Yearly	100,0		
Total			1,780,0		

Source: Mrs. Ariunaa, bookkeeper of Uran Shirmel craftswomen group

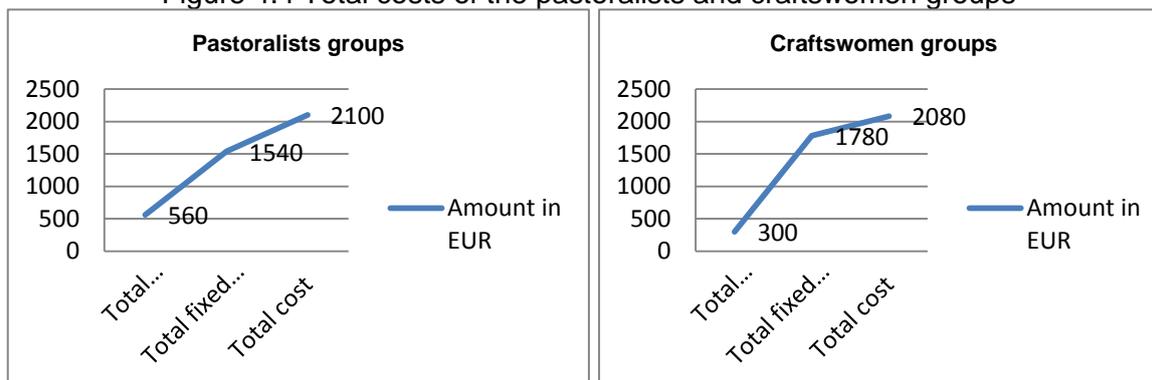
Table 4.7 Variable cost of women community group

No.	Description	Frequency	Cost (EUR)	Unit	Remarks
1	Additional material for production	Yearly	100,0	-	Depends on the product types
2	Miscellaneous	Yearly	200,0	-	In case of natural disaster, human and animal decease and any other risks
Total			300,0		

Source: Mrs. Ariunaa, bookkeeper of Uran Shirmel craftswomen group

Following figure 4.4 shows the overall average variable, fixed and total costs of each groups per year.

Figure 4.4 Total costs of the pastoralists and craftswomen groups



The above estimation shows that the total costs of the both groups are almost similar to each other. The costs of the pastoralists groups are related to the herding of the sheep and selling its raw material. And thus it is under the direct control of the pastoralist men. There is not significant control of the women in the expenditure.

But in the craftswomen groups, the costs are related to the functioning of the craft making process and thus the women control over the expenditure.

Transport and service cost

A shipping cost of the end products to European market should also be taken into consideration in this section. Tsagaan Myandas NGO helps the POs to transport their products to European market. Shipping cost is covered by the importer Zishi Nomad Design LLC and the customers in Europe. All the logistics and shipping arrangements are made by the NGO. The shipping cost is the highest expense and there have still not found any solution to transport the products to far market. There are various service costs such as fee for Certificate of Origin, Certificate of Conformity, Airfare tax and shipping fee. Following table 4.8 shows the overview of the transport cost.

Table 4.8 Cost price of shipping

No.	Description	Cost (EUR)	Service organisation	Remarks
1	Certificate of origin	10,0	MNCCI	-
2	Certificate of conformity	40,0	MASM	-
3	Customs declaration	15,0	Customs Agency of Mongolia	-
4	Shipping cost	6,0 per kg	International freights and forwarders companies (DHL, UPS etc), national postal service and railway cargo	The product shipping fee is calculated by its dimension and total weight
5	Local transport	30,0	Tsagaan Myandas NGO	Fuel and communication

Source: Mr.Bulgan, community development officer, Tsagaan Myandas 2012.

4.3.2 Revenue and value shares

This section analyses the total value shares between producers, processors and retailers (national and international) from selling the sheep wool in raw and processed forms. The estimations were based on the sheep wool and felt carpet value chains.

In fact the sheep wool is not only the income source of the pastoralists. They herd sheep, horses, cattle, goats, camels, and yaks. The income is generated from the livestock products including meat, milk, cheese, hides, bones and wool. For example, sheep is beneficial not only for wool, but also for meat, milk, fat, hide for clothes and tents; and dung for cooking and heating.

For example, average weight of a live sheep is 40 kg and slaughtered weight is 25 kg. The output of the meat is 53%. When shearing the sheep in summer (once a year) depending on the breed of the animal it gives average 1,5 - 2,5 kg wool and milk output per head is average 30 litres in 29-30 days of June and July, when the sheep is milked. Sheep are basic, horses something of a luxury item, and other species are added to the camp inventory as labour power and environmental considerations dictate (MoFALI, 2012).

If it is estimated that each pastoralist household has average 400 heads of livestock and every year, average 1000 kg sheep wool is sheared, out of 1000 kg wool, average 200-300 kg is used for processing and production of carpets.

The craftswomen groups purchase average 200-300 kg sheep wool from the pastoralist groups and they produce minimum 5 and max 15 felt carpets every year.

Therefore, **the revenues from the unprocessed sheep wool** will be EUR 250,0 per year per pastoralist household. It is estimated as follows:

1 kg sheep wool price is 0,26 EUR X average 1000 kg wool (from 400 sheep & 2,5 kg per sheep) produced per year = 260,0 EUR revenue from the wool per year for the pastoralists.

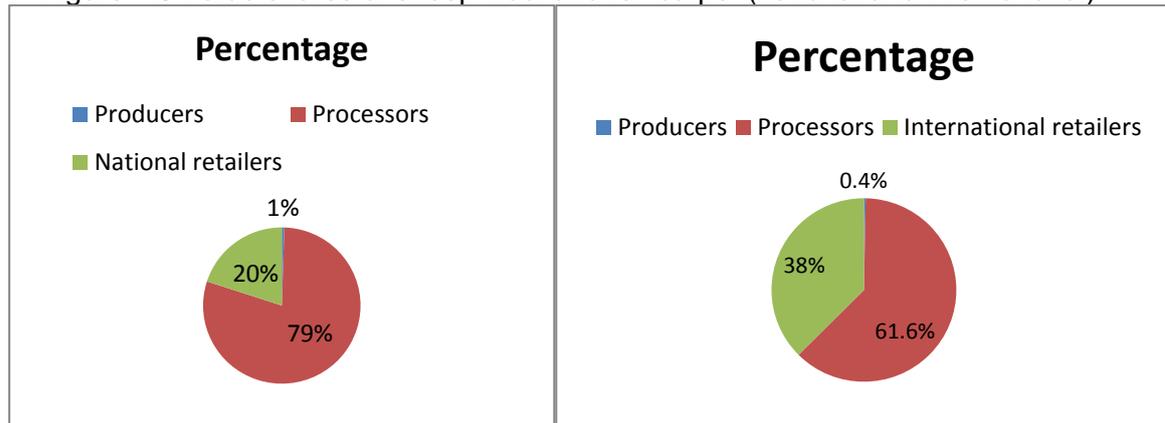
The **revenues from processing and selling the felt carpet** by the craftswomen are about 100 times more. Processed wool is 4 times higher than the unprocessed wool. The estimation is as follows:

A felt carpet costs 40 EUR per m² and 1m² carpet is equal to 1,5 kg sheep wool (0,26 cents). In the case of a felt carpet sized by 3x3 m (6m²), the total value is equal to EUR 240,0. But the unprocessed sheep wool is valued as 6m² x 1,5kg = 9kg x 0,26 = EUR 35,0

So, the difference is: felt carpet costs EUR 240,0 whereas the unprocessed wool costs EUR 35,0

Based on the data provided on the value chains, following figure 4.5 shows the **value share** by percentage for producers, processors and retailers (national and international) from sales of sheep wool and felt carpet.

Figure 4.5 Value shares of sheep wool and felt carpet (national and international)



The above figures show the considerable difference on the value shares from selling the unprocessed and processed wool. The production of the wool is the men's job and the processing is the women's job. Therefore, the revenue from selling the unprocessed wool is controlled by the pastoralist men, whereas the revenue from the sales of the crafts products is controlled by the women.

4.3.3 Time and labour

The pastoralists women often do not have enough time to make craft products like the craftswomen. They are responsible for the daily activities such as herding small animals (goat and sheep), processing milk and meat, taking care of the ger, children, cleaning and cooking etc. The most appropriate time for the pastoralist women to make the crafts is in winter, when there is less activity related to the herding.

The craftswomen do not have livestock. Besides their reproductive roles, they work for up to 40hrs from 9 am to 6 pm per week.

Income from making and selling the felt carpet is estimated with following indicators:

- Size of the felt carpet. For example: $3 \times 3 \text{m} = 9 \text{m}^2$
- Number of days spent for one carpet
- Number of people working on one carpet. For example: 8 women
- Price of the carpet per m^2 For example: EUR 50,0 per m^2

Total 15 working days / $9 \text{m}^2 = 1,6$ days per 1m^2

Total 8 women x 1,6 days = 12,8 days.

Total hours: 8hrs per day x 8 people = 64 hrs.

EUR 50,0 per m^2 / 12,8 = EUR 4,00

So, each person earns EUR 4,00 per day.

This payment for the women per day is hardly reaching the minimum standard wage EUR 80,0 per month. The women spend 12,8 days to make the felt carpet in average size of 9m^2 . It shows the women spend much time for producing one carpet that affects their effectiveness and efficiency.

4.4 Market for the craft products

The felt carpets are exclusive products that keep traditional way of production and this product requires a new market.

As mentioned in the chapter one, there are current market accesses in the Netherlands. However, due to limited organisational capacity and limited business orientation of the POs, the quality of the products does not often meet the requirement made by the consumers, especially when they need to produce large quantity of products. The capacity of production is limited by 1-10 pieces. Due to limited availability of stored wool and other accompanying materials as well as labour force, the craftswomen groups often miss the large scale product orders, such as 10-100 pieces of felt carpet or felt shoes.

The international market increasingly demands transparency in production and social corporate responsibility and has become a tool to gain credits on the market. In Mongolia there is a strong “social” and “green” awareness but there are not yet enough clear workable tools for the producer organisations. The producer organisations and their international clients need these tools to understand each other, agree on common goals and receive technical support to deal better with technical issues in relation to economic, social, work conditions and environmental impact (van Staden, 2010).

The POs do not have direct link to international market due to the barriers of the language, communication and far distance. Tsagaan Myandas NGO is the linkage of the POs to international market. The NGO cooperates with Zishi Nomad Design LLC in the Netherlands, which is an important chain actor as the importer of the craft products in European market. Zishi Nomad Design LLC operates an e-shop to promote the crafts products (<http://www.mongolian-design.nl>)

Through its foundation Made in Mongolia (<http://www.madeinmongolia.nl/>), with aims of promoting craft product enterprise and building business network, special events such as Dutch Design Week, Mongolia Trade Platform and Business Seminar between Netherlands and Mongolia are announced and reported.

Besides the European market, there is also a market for the craft products in neighbouring countries China and Russia. Every year MNCCI supports small and medium enterprises of Mongolia to participate in the Three Countries (Mongolia, Russia and China) Business and Trade Fair in Erlian city, the economic region of China. Some of the craftswomen groups also attend in this fair and build network with companies interested in the Mongolian craft products.

CHAPTER FIVE: DISCUSSION

This chapter presents discussions based on the research findings in comparison to the literature review.

5.1 Fibre value chain

The mainstream of the unprocessed sheep wool flows to China and the Chinese factories add value to the wool. From China the finished products are exported to European and American markets in higher value and that Mongolia is left behind for the recognition of the qualified fibre and benefit from it. In this chain, the Government of Mongolia has no proper policy and sound action on building the fibre processing factories in the country, where the pastoralists could supply the material and benefit of it. At the same time, the pastoralist groups do not have proper management on self-organisation in processing and adding value to the fibre themselves as well as producing export oriented diversified products. In this chain the pastoralist women do not have control over income from the unprocessed sheep wool. So, the pastoralists groups are not adding value to the wool in this traditional value chain.

The most striking point for the discussion is that when comparing the value chain concept as noted in the KIT and IIRR (2012) to the fibre chain, the information flow, which goes normally within the chain between the actors, goes through the supporter (figure 4.2, p18). But the money flows directly to the producers from the importer. If the NGO does not control the money flow or does not get paid for its service, the business transaction cannot function anymore. From the supporter`s position Tsagaan Myandas NGO is not only facilitating the POs in logistic arrangements and product development, but also it is linking them to the market. Therefore, in fact, the NGO is playing two important roles within the chain as exporter and outside the chain as supporter. Although the carpet production is still on small scale, the role of the NGO remains crucial.

The pastoralist women and the crafts women are empowered in this chain in terms of gaining control over the income from the sales of the felt carpet.

5.2 The producer organisations

Functioning

The pastoralists groups are community-based operating under their norms and values of social inclusion and solidarity. They have strong community rules and funds. They receive substantial support from external stakeholders including Tsagaan Myandas NGO, Hustai National Park and local government. It is in line with the concept of the POs as noted by Da Silva (2007).

The craftswomen groups are also volunteer based, operating under their group bylaws. They also have sharing funds that are enriched by the profit earned from sales of the craft products. They are supported by Tsagaan Myandas NGO as well.

Position of men and women

The pastoralist men spend most of their time for grazing livestock, which is the main income source. Herding the big animal (horse, camel and cattle) is the task of men. This is a daily activity from early morning till late evening. Men are involved in activities such as collecting the raw material and selling them to traders. They control over the income. They are more mobile than women and thus they own the means of transport.

The women in the pastoralist groups are responsible for herding small stock (sheep and cashmere goats), milking, and the shearing and clipping of all animals. Additionally, they perform all domestic tasks, including product processing, cooking, cleaning, washing, sewing and collecting dung and wood, for fuel and water. They have less time to make craft products if compared to the craftswomen. The pastoralist women are playing important roles in both taking care of the household and conserving the environment through adding value to the sheep wool. It is same as noted in the KIT and IIRR (2012) that reframing the traditional role of rural women as a household caretaker to one as caretaker of business and the environment.

The craftswomen groups consist of women members only.

After the transition to the market economy in the country, the position of the men and women has changed that in the pastoralist society, the men started owning livestock and deciding the sales of the raw material. The women have become dependent on their husbands. But, when the pastoralists have organised in groups since 2004, the women's position has improved in a way of getting access to the raw material (sheep wool) and earning income from production and sales of the crafts. Following the transition, some pastoralist women have moved to the soum centre due to the unfavourable situation within the households including alcoholic problems of husbands, divorce, widow and unemployment. Since 2004, like the pastoralists groups, these women also have organised themselves in the groups and started the craft business. At present, it is the only income source for them since the labour opportunity is zero in this soum.

5.3 Cost and Benefit

In terms of benefit the producer organisations generate income not only from the sheep wool or felt carpet but also from different outputs of the livestock including the meat, milk and hides. The revenue from the unprocessed sheep wool is considerably less than the revenue from the processed wool and felt carpet. The pastoralists, who are the main suppliers of the wool, could add value to the wool themselves.

In terms of the fixed and variable costs, the costs are covered by other income sources such as the milk and meat. The craftswomen groups add more value to the wool and thus their income is higher than the total costs.

According to the value shares, the women, who make the craft products, are taking bigger shares than the others. But the payment per day for making one carpet is relatively low (EUR 4,00) that is hardly reaching the minimum wage. However, the women cannot get other labour opportunity and thus the craft production is the only way to generate income.

The shipping cost for the craft products has been covered by the importer Zishi Nomad Design LLC. Tsagaan Myandas NGO assists in logistic arrangements for the POs to deliver their products to the Netherlands. In between the importer and the producer, the NGO plays crucial role to check the product quality and to link them. The current value share can also reflect the NGO's share regarding its commission from the importer per product unit.

5.4 Market for the craft products

The felt carpet made in Mongolia is an exclusive product and made by hands. It is made of wool of Mongolian sheep and has potential to raise the country's market share in the world if carpet industries, in this case the craftswomen groups shall be supplied by coarse wool of

Mongolian sheep, and produce woolen carpets of modern design and style that can meet international customers` demand and interests.

Based on the current production and processing of the sheep wool through promoting the niche markets, the women have potential to enable them to gain entrepreneurial skills and earn money and to raise their status in the traditional society.

The POs in Altanbulag soum have the market access in the Netherlands, China and Russia. The market linkage to the Netherlands is facilitated by Tsagaan Myandas NGO. With support of other stakeholders such as MNCCI the POs attend in the trade fairs organised in the three country (Mongolia, Russia and China) border areas annually.

Although there are the current markets, the POs are still struggling with the product quality and capacity for large volume of the production. It is related to several reasons, including that they do not have specific storage to keep the wool throughout the year, organizational capacity and business orientation is weak and are reluctant to changes in designs and time to work more efficiently.

Furthermore, the producer organisations have not yet become capable to market their products in Europe directly and there is always need of a supporter to link them due to the barriers of far distance, communication, language, financial and logistic procedures.

CHAPTER SIX: CONCLUSION AND RECOMMENDATIONS

6.1 Conclusion

Differences between the POs

Pastoralists groups:

- The pastoralists groups are located in the in natural steppe area in Altanbualg soum. It makes isolation, but it gives ecological value to the pastoralists.
- The animal husbandry continues to be the main means of survival in rural areas.
- Natural disaster *dzud* and desertification process are the major challenges for the pastoralists to face.
- The pastoralist men continued to be the heads of the households. and are responsible for herding the livestock and delivering the raw material to the market. They control over the income.
- Women are responsible for processing the raw material such as milk, meat and wool.
- Some women make craft products on small scale and control the income themselves. The volume of production is less than the craftswomen do.
- Most pastoralist women are married.

Craftswomen groups:

- The craftswomen groups are located in Altanbulag district centre, but their main income source is generated from the livestock fibre processing.
- The current status of most craftswomen is either divorced or widow. Few of them are married, but often face alcoholic problems caused by their unemployed husbands.
- Main difference of the craftswomen groups from the pastoralists groups is that the members are all women and they work full time for the craft production.

Differences within the POs

Pastoralists groups – pastoralists groups

Some groups are more successful than the others in income generating activities and the group performance. For example, in 2011, Mongol Esgii pastoralists group was promoted by the Government of Mongolia for its successful performance in conservation of nature, representation of the group at international conferences and promotion of the value added products at national and international markets. Women members of this group are specialised in processing the sheep wool and making craft products. Bayansonginot and Tost pastoralists groups are more oriented in developing community-based tourism as an alternative income source.

Craftswomen groups – craftswomen groups

Example: Mungun Savaa craftswomen group is more successful than the other two groups. This group leader Mrs.Tsendsuren is specialised in the felt carpet making and trained the other members. The group often promotes its craft products through participating in national and international trade fairs. The other two groups Uran Shirmel and Altan Ugalz are also specialised in the felt carpet and souvenir making, but they are working for daily survival than the long term business plan.

Effectiveness

The POs have limited organisational capacity due to they do not know how to organise themselves as a business oriented chain network. There is not adequate capacity building activities for the craftswomen groups in order to be effective in their organisational behaviour to fulfil their objective to be self-sufficient. The educational background of the rural women is low and they are oriented to daily survival.

- In the current value chain (figure 4.1) of the fibre sales the unprocessed sheep wool flows to China and the Chinese factories add value to the wool. From China the finished products are exported to European and American markets in higher value and that Mongolia is left behind for the recognition of the qualified fibre and benefit from it.

In the other value chain (figure 4.2) proposed by Tsagaan Myandas NGO, the wool is processed by the women and brings benefit to them. In this chain, the pastoralists are able to supply the sorted wool to the craftswomen groups in higher price than the unprocessed wool's.

- In the first chain (figure 4.1) the pastoralists are functioning as the suppliers whereas in the second chain (figure 4.2) the pastoralists are also acting as the supplier, but women pastoralists are functioning as a processor same as the craftswomen groups.
- The men are positioned in the pastoralists groups as the heads of the households and controlling over the income in general. But some women in these groups are supported by the men in developing alternative source of income through craft production of which the income is controlled by the women. The pastoralist women are also able to make the craft products themselves or join the craftswomen groups, when there is big volume of product orders. It is unreasonable for the pastoralist women can produce the large volume of the craft products like the craftswomen do. Therefore, there is not any big competition between the pastoralist women and the crafts women. There is a certain competition on the production that is helping the output or the product quality and price stability.

The craftswomen groups are obviously managed by the women. Due to their social status as widows, divorced or often facing domestic violence (alcoholic problem caused by their husbands), the income generated from the craft production is enabling their empowerment in terms of independency, self-esteem and self-sufficiency.

Efficiency

The POs have also limited business orientation which is related to that they do not realise the market requirements in terms of consistency in product design and volume and, poor financial administration in cost and benefit analysis.

- The current markets for the craft products are in the Netherlands through Zishi Nomad Design LLC and in the neighbouring countries in Russia and China. In general the importers in Europe are all positive and willing to obtain products from Mongolia. However, the buyers are reluctant to invest in development of new

products due to uncertainties of the product design consistency and volume. Besides, the transport costs are relatively high and thus products are demanded to be very special in designs and quality.

- The estimation of the variable and fixed costs related to the production and processing of the fibre, shows that the total costs of the both groups are almost similar to each other. The costs of the pastoralists groups are related to the herding of the sheep and selling its raw material. The costs of the craftswomen groups are related to the processing of the wool, making the craft products and their sales.
- According to the value chain analysis (Figures 4.1 and 4.2) total 20-30% of the wool out of 1000 kg is supplied to the craftswomen (few to the pastoralist women as well) whereas 70-80% unsorted and unprocessed wool is supplied to the traders. The value shares from selling the unsorted wool for the pastoralists is only 0.4 – 1% whereas the value shares for the processors is 20-38% depending on the national and international market (Figure 4.5).
- Benefit from the sales of the unsorted sheep wool is controlled by the pastoralist men. There is not significant control of the women.

Benefit from the sales of the craft products is controlled by both the women in the pastoralists and the craftswomen groups.

Tsagaan Myandas NGO

In the current value chain of the sheep wool and craft products (figure 4.2) shows that Tsagaan Myandas NGO is playing a supporter's role. The money flows directly to the producers from the importer. But the information of the product order and business transaction flows to the producers through the NGO.

In fact, the NGO is playing two roles of both the supporter in terms of the logistic arrangements and coordination and the exporter in terms of linkage between the producers and importer. The NGO gets 30% commission from the importer per product unit. The commission amount was agreed between the NGO and the importer when the business cooperation has started. However, the NGO does not get paid by the POs for its service.

But, the NGO does not charge any service cost from the POs. Therefore, if the NGO does not get paid by the POs for the service, it cannot sustain financially to continue its support. If there is no linkage of the market, both the POs and the importer

If the pastoralists groups do not supply adequate wool to the craftswomen groups, the craft production will not function at the level of EU market demand.

If the craftswomen do not function, the NGO's role is no longer needed. At the same time, if the POs do not pay for the service cost to the NGO, they cannot get the market access themselves.

If the NGO's service is no longer available, both the POs and the importer cannot continue the business relation.

6.2 Recommendations

The pastoralists have long standing experience to run livestock economy and have abundant resource of raw materials. Therefore they have more potential to produce the raw material (not only the sheep wool but also other fibre such as camel wool, cow leather and horse hair) in bigger volume and supply it to the craftswomen groups as well as their women members.

Recommendations for the pastoralists groups:

- Add value to the products derived from a 100% ecological environment
- Diversify the livestock fibre such as horse hair, camel wool and cow leather
- Rebalance the herd composition. More sheep, less goats.
- Men`s support to the women pastoralists to become craft producers as an alternative source of income to cope with the natural disaster consequences

Recommendations for the craftswomen groups:

- Invest for collecting adequate wool annually for new product orders in different designs and quantities
- Work more efficiently in time to produce the crafts through regular schedules
- Attend vocational trainings linked to the socio-economic aspects

Recommendations for the POs to improve their effectiveness and efficiency:

- Attend various trainings on organisational management, financial management, product development (design), business planning and value chain development
- Work as a model chain network in a way of one is supplying the wool and the other is making the craft products.
- Take initiative to build a chain network between the pastoralists and craftswomen groups
- Strengthen the market linkage through agreement with Tsagaan Myandas NGO on payment for the service costs
- Raise more commitment on business relations

Recommendations for Tsagaan Myandas NGO:

- Organise workshops and trainings for the POs
- Raise awareness for the women through educational programs to be self-sufficient for facing the socio-economic challenges
- Control the craft product quality
- Expand the market. Investigate Chinese and Russian markets, which are close to Mongolia. Penetrate into the USA, Korean and EU markets.
- Insistent ads and promotions for the craft products at the international level
- Strengthen its cooperation with other stakeholders such as local government, Hustai National Park and MNCCI and organize joint trainings for the POs on building organizational capacity and developing business orientation.
- Demand service cost payment from the POs
- Build self-sustainability of the NGO through a business project oriented to ensure financial capacity

Blessings from shearing the sheep:

Khaich n khurts

Khagd ungas n khovsgor bolog

Khaichilsen sureg n

Myanga tum khureg

May your scissors be sharp

And your dandruff-filled wool fluffy

May the shorn herd

Number ten million

(Batchuluun, 2003)



Blessings for felting behind the horse:

Bukhiin magnai shig

Khatuu болоорoi

Buuriin khuzuu shig

Khushuun болоорoi

Become hard

Like the head of a bull

Become stiff

Like the neck of a camel

(Batchuluun, 2003)

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APPENDICES

Appendix I: Price information of livestock raw material in Mongolia as of July, 2012

Price information of livestock raw material as of July, 2012								
Raw material description	Criteria	Unit	1st week of Jul	2nd week of Jul	3rd week of Jul	4th week of Jul	Average (MNT)	Average (EUR)
Goat skin	without cashmere	pc	4,000	4,000	3,720	3,320	3,760	
Sheep skin	without intestine	pc	9,250	9,250	9,500	9,000	9,250	
Sheep intestine	pc	pc	3,167	3,167	3,500	2,800	3,159	
Horse hide	up to 2 m tail	pc	21,000	21,000	17,000	10,000	17,250	
Horse hide	no more than 1 m tail	pc	28,500	28,500	29,000	28,333	28,583	
Horse tail	kg		5,817	5,817	6,083	6,250	5,992	3,7
Horse mane	kg		2,300	2,300	2,217	2,467	2,321	
Cow leather	2.3 m long	pc	23,333	23,333	19,833	20,200	21,675	
Cow leather	longer than 2.3 m	pc	33,500	33,500	32,583	33,000	33,146	
Cashmere	light, combed	kg	41,333	41,333	42,833	42,333	41,958	26,2
Cashmere	brown, combed	kg	41,333	41,333	42,833	42,333	41,958	26,2
Sheep wool	Mongol sheep	kg	417	417	417	463	428	0,26
Cow milk	retail	litre	800	800	667	667	734	
Cow milk	wholesale	litre	642	642	517	525	582	
Sheep meat/mutton	with bone, retail	kg	6,967	7,000	6,967	6,850	6,946	
Sheep meat/mutton	wholesale	kg	6,283	6,283	6,140	5,850	6,139	
Horse meat	with bone, retail	kg	6,000	6,000	6,133	5,967	6,025	
Horse meat	wholesale	kg	5,100	5,100	5,233	4,767	5,050	
Cow meat/beef	with bone, retail	kg	7,620	7,620	7,650	7,267	7,539	
Cow meat/beef	wholesale	kg	6,840	6,840	6,533	6,150	6,591	
Goat meat	wholesale	kg	6,200	6,200	6,180	6,120	6,175	
Goat meat	wholesale	kg	5,517	5,517	5,520	4,860	5,354	

Source. MNCCI, 2012

Appendix II: GIOM check-list

Relevant questions were selected and adapted based on the producer organisations and the basic questions concerned.

01.0 MISSION	positive aspect (+)	neutral (+/-)	problem (-)
01.1 Does the group have a clearly defined mission?			
01.2 Does the groups recognise that society is male dominated and is this reflected in its mission?			
01.3 Is it known which gender vision/motivation led to the identification of the mission?			
01.4. Does the mission of the groups express gender-sensitivity (implicitly or explicitly) or gender-blindness (i.e. not gender-conscious)?			
01.5 In case of the mission is gender-blind, do you think it is relevant to review the mission of the organisation from a gender point of view? If yes, why and how?			
01.6 Is the mission adequately translated into long-and short term objectives and also referring to gender objectives?			
01.7 Do men and women members in the groups interpret, accept and support the groups`s mission in the same way?			
01.8 Does the groups legally registered?			
01.9 Does the mission recognises the women`s empowerment?			
02.0 OUTPUTS/RESULTS			
02.1 Does the group offer relevant range of products/services?			
02.2 Do products and services of the group generally take into account or specifically focus on what differences in roles, needs, and/or interests of men and women?			
02.3 Do men and women appreciate the group`s output equally or different?			
02.4 Do the products and services contribute to a more equal gender situation?			
02.5 Is there sufficient demand for these products/services?			
02.6 Does the group deliver a substantial volume of outputs?			
02.7 Can the group meet the demand for its products/services?			
02.8 Are the products and services of the group focused on gender sensitive changes? If yes, what effects are expected from such gender sensitive changes and/or empowerment? How sure is it that such results are going to be fulfilled?			
02.9 How is the use of the wordings, he and she, in the outgoing communication, documents, publications, leaflets, publicity material of the group?			
03.0 INPUTS			
03.1 Is there a sufficient number of members?			
03.2 Is there sufficient skilled member?			
03.3 Are premises and equipment adequate?			
03.4 Is the location of the premises adequate?			
03.5 Are work places and equipment adequate?			
03.6 Are inputs and supplies of sufficient quality?			
03.7 Are services of third parties adequate (water, electricity, accountancy, etc.)?			
03.8 Are financial means adequate?			

03.9 Is the group able to fulfil its short-term debts?			
03.10 Are the major financial risks and are they covered?			
03.11 Is there sufficient access to necessary information?			
03.12 Are inputs adequately utilised considering the volume and quality of outputs?			
03.13 What is the percentage of men and women among members contributing to the development of products and services?			
03.14 Do women have similar employment opportunities within the group as men? Who actually sits in the Board? Who makes decision?			
03.15 Are funds earmarked for specific gender issues?			
03.16 Is there a budget to initiate and develop gender policy and gender expertise within the group?			
03.17 Have means (premises, work places, equipments, inputs and supplies, information) been set aside to encourage equal opportunities for men and women? If yes, in what way and are those means sufficient in terms of quantity and quality and adequately delivered and located? Are women and men's preferences integrated in this respect?			
03.18 Does the group have specific facilities to enable women and men get access to special functions? (for e.g. flexible working times, transport etc.)			
04.0 EXTERNAL RELATIONS			
04.1 Is the target group (consumers) satisfied with the quality of products and services delivered?			
04.2 Is the target group satisfied with the volume of products and services delivered?			
04.3 Are relations with financiers/donors satisfactory?			
04.4 Are the financiers/donors satisfied with the results?			
04.5 Are relations with other groups and agencies adequate?			
04.6 Has the group adequate relations with policy makers in the region and country?			
04.7 Has the group a good public image? Is this a gender sensitive image? If not, what adjustments are necessary?			
04.8 Is the group familiar with the results of gender analysis in terms of the distribution of labour between women and men, the distribution of resources/inputs, the distribution of benefits and related consequences for women and men? If not, why is the group not aware? Can that be arranged? If yes, how and which results are relevant for the group?			
04.8 Do women represent the group as often as men do?			
05.0 EXTERNAL FACTORS			
05.1 Is the socio-economic situation conducive to the performance of the group?			
05.2 Is the legal framework conducive to performance?			
05.3 Are socio-cultural norms and values among the groups and in society conducive to performance?			
05.4 Is the physical environment (climate, infrastructure) conducive?			
05.5 What political commitment is needed to support to group to become more gender equal?			
05.6 How external factors influence positively or negatively: <ul style="list-style-type: none"> equal access of men and women among the group 			

<ul style="list-style-type: none"> towards products and services of the group? • equal access of women and men to the group? 			
05.7 Does local government have an explicit local gender policy? If yes, what does this policy mean for the group in terms of opportunities and threats?			
05.8 What level of education of men and women in this group?			
06.0 STRATEGY			
06.1 Is the strategy in line with the mission?			
06.2 Is the strategy translated a clear and realistic annual plan?			
06.3 Is there a clear and effective work planning?			
06.4 Is the plan of work monitored?			
06.5 Do strategies and plans address gender differences among the members of the group?			
06.6 What is the proportionate participation of women in establishing, planning and monitoring specific objectives, approaches, annual plans and work plans?			
07.0 STRUCTURE			
07.1 Is the decision making structure based upon a clear division of responsibility?			
07.2 In what way is the policy of the group focused on having a balanced number of men and women in (middle) management and strategic apex (Board)?			
07.3 What are the motives behind the policy? <ul style="list-style-type: none"> • Efficiency (for e.g., in case of women do stay longer with the group, turn over expenditure reduces and money is saved?) • Labour market (for e.g., to anticipate that less men having a partner at home taking care for the household, will be available on the labour market)? • Feelings of injustice (women have equal rights, however such motives normally does not convince the apex)? 			
07.4 What percentage of management functions are occupied by women?			
07.5 Is there a sufficient communication between management levels?			
08.0 SYSTEMS AND PROCESSES			
08.1 Are financial/administrative procedures adequate?			
08.2 Does the group adhere its procedures?			
08.3 Are working methods/approaches adequate?			
08.4 Are working methods/approaches followed by the members?			
08.5 Is there an adequate planning system?			
08.6 Is there sufficient attention to quality control?			
08.7 Does the group give men and women member equal access to existing functions?			
08.8 Do mainly men or women member in the group have important decision making responsibilities operationally (work process) and/or on policy level (management control process)?			
08.9 Is there an adequate reporting system (financially, non-financially)?			
09.0 STAFF MOTIVATION			
09.1 Do women and men enjoy working within the group			

equally or differently and why?			
09.2 Do women and men in equal positions have an equal remuneration and equal opportunities for development like promotion?			
09.3 Do men and women in equal positions have equal chances in reference to training and/or tasks with individual opportunities for learning?			
09.4 With regards to internal training/on the job training, those who conduct the training, are they trained in gender?			
09.5 With regards to labour conditions, do women and men in equal positions have equal labour conditions?			
09.6 Are the members` salaries and secondary benefits adequate?			
09.7 Is there a significance difference between the turn over rate of women versus men? If yes, does the group try to find ways to reduce it?			
09.8 Is there any motivation for women? If yes, what type of motivation?			
10.0 MANAGEMENT STYLE			
10.1 Does the leader of the group try to emphasise equal opportunities for men and women within his/her own members in reference to their roles, needs, and interests?			
10.2 Is the leader able to identify the strong and weak points of the members?			
10.3 Does he/she encourage mutual communication concerning gender-issues? How?			
10.4 Does the management style provide sufficient opportunities to women and men to participate in decision making?			
10.5 Is attention of management adequately divided over quality and volume of outputs?			
10.6 Is concern of management adequately divided over relations with members and task performance?			
11.0 CULTURE			
11.1 Is there an adequate balance between hierarchy and participation?			
11.2 Is there an adequate balance between attention to performance and concern for people?			
11.3 Is there an adequate balance between short and long-term thinking?			
11.4 Is there an adequate balance between risk taking and risk reduction?			
11.5 Is there an adequate balance between individual responsibility and team spirit?			
11.6 Is adequate attention paid to accountability and transparency?			
11.7 Is there adequate attention to inequalities (gender differences and minority groups)?			
11.8 Is the group willing to learn from its past mistakes?			
11.9 Do women speak at the group meetings or do they only voice themselves in informal circuits?			

Appendix III: Business Case Features: interview with pastoralist organization(s)

Business Case Features; interview with pastoralist organization (s)

1. Business case and respondents

Country:	
Product:	
Name of pastoralists' organization:	
Name of firm(s)	

<i>Date of interview:</i>	
<i>Name of persons interviewed:</i>	
<i>Function of persons interviewed:</i>	

2. Pastoralists' organization

Type of Organization:	
Year of establishment:	
Number of organized pastoralists (total, men, women) :	

- a. How and to which level are the pastoralists organized?
 - Circle the entities applicable and cross out the entities not applicable.



Individual Pastoralists



Pastoralists Association



Group



Union



Federation

Company Ltd

- b. Has the trading entity, owned by the pastoralist, been registered?
 ○ No, it is an informal entity
 ○ Yes, it is a formal registered entity
- c. How has the trading entity been registered?
 ○ NGO
 ○ Group (with right to be involved in economic activities)
 ○ Union (with right to be involved in economic activities)
 ○ Federation (with right to be involved in economic activities)
 ○ Non-profit business
 ○ Social business
 ○ Fully commercial business

<i>Observations:</i>	
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3. Product:

Does the business / pastoralist organization offer:

- one product or
- several products
- a perishable product or
- a non-perishable product
- a standard product or
- a tailor made product
- a seasonal product or
- year-round-production?

<i>Observations:</i>	
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4. Production

- a. Which functions are performed in ownership by the pastoralists?
 - Shearing
 - Collecting
 - Sorting out the fibre
 - 1st processing stage (for instance: cleaning / grading)
 - Intermediate processing
 - Final processing
 - Packaging
- b. Hygiene and food safety certificates required?
 - Yes
 - No

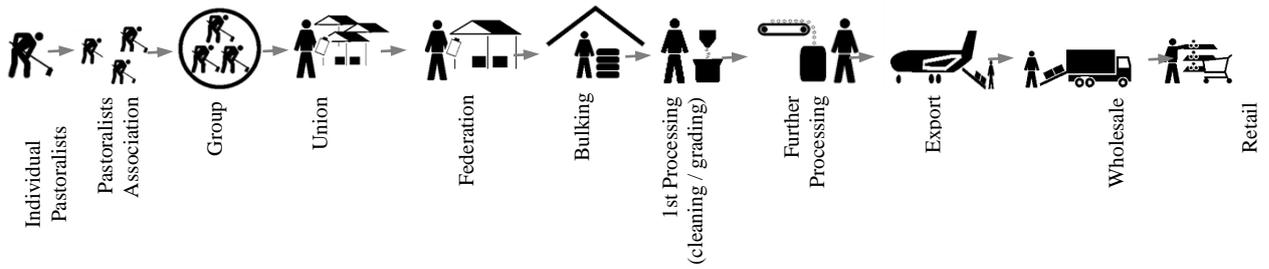
<i>Observations:</i>	
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5. Quantitative data

Average production volume of pastoralists' organization per season (if possible details for different seasons) :	
Average production volume per pastoralist (or household) per season:	
Average number of livestock per pastoralist (or household):	
Total volume of product before processing:	
Total volume of product after processing (when applicable):	
<i>Observations:</i>	

6. Voice:

- a. Does decision making take place in a democratic way (through elected decision makers) or through a business hierarchy (decision making power linked to function in company).
 - Democratic structure
 - Business hierarchy
- b. Until which point in the chain does the pastoralist have decision making power?
 - Circle entities in which the pastoralist has decision making power (through democratic structure). Cross out those entities in which the pastoralist does not have decision making power.



<i>Observations:</i>	
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7. Product branding

- a. Is the product specifically branded?
 - Organic Certified
 - Conventional, generic (no specific brand)
 - Socially certified (Fair Trade, UTZ, etc)
- b. Is the product sold to the customer under the specific brand name of the business/producer organization?
 - Yes
 - No

<i>Observations:</i>	
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8. Customer / Market:

- a. How many customers does the business/pastoralist organization serve?
 - one
 - several
- b. Categorize the direct customer(s)
 - trader,
 - exporter,
 - processor,
 - wholesale,
 - retail,
 - end-user
- c. Which market does the business/pastoralist organization serve?
 - the mass market (bulk market)
 - a niche market
- d. Is the direct customer a local or an international customer?
 - Local
 - International
- e. Is the end-market (end-consumer) a local or international market?
 - Local end-market
 - International end-market

<i>Observations:</i>	
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9. Revenue model:

- Does the business / producer organization earn its income through:
- the sale of a physical product,
 - the sale of a service
 - lending/renting/leasing the use of a physical product

Observations:

10. Pricing

- a. Which pricing mechanism is used:
- o List price: predefined fixed prices
 - o Price depends on the quality of the product
 - o Price depends on the type and characteristic of the direct customer
 - o Price is determined as a function of the quantity purchased
 - o Price is negotiated between two or more partners depending on negotiation power and/or negotiation skills
 - o Price depends on inventory and time of purchase
 - o Price is established dynamically based on supply and demand
 - o Price is determined by outcome of competitive bidding
- b. Is the business / pastoralist organization cost driven or value driven?
- o Cost-driven (cheap)
 - o Value driven (high quality)

Observations:

11. Trade Contracts

Indicate with lines between which parties trade-contracts are signed.



Observations:

12. Risk:

- a. Which risks does the business / pastoralist organization bare? Up until which point in the value chain does the business/pastoralist organization run this risk? Put a cross (for each party) from which point in the value chain until which point in the value chain the business/pastoralist organization bears this risk

	Individual Pastoralists	Pastoralists Association	Group	Union	Federation	Bulking	1st Processing (cleaning / grading)	Further Processing	Export	Wholesale	Retail
Climate Risk											

Input misuse risk											
Animal diseases											
Side-selling risk											
Timelines											
Volume Risk											
Quality Risk											
Processing Risk											
Financial Risk											
Storage Risk											
Transport Risk											
Certification Risk											
Marketing Risk											
Reputational Risk											

Example: The pastoralist remains owner of the product up until delivery after export. Therefore transport risk is their risk until that point:

Transport Risk	X	X	X	X	X	X	X	X	X		
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Observations:	
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13. Financial data

	2009	2010	2011
Turn-over			
Cost of Production			
Operational Costs			
Overhead Costs			
Profit / Loss			
Break Even Point (expected to be) reached in year:			
Observations:			

Appendix IV: Summary of Case studies: Interviews with key respondents and informants

1. Interview with Mongol Esgii pastoralist community members

Interviewees:

Mr. Byambanaidan, leader (functioning of the community, Board)

Mr. Nominchuluun as a bookkeeper (position in current value chain, processing and production, cost and benefit)

Mrs. Dulamsuren, woman member (women`s empowerment, time and labour)

Interview with Mr. Byambanaidan (married): He is a local leader and head of Mongol Esgii community. The interview was directed to study about how the community group is functioned.

Functioning

Mongol Esgii pastoralist community was established in October 2004 with eight pastoralist household members, who joined the community on volunteer basis. It is a legal organisation in reconciliation with Mongolian Law of Non-governmental organisation adopted in 1997. The main goal of this community is nature conservation, sustainable pasture management and value added dairy and craft production. The community now has 10 household members as of 2012.

The community is organised and managed by its community Board and all the households are members of the board. There are 7 male and 3 female pastoralists in the board. The Board meeting is organised not less than twice annually and it approves the community activity and budget plans and presents reports. Besides the Board, there is also a



Supervisory board, which consists of 4 pastoralist members and they are responsible for controlling the community performance and management of the community sharing fund with specific regulation. The supervisory board reports to the Board. The community leader currently, Mr.Byambanaidan, is elected by the all members meeting. He is responsible for convening monthly meetings of the community, delegating the community at national and international level and sign on contracts.

Photo: Mongol Esgii community

Membership of the community is voluntary and those who have same goal and activity may join the community and the membership is decided by the all members meeting. All the members are obliged to respect the Community bylaw and the Regulation of Community Fund.

The community has fixed and revolving assets and sharing fund. The financial source of the community consists of donations of individuals, households and organisations as well as operational income and other sources. In case of the community has already achieved in its goal or faces financial and other scarcity, it may be abolished. If so, the community asset at the time of abolition will be shared equally to each member.

This community is located in buffer zone of Hustai National Park and it has been supported by the park in organising trainings, hiring local people as rangers and providing some grants and credits. Since 2008, Tsagaan Myandas NGO has supported the community group under its poverty reduction project by promoting livestock fibre production and market access. The community enlarged its activity and membership in 2011 and two female headed households in Altanbulag district centre joined. They are based in the district centre and make craft products and traditional dresses.

The community was awarded by the government of Mongolia as the best community of Mongolia in December, 2011 and the award was accompanied with 1500 EUR. With this award the pastoralists of Mongol Esgii finished building a community house at their summer camp in June, 2012 and this house is accommodating the community members meetings, cultural events, display of local products and visitor centre.



According to a Decree of Mongolian Government dated as March, 2009, a procedure to award the best pastoralist was adopted. The main criteria for the best pastoralists is based on their sound contributions to develop traditional pasture-based animal husbandry methods, increase the livestock productivity and quality, value added production and input to socio-economic development in rural areas (Government of Mongolia, 2009).

Photo: The best community of 2011, Mongol Esgii community

Interview with Mr. Nominchuluun (married), a bookkeeper of the community: He is a pastoralist and member of the community responsible for bookkeeping. According to the interview with him the information about fixed and variable costs, benefit, risks and market condition of the community products as well as the position of the community in current value chain was found.

Fixed and variable cost

In terms of fixed cost, the community group runs a workshop in the district centre, where the two female headed households` members are working. The community pays 30 euro per month for rent and 10 euro for electricity. In Mongolia the land is owned by the Government and the pastoralists may use it for free. The pastoralists do not pay pasture and cropland tax in accordance with Mongolian law of Land Taxation, 1997. This community does not have loan repayment. The community has total 5600 heads of livestock that belonged to eight pastoralist households. It means average 500-1000 heads of livestock per household. The livestock are sheep, goat, cattle, horse and camel. The number of cashmere goat head is higher than all other animals due to its economic value. The fewest animal is camel due to natural condition.

Mr.Byambanaidan`s household was awarded by the Government as "Myangat" or in English it is a family with more than 1000 heads of livestock and is considered as distinguished and rich pastoralist.

Following tables show average fixed and variable costs of this group for production and processing of the fibre based on the information provided by Nominchuluun.

Table 1.1. Average fixed cost per household

No.	Description	Frequency	Cost (EUR)	Unit	Remarks
1	Labour	Yearly	960	80 EUR per pastoralist labour per month	When the family has more than 1000 heads of livestock, paid pastoralist is hired.
2	Running cost	Yearly	360,0	30,0 per vehicle (moto, jeep or truck)	To travel to district centre: 30 km & Ulaanbaatar: 70 km
3	Communication (mobile)	Yearly	120,0	10,0 per mobile	For the sales of products
4	Miscellaneous	Yearly	100,0		
Total			1,540,0		

Table 1.2. Average variable cost per household

No.	Description	Frequency	Cost (EUR)	Unit	Remarks
1	Vaccination for livestock	Yearly	40,0	All animal	If necessary
2	Additional fodder (hay)	Yearly	120,0	Per sack	In case of catastrophe: drought in summer and winter It is given for small and weak animals
3	Fencing or sheltering (timber, spikes, dungs collection)	Yearly	200,0	For all livestock	If necessary. For animals in winter and spring
4	Miscellaneous	Yearly	200,0		In case of natural disaster, human and animal decease and any other risks
Total			560,0		

Benefit and risk

In terms of benefit, the pastoralist households are dependent on their livestock products. The livestock is grazed on natural pasture and do not use any fertiliser.

The main risk for them is the catastrophic situation such as summer and winter drought.

Following table shows the average description of risk and benefit per household.

Table 1.3. Risk and benefit per household

No.	Benefit	Risk	Frequency	Remark
1	Sales of raw material	Price changes and controlled by traders Climatic risk	seasonal	(fibre, meat and milk)
2	Sales of craft product	Quality and quantity is not consistent	seasonal	Sheep wool, camel wool, horse hair, cow leather and cashmere
3	New offsprings	Miscarriage and injury of newly born animal	Spring	Number of livestock is increased
4	Collateral (livestock) for loan	Animal decease	Yearly	If necessary

Market condition

The community has local market to sell the meat and milk products. The livestock fibre is sold directly to traders. The craft products are sold based on orders locally and internationally. The products made of sheep wool and horse hair is the most demanded in European market. However, the international market demands consistent quality and quantity of the products. Tsagaan Myandas NGO supports the community to get market access at international level.

Status/position of pastoralist household/community in current value chain

The community sells the raw material individually to traders and costumers. Some households also sell the fibre after shearing the wool directly to women groups in the district centre.

Interview with Mrs. Dulamsuren (married): She is a member of Mongol Esgii pastoralist community and she is well known in her skills to make craft products. She is a wife of the community leader.

During the interview the information was given on how the women are empowered and how much time do both men and women members spend for their income generating activities.

Women`s empowerment

As a result of the interview with her, the information about what is the *status of women members in terms of empowerment* was found out. She organises meetings and trainings with the community women members based on her capacity and knowledge of making craft products and increasing their income and status within the group.

In November 2010, she attended in the Global Gathering of Women Pastoralists in India on behalf of her community women with support of Tsagaan Myandas and joined as a member community to the World Alliance of Mobile Indigenous People (MARAG, 2010). Her participation in the global event and experience sharing with women pastoralists from all over the world has motivated her to be self-confident and more respected not only in her community but also in this province of Tuv.

In August 2011, with help of Tsagaan Myandas NGO, she opened a small (16m²) work shop in Altanbulag district centre and provided employment for two female headed households. They make felt products and sewing and sell the products on local and international markets.

As of 2012, Mongol Esgii community has total 10 household members of which two are the female headed households. Total 10 women are involved in the community activities.

She is the leading person in her community and supports the other women members to build their capacity, self-esteem and self-confidence through economic empowerment.

Time and daily labour

The pastoralists of this community spend most of their time for grazing the livestock, which is the main income source. Herding the big animal (horse, camel and cattle) is the task of men. This is a daily activity from early morning till late evening. Men are involved in activities such as collecting the raw material and selling them to traders. They are more mobile than women and thus they own the means of transport. For the women, besides the reproductive role, they are also engaged in income generating activities.

Following table shows the general overview of daily labour for income generating activities based on the peak season for the pastoralists which is spring. An example of Mr. Byambanaidan`s family was taken.

Table 1.4. Daily time and labour profile

Dulamsuren (wife)	Byambanaidan (husband)
5 am Gets up (makes tea, gets daughters up and does other domestic tasks)	7 am Gets up, collects cattle from pasture, brings cattle for milking, checks animals in shelter
8 am Milks cows, cleans shelters, takes female cattle to pasture	10 am Takes sheep to pasture, takes animals to river, cares for horses, reads books
11 am Brings milk to <i>ger</i> , chops logs for fire, collects ice from river, puts animals in shelter	
14 pm Sews clothes and makes crafts	
5 pm Prepares food, cooks and eats	7 pm Returns from pasture, eats
8-9 pm Checks animals in shelter	8-9 pm Suckling animals in shelter
11 pm Sleeps	11 pm Sleeps

*Information given by Dulamsuren.

2. Interview with Bayansonginot pastoralist community

Interviewees:

Mr. Batchuluun, leader (functioning of the community, Board)

Mrs. Sarnai as a bookkeeper (position in current value chain, processing and production, cost and benefit)

Mrs. Oyunaa, woman member (women`s empowerment, time and labour)

Interview with Mr. Batchuluun (married): He is a head of Bayansonginot community. The interview was directed to study about how the community group is functioned.

Functioning

Bayansonginot pastoralist community was established in October 2004 with seven pastoralist household members, who joined the community on volunteer basis. It is a legal organisation in reconciliation with Mongolian Law of Non-governmental organisation adopted in 1997. The main goal of this community is nature conservation, sustainable pasture management, value added dairy and craft production and community-based tourism.

The community has been successfully operating the community-based tourism and every year it hosts average 20 tourists mainly from the Netherlands, France, Germany and Japan.

The community is organised and managed by its community Board and all the households are members of the board. There are 5 male and 2 female pastoralists in the board. The Board meeting is organised not less than twice annually and it approves the community activity and budget plans and presents reports. Besides the Board, there is also a Supervisory board, which consists of 4 pastoralist members and they are responsible for controlling the community performance and management of the community sharing fund with specific regulation. The supervisory board reports to the Board.

The community leader currently, Mr. Batchuluun, is elected by the all members meeting. He is responsible for convening monthly meetings of the community, delegating the community at national and international level and sign on contracts.

Membership of the community is voluntary and those who have same goal and activity may join the community and the membership is decided by the all members meeting.

All the members are obliged to respect the Community bylaw and the Regulation of Community Fund.

The community has fixed and revolving assets and sharing fund. The financial source of the community consists of donations of individuals, households and organisations as well as operational income and other sources.

In case of the community has already achieved in its goal or faces financial and other scarcity, it may be abolished. If so, the community asset at the time of abolition will be shared equally to each member.

This community is located in buffer zone of Hustai National Park and it has been supported by the park in organising trainings, hiring local people as rangers and providing some grants and credits. Since 2008, Tsagaan Myandas NGO has supported the community group under its poverty reduction project by promoting livestock fibre production and market access.

Interview with Mrs. Sarnai (married), a bookkeeper of the community: She is a pastoralist and member of the community responsible for bookkeeping. According to the interview with her the information about fixed and variable costs, benefit, risks and market condition of the community products as well as the position of the community in current value chain was found.

Fixed and variable cost

The community has total 4500 heads of livestock that belonged to seven pastoralist households. It means average 300-1000 heads of livestock per household. The livestock are sheep, cashmere goat, cattle, horse and camel. The number of cashmere goat head is higher than all other animals due to its economic value. The fewest animal is camel due to natural condition.

Following tables show average fixed and variable costs of this group for production and processing of the fibre based on the information provided by Mrs. Sarnai.

Table 2.1. Average fixed cost per household

No.	Description	Frequency	Cost (EUR)	Unit	Remarks
1	Labour	Yearly	960	80 EUR per pastoralist labour per month	When the family has more than 1000 heads of livestock, paid pastoralist is hired.
2	Running cost	Yearly	360,0	30,0 per vehicle (moto, jeep or truck)	To travel to district centre: 30 km & Ulaanbaatar: 70 km
3	Communication (mobile)	Yearly	120,0	10,0 per mobile	For the sales of products
4	Miscellaneous	Yearly	100,0		
Total			1,540,0		

Table 2.2. Average variable cost per household

No.	Description	Frequency	Cost (EUR)	Unit	Remarks
1	Vaccination for livestock	Yearly	40,0	All animal	If necessary
2	Additional fodder (hay)	Yearly	120,0	Per sack	In case of catastrophe: drought in summer and winter It is given for small and weak animals
3	Fencing or sheltering (timber, spikes, dungs collection)	Yearly	200,0	For all livestock	If necessary. For animals in winter and spring

4	Miscellaneous	Yearly	200,0		In case of natural disaster, human and animal decease and any other risks
Total			560,0		

Benefit and risk

The pastoralist households are dependent on their livestock products. The livestock is grazed on natural pasture and do not use any fertiliser. The tourism activity is playing important role as an alternative income generation.

The main risk for them is the catastrophic situation such as summer and winter drought. Following table shows the average description of risk and benefit per household.

Table 2.3. Risk and benefit per household

No.	Benefit	Risk	Frequency	Remark
1	Sales of raw material	Price changes and controlled by traders Climatic risk	seasonal	(fibre, meat and milk)
2	Sales of craft product	Quality and quantity is not consistent	seasonal	Sheep wool, camel wool, horse hair, cow leather and cashmere
3	New offsprings	Miscarriage and injury of newly born animal	Spring	Number of livestock is increased
4	Collateral (livestock) for loan	Animal decease	Yearly	If necessary
5	Tourism	Lack of marketing	Summer	

Market condition

The community has local market to sell the meat and milk products. The livestock fibre is sold directly to traders.

This community is a model of developing the community-based tourism in this area. There is a market opportunity in summer time, when the tourists visit Mongolia to see the nomadic lifestyle.

The craft products are sold based on orders locally and internationally. The products made of sheep wool and horse hair is the most demanded in European market. However, the international market demands consistent quality and quantity of the products. Tsagaan Myandas NGO supports the community to get market access at international level.

Status/position of pastoralist household/community in current value chain

The community sells the raw material individually to traders and costumers. Some households also sell the fibre after shearing the wool directly to women groups in the district centre.

Interview with Mrs.Oyunaa (married): She is a member of the community and leads the women members. During the interview the information was given on how the women are empowered and how much time do both men and women members spend for their income generating activities.

Women`s empowerment

Together with six other women from her community she makes felt by processing the sheep wool based on traditional method and sells crafts to tourists, when they visit the community. They also make ropes and threads for the use of their dwelling material. The women members often attend in the community meetings and involve in decision making. They are

also invited to various gatherings and trainings organised by external organisations. The women have no any work place in district centre, but they built a community ger (tent), where they gather and make the products.



Photo: Mrs. Oyuna (L) together with women pastoralists

Time and labour

The women`s role that the women in the pastoralist family are responsible for herding small stock (sheep and cashmere goats), milking, and the shearing and clipping of all animals. Additionally, they perform all domestic tasks, including product processing, cooking, cleaning, washing, sewing and collecting dung and wood, for fuel and water.

Following table shows the general overview of daily labour for income generating activities based on the peak season for the pastoralists which is spring. An example of Mr. Batchuluun`s family was taken.

Table 2.4. Daily time and labour profile

Oyunchimeg (wife)	Batchuluun (husband)
5 am Gets up (milks baby, makes tea, gets daughters up and does other domestic tasks)	7 am Gets up, drinks tea, saddles horse, prepares for day
7.30 am Gives fodder to animals, supervises suckling of young animals, separates young from mothers after feeding, gives fodder and hay to lambs	10 am Takes sheep to pasture, takes animals to river, cares for horses, reads books
10 am Gives fodder and hay to young calves	
12 am Cooks lunch, does washing and sewing, cares for children	
13 pm Prepares lunch for tourists if there are tourists	
4 pm Supervises suckling of lambs	
7 pm Cooks and eats dinner, checks on animals for the night	7 pm Returns from pasture, eats
8 pm Shearing, combing and packing raw material to sell	8 pm Shearing, combing and packing raw material to sell
12 pm Sleeps	12 pm Sleeps

*Information given by Oyunchimeg

3. Interview with Tost pastoralist community

Interviewees:

Mr. Sanj, leader (functioning of the community, Board)

Mrs. Davaa, a bookkeeper (position in current value chain, processing and production, cost and benefit)

Mrs. Byamba, woman member (women`s empowerment, time and labour)

Interview with Mr. Sanj (married): He is a head of Tost community and he is a ranger of Hustai National Park. The interview was directed to study about how the community group is functioned.

Functioning

Tost pastoralist community was established in March 2005 with nine pastoralist household members, who joined the community on volunteer basis. It is a legal organisation in reconciliation with Mongolian Law of Non-governmental organisation adopted in 1997. The main goal of this community is nature conservation, sustainable pasture management, value added dairy and craft production and community-based tourism.

The community has been successfully operating the community-based tourism and every year it hosts average 15-20 tourists mainly from the Netherlands, France, Germany, Korea and Japan.

The community is organised and managed by its community Board and all the households are members of the board. There are 7 male and 2 female pastoralists in the board. The Board meeting is organised not less than twice annually and it approves the community activity and budget plans and presents reports. Besides the Board, there is also a Supervisory board, which consists of 4 pastoralist members and they are responsible for controlling the community performance and management of the community sharing fund with specific regulation. The supervisory board reports to the Board.

The community leader currently, Mr.Sanj, is elected by the all members meeting. He is responsible for convening monthly meetings of the community, delegating the community at national and international level and sign on contracts. Membership of the community is voluntary and those who have same goal and activity may join the community and the membership is decided by the all members meeting.

All the members are obliged to respect the Community bylaw and the Regulation of Community Fund.

The community has fixed and revolving assets and sharing fund. The financial source of the community consists of donations of individuals, households and organisations as well as operational income and other sources.

In case of the community has already achieved in its goal or faces financial and other scarcity, it may be abolished. If so, the community asset at the time of abolition will be shared equally to each member.

This community is located in buffer zone of Hustai National Park and it has been supported by the park in organising trainings, hiring local people as rangers and providing some grants and credits. Since 2008, Tsagaan Myandas NGO has supported the community group under its poverty reduction project by promoting livestock fibre production and market access.

Mr.Sanj delegated his community at global gathering of WAMIP-the World Alliance of Mobile Indigenous People, held in Segovia, Spain in 2007. Tost community has been elected as a member of the WAMIP since 2007.

The community also attended in international Food Festival 2011 organised by Tsagaan Myandas NGO and shared experiences with other pastoralists and had an opportunity to sell the community dairy products during the festival.

Interview with Mrs. Davaa (married), a bookkeeper: She is a pastoralist and member of the community responsible for bookkeeping. According to the interview with her the information about fixed and variable costs, benefit, risks and market condition of the community products as well as the position of the community in current value chain was found.

Fixed and variable cost

The community has total 3000 heads of livestock that belonged to nine pastoralist households. It means average 300-800 heads of livestock per household. The livestock are sheep, goat, cattle, horse and camel. The number of cashmere goat head is higher than all other animals due to its economic value. The fewest animal is camel due to natural condition.

Following tables show average fixed and variable costs of this group for production and processing of the fibre based on the information provided by Davaa.

Table 3.1. Average fixed cost per household

No.	Description	Frequency	Cost (EUR)	Unit	Remarks
1	Labour	Yearly	960	80 EUR per pastoralist labour per month	When the family has more than 1000 heads of livestock, paid pastoralist is hired.
2	Running cost	Yearly	360,0	30,0 per vehicle (moto, jeep or truck)	To travel to district centre: 30 km & Ulaanbaatar: 70 km
3	Communication (mobile)	Yearly	120,0	10,0 per mobile	For the sales of products
4	Miscellaneous	Yearly	100,0		
Total			1,540,0		

Table 3.2. Average variable cost per household

No.	Description	Frequency	Cost (EUR)	Unit	Remarks
1	Vaccination for livestock	Yearly	40,0	All animal	If necessary
2	Additional fodder (hay)	Yearly	120,0	Per sack	In case of catastrophe: drought in summer and winter It is given for small and weak animals
3	Fencing or sheltering (timber, spikes, dungs collection)	Yearly	200,0	For all livestock	If necessary. For animals in winter and spring
4	Miscellaneous	Yearly	200,0		In case of natural disaster, human and animal decease and any other risks
Total			560,0		

The pastoralist households are dependent on their livestock products. The livestock is grazed on natural pasture and do not use any fertiliser. The tourism activity is playing important role as an alternative income generation.

The main risk for them is the catastrophic situation such as summer and winter drought. Following table shows the average description of risk and benefit per household.

Table 3.3. Risk and benefit per household

No.	Benefit	Risk	Frequency	Remark
1	Sales of raw material	Price changes and controlled by traders Climatic risk	seasonal	(fibre, meat and milk)
2	Sales of craft product	Quality and quantity is not consistent	seasonal	Sheep wool, camel wool, horse hair, cow leather and cashmere
3	New offsprings	Miscarriage and injury of newly born animal	Spring	Number of livestock is increased
4	Collateral (livestock) for loan	Animal decease	Yearly	If necessary
5	Tourism	Lack of marketing	Summer	

Market condition

The community has local market to sell the meat and milk products. The livestock fibre is sold directly to traders.

This community is also developing the community-based tourism in this area. There is a market opportunity in summer time, when the tourists visit Mongolia to see the nomadic lifestyle.

The craft products are sold based on orders locally and internationally. The products made of sheep wool and horse hair is the most demanded in European market. However, the international market demands consistent quality and quantity of the products.

Tsagaan Myandas NGO supports the community to get market access at international level.

Status/position of pastoralist household/community in current value chain

The community sells the raw material individually to traders and costumers. Some households also sell the fibre after shearing the wool directly to women groups in the district centre.

Interview with Mrs.Byamba (married): She is a member of the community and leads the women members. During the interview the information was given on how the women are empowered and how much time do both men and women members spend for their income generating activities.

Women`s empowerment

Like the other communities in this research, the women members often attend in the community meetings and involve in decision making. They are also invited to various gatherings and trainings organised by external organisations. The women do have any work place neither in district centre nor in their community area.



Mrs. Byamba organises the community trainings for women members on hosting tourists, making dairy and craft products and promoting themselves. She expresses her willingness to provide better service for tourists based on her knowledge gained from the community-based tourism training and she also wants to develop a product processing centre in order to add value to the livestock raw material. However, she often lacks financial means and infrastructure to build the community production centre.

Photo: Mrs. Byamba is shearing sheep wool

Time and labour

The women's role that the women in the pastoralist family are responsible for herding small stock (sheep and goats), milking, and the shearing and clipping of all animals. Additionally, they perform all domestic tasks, including product processing, cooking, cleaning, washing, sewing and collecting dung and wood, for fuel and water.

Following table shows the general overview of daily labour for income generating activities based on the peak season for the pastoralists which is spring. An example of Mr. Sanj's family was taken.

Table 3.4. Daily time and labour profile

Byambasuren (wife)	Sanjmyatav (husband)
5 am Gets up (milks baby, makes tea and does other domestic tasks)	7 am Gets up, drinks tea, saddles horse, prepares for day
7.00 am Gives fodder to animals, suckling young animals, separates young from mothers after feeding, gives fodder and hay to lambs	10 am Takes sheep to pasture, takes animals to river, cares for horses, reads books, meets neighbours
10 am Gives fodder and hay to young calves	11 am Observes the buffer zone area of the national park
12 am Cooks lunch, does washing and sewing, cares for children	
14 pm Prepares dairy products, shearing, combing and packing for selling the raw material	
4 pm Supervises suckling of lambs	
7 pm Cooks and eats dinner, checks on animals for the night	7 pm Returns from pasture, eats
12 pm Sleeps	12 pm Sleeps

*Information given by Byambasuren

4. Interview with Mungun Savaa, women community

Interviewees:

Mrs. Tsendsuren, leader (functioning of the community, Board)

Mrs. Bayasgalan, a bookkeeper (position in current value chain, processing and production, cost and benefit)

Mrs. Buurii, woman member (women's empowerment, time and labour)

Interview with Mrs. Tsendsuren (married): She is a leader of Mungun Savaa women community. The interview focused on how the community is functioned and how much time do the women members spend for their income generating activities.

Functioning

The functioning of the community is same as any other communities in this district.

Mungun Savaa community was established in August 2004 with members of 5 female headed households. It is a legal organisation in reconciliation with Mongolian Law of Non-governmental organisation adopted in 1997. The main goal and activity is to process livestock fibre, produce traditional craft products and improve their livelihoods. The community is organised and managed by its community Board and all the households are members of the board. There are 5 women in the board. The Board meeting is organised not less than twice annually and it approves the community activity and budget plans and presents reports.



Mrs. Tsendsuren is well known by her talent and skill of making traditional felt products such as felt carpets, cushions, shoes and bags. She organises felt making trainings for female headed households in different provinces.

With aim of inheriting the traditional artisanal work to the young generation, the community has been conducting trainings for students of secondary school on making handicrafts since 2010.

Photo. Mrs. Tsendsuren (L) is making felt carpet with her community members



This community is located in Altanbulag district centre and has its own work place with three rooms. One of the rooms is used as products display. The community was supported by embassy of Germany with 10 million tugrugs (600EUR) in 2009 to purchase and install improved equipment to process sheep wool. This equipment is made in Mongolia and its raw material is from China. Unfortunately, it does not function fast and consistent and costly for energy.

Photo: Wool processing machine



Interview with Mrs. Bayasgalan (divorced), a bookkeeper:

She is a member of the community responsible for bookkeeping. According to the interview with her the information about fixed and variable costs, benefit, risks and market condition of the community products as well as the position of the community in current value chain was found.

Photo: Mrs. Bayasgalan

Fixed and variable cost

Following tables show average fixed and variable costs of this group for production and processing of the fibre based on the information provided by Bayasgalan.

Table 4.1. Average fixed cost

No.	Description	Frequency	Cost (EUR)	Unit	Remarks
1	Labour	Yearly	960	80 EUR per pastoralist labour per month	When the family has more than 1000 heads of livestock, paid pastoralist is hired.
2	Rent for work place	Yearly	360,0	30,0 per month	It is used for all year round
3	Electricity of work place	Yearly	120,0	10,0 per month	
4	Running cost	Yearly	240,0	20,0 per vehicle (moto, jeep or truck)	To travel to district centre: 30 km & Ulaanbaatar: 70 km
5	Communication (mobile)	Yearly	120,0	10,0 per mobile	For the sales of products
6	Miscellaneous	Yearly	100,0		
Total			1,780,0		

Table 4.2. Average variable cost

No.	Description	Frequency	Cost (EUR)	Unit	Remarks
1	Additional material for production	Yearly	100,0		Depends on the product types
2	Miscellaneous	Yearly	200,0		In case of natural disaster, human and animal decease and any other risks
Total			300,0		

Benefit and risk

The female headed households are dependent on their daily production. When there are product orders, they have employment and more income.

Following table shows the average description of risk and benefit of the community.

Table 4.3. Risk and benefit per household

No.	Benefit	Risk	Frequency	Remark
1	Sales of craft product	Quality and quantity is not consistent	seasonal	Sheep wool, camel wool, horse hair, cow leather and cashmere
2	Regular work place	Rent price increase		
3	Vicinity to market	Market competition		Imported products
4	Skilled members	Number of members is changeable		

Market condition

The craft products are sold based on orders locally and internationally. The products made of sheep wool and horse hair is the most demanded in European market. However, the international market demands consistent quality and quantity of the products. Tsagaan Myandas NGO supports the community to get market access at international level.

Mrs. Matthea van Staden from Stichting Made in Mongolia based in the Netherlands has been supported the community in collaboration with Mrs. Munkhbolor from Tsagaan

Myandas NGO since 2006 on marketing, selling and promoting the felt products abroad. The community products were displayed at trade fairs such as Dutch Design Week 2010 and Mongolia Trade Platform 2011 etc.

Status/position of pastoralist household/community in current value chain

The community purchases raw material directly from pastoralist communities. They collect, sort, process and produce the products. The products are sold to local market directly and to international market with facilitation of the NGO.

Interview with Mrs. Buurii (widow): She is a widow and a member of Mungun Savaa community and her main task is to make camel wool threads. She is skilled in using traditional method of making camel wool thread by hands. The community has a spinning wheel, but she prefers to use her traditional way. Buurii said, she tried this spinning wheel several times, but it was difficult to manage it like the traditional simple tool.



Photo: Mrs. Buurii (L), making thread

5. Interview with Uran Shirmel, women community

Interviewees:

Mrs. Oyungerel, leader (functioning of the community, Board)

Mrs. Ariunaa, a bookkeeper (position in current value chain, processing and production, cost and benefit)

Mrs. Chuka, woman member (women`s empowerment, time and labour)

Interview with Mrs. Oyungerel (divorced): She is a leader of Uran Shirmel women community. The interview focused on how the community is functioned and how much time do the women members spend for their income generating activities.

Functioning

The functioning of the community is same as any other communities in this district.

Uran Shirmel community was established in March 2005 with members of 5 female headed households. It is a legal organisation in reconciliation with Mongolian Law of Non-governmental organisation adopted in 1997. The main goal and activity is to process livestock fibre, produce traditional craft products and improve their livelihoods. The community is organised and managed by its community Board and all the households are members of the board. There are 5 women in the board. The Board meeting is organised not



less than twice annually and it approves the community activity and budget plans and presents reports.

Mrs. Oyungerel was trained by Mrs. Tsendsuren, the Mungun Savaa community leader in making traditional felt products such as felt carpets, cushions, shoes and bags.

This community is located in Altanbulag district centre and has its own work place with one room.

Photo: Mrs. Oyungerel, embroidering

Interview with Mrs. Ariunaa (divorced), a bookkeeper: She is a member of the community responsible for bookkeeping. According to the interview with her the information about fixed and variable costs, benefit, risks and market condition of the community products as well as the position of the community in current value chain was found.

Fixed and variable cost

Following tables show average fixed and variable costs of this group for production and processing of the fibre based on the information provided by Ariunaa.

Table 5.1. Average fixed cost

No.	Description	Frequency	Cost (EUR)	Unit	Remarks
1	Labour	Yearly	960	80 EUR per pastoralist labour per month	When the family has more than 1000 heads of livestock, paid pastoralist is hired.
2	Rent for work place	Yearly	360,0	30,0 per month	It is used for all year round
3	Electricity of work place	Yearly	120,0	10,0 per month	
4	Running cost	Yearly	240,0	20,0 per vehicle (moto, jeep or truck)	To travel to district centre: 30 km & Ulaanbaatar: 70 km
5	Communication (mobile)	Yearly	120,0	10,0 per mobile	For the sales of products
6	Miscellaneous	Yearly	100,0		
Total			1,780,0		

Table 5.2. Average variable cost

No.	Description	Frequency	Cost (EUR)	Unit	Remarks
1	Additional material for production	Yearly	100,0		Depends on the product types
2	Miscellaneous	Yearly	200,0		In case of natural disaster, human and animal decease and any other risks
Total			300,0		

Benefit and risk

The female headed households are dependent on their daily production. When there are product orders, they have employment and more income.

Following table shows the average description of risk and benefit of the community.

Table 5.3. Risk and benefit per household

No.	Benefit	Risk	Frequency	Remark
1	Sales of craft product	Quality and quantity is not consistent	seasonal	Sheep wool, camel wool, horse hair, cow leather and cashmere
2	Regular work place	Rent price increase		
3	Vicinity to market	Market competition		Imported products
4	Skilled members	Some members are getting older and there will be lack of trained people		

Market condition

The craft products are sold based on orders locally and internationally. The products made of sheep wool and horse hair is the most demanded in European market. However, the international market demands consistent quality and quantity of the products. Tsagaan Myandas NGO supports the community to get market access at international level.

Mrs. Matthea van Staden from Stichting Made in Mongolia based in the Netherlands has been supported the community in collaboration with Mrs. Munkhbolor from Tsagaan Myandas NGO since 2006 on marketing, selling and promoting the felt products abroad. The community products were displayed at trade fairs such as Dutch Design Week 2010 and Mongolia Trade Platform 2011 etc.

Status/position of pastoralist household/community in current value chain

The community purchases raw material directly from pastoralist communities. They collect, sort, process and produce the products. The products are sold to local market directly and to international market with facilitation of the NGO.

Interview with Mrs. Chuka (widow):

She is a member of Uran Shirmel community and her main task is to make camel wool threads. She is skilled in using traditional method of making camel wool thread by hands. The community has a spinning wheel like the other communities. She prefers to use her traditional way.



Photo: Mrs. Chuka, embroidering felt carpet

Like the other women communities the women of this community use a drum carder in order to comb sheep wool for small sized products. For bigger sized, for e.g., a felt carpet with size of 3cmx3cm, they go to a river side and prepare in the nature with help of local men. Horses or small truck are used to roll the prepared wool in order to make felt. The felt is designed for the carpet making.

6. Interview with Altan Ugalz, women community

Interviewees:

Mrs. Baasan, leader (functioning of the community, Board)

Mrs. Enkhee, a bookkeeper (position in current value chain, processing and production, cost and benefit)

Mrs. Tuyaa, woman member (women`s empowerment, time and labour)

Interview with Mrs. Baasan (married): She is a leader of Altan Ugalz women community. The interview focused on how the community is functioned and how much time do the women members spend for their income generating activities.

Functioning



The functioning of the community is same as any other communities in this district.

Altan Ugalz community was established in June 2008 with members of 6 female headed households. It is not yet a legal organisation. The main goal and activity is to process livestock fibre, produce traditional craft products and improve their livelihoods. The community is organised and managed by its community Board and all the households are members of the board. There are 6 women in the board.

Photo: Mrs. Baasan (L)

The Board meeting is organised not less than twice annually and it approves the community activity and budget plans and presents reports.

This community is located in Altanbulag district centre and has its own work place with three rooms.

Interview with Mrs. Enkhee (divorced), a bookkeeper: She is a member of the community responsible for bookkeeping. According to the interview with her the information about fixed and variable costs, benefit, risks and market condition of the community products as well as the position of the community in current value chain was found.

Fixed and variable cost

Following tables show average fixed and variable costs of this group for production and processing of the fibre based on the information provided by Enkhee.

Table 6.1. Average fixed cost

No.	Description	Frequency	Cost (EUR)	Unit	Remarks
1	Labour	Yearly	960	80 EUR per pastoralist labour per month	When the family has more than 1000 heads of livestock, paid pastoralist is hired.
2	Rent for work place	Yearly	360,0	30,0 per month	It is used for all year round
3	Electricity of work place	Yearly	120,0	10,0 per month	

4	Running cost	Yearly	240,0	20,0 per vehicle (moto, jeep or truck)	To travel to district centre: 30 km & Ulaanbaatar: 70 km
5	Communication (mobile)	Yearly	120,0	10,0 per mobile	For the sales of products
6	Miscellaneous	Yearly	100,0		
Total			1,780,0		

Table 6.2. Average variable cost

No.	Description	Frequency	Cost (EUR)	Unit	Remarks
1	Additional material for production	Yearly	100,0		Depends on the product types
2	Miscellaneous	Yearly	200,0		In case of natural disaster, human and animal decease and any other risks
Total			300,0		

Benefit and risk

The female headed households are dependent on their daily production. When there are product orders, they have employment and more income.

Following table shows the average description of risk and benefit of the community.

Table 6.3. Risk and benefit per household

No.	Benefit	Risk	Frequency	Remark
1	Sales of craft product	Quality and quantity is not consistent	seasonal	Sheep wool, camel wool, horse hair, cow leather and cashmere
2	Regular work place	Rent price increase		
3	Vicinity to market	Market competition		Imported products
4		Lack of skilled members		Affects the product quality and loose opportunity

Market condition

The craft products are sold based on orders locally and internationally. The products made of sheep wool and horse hair is the most demanded in European market. However, the international market demands consistent quality and quantity of the products. Tsagaan Myandas NGO supports the community to get market access at international level.

Mrs. Matthea van Staden from Stichting Made in Mongolia based in the Netherlands has been supported the community in collaboration with Mrs. Munkhbolor from Tsagaan Myandas NGO since 2006 on marketing, selling and promoting the felt products abroad. The community products were displayed at trade fairs such as Dutch Design Week 2010 and Mongolia Trade Platform 2011 etc.

Status/position of pastoralist household/community in current value chain

The community purchases raw material directly from pastoralist communities. They collect, sort, process and produce the products. The products are sold to local market directly and to international market with facilitation of the NGO.

Interview with Mrs. Tuya (divorced): She is a member of Altan Ugalz community and her main task is to make camel wool threads. She is skilled in using traditional method of making camel wool thread by hands. This community does not have spinning wheel.

They use a drum carder in order to comb sheep wool for small sized products. For bigger sized, for e.g., a felt carpet with size of 3cmx3cm, they go to a river side and prepare in the nature with help of local men. Horses or small truck are used to roll the prepared wool in order to make felt. The felt is designed for the carpet making.

Interviews with informants

7. Interview with Mr. Bayar, a trader/wholesaler in Mongolia:

Mr. Bayar, trader, works at his animal fibre collection centre near Ulaanbaatar. He has been doing the business of buying and selling livestock fibre since 2008.

According to the interview with Mr. Bayar, information about the trends of buying and selling the raw material and its price was found.

The pastoralists from all the provinces bring the animal fibre (wool, leather and hair) to the traders. The traders buy the fibre and re-sell it to Chinese traders. The Chinese traders sort and select carefully the fibre and bring it to factories in Mongolia and China for processing. Those factories process the material and sell to sewing factories, where the clothes and musical instrument materials are produced. The end products are exported to the world market.



The price of the fibre changes overtime depending on Chinese traders demand. Selling the goat hair or cashmere is the most profitable. Mongolian cashmere quality is placed at 2nd after China in the world.

After cashmere, the horse hair, particularly, the white and longer tales are purchased by Chinese traders in higher price. Mr. Bayar does not know what the Chinese do with the white horse hair. He said, the Chinese really like to buy the white one.

Photo 1. Raw material business point

The price of the raw material from April 2011 to July 2012 is attached based on the information provided by Mr. Bayar in reconciliation with the data provided by Mongolian National Chamber of Commerce and Industry.

8. Interview with Altanbulag district governor, Mrs. Munkhbayar:

Mrs. Munkhbayar has been working as a Governor of Altanbulag district since election of 2008. She supports to the district residents to run small and medium businesses. She initiated to maintain an old building left in Soviet time to use it as a work place for the female headed households. The local government has policy for improving livelihoods of the residents through small and medium enterprises development. This policy is in line with the project activity of Tsagaan Myandas NGO to promote value added production and marketing. Photo. Work place renovated for female headed households

9. Interview with Mr. Bulgan, community development officer of Tsagaan Myandas NGO:

Tsagaan Myandas, a Mongolian NGO in cooperation with Stichting Made in Mongolia based in the Netherlands has implemented several projects such as Felt Connection and Dutch House of Design in Mongolia with aims of poverty reduction through women`s empowerment, value chain development and marketing of livestock products since 2008. The pastoralist and female headed household groups in Altanbulag district of Tuv province have been supported by the NGO and provided by various trainings on livestock production, processing and marketing. The value added products have potential demand not only at local but also international market.

Besides, the NGO also helps the local communities to transport their products to European market. Shipping cost is covered by the customers in Europe (Netherlands and Belgium). However, there are various service cost such as fee for Certificate of Origin, Certificate of Conformity, Airfare tax and shipping fee. All the logistics and shipping arrangements are made by the NGO. The NGO charges 30% commission for such service from the products sold by the communities. The shipping cost is the highest expense and there have still not found any solution to transport the products to far market.



Photo. Packing felt carpets for shipping

Following table 1 shows the overview of the cost made by Tsagaan Myandas NGO to transport the community products to European market, namely to the Netherlands.

Table 9.1. Cost price of shipping

No.	Description	Cost (EUR)	Service organisation	Remarks
1	Certificate of origin	10,0	MNCCI	
2	Certificate of conformity	40,0	MASM	
3	Customs declaration	15,0	Customs Agency of Mongolia	
4	Shipping cost	6,0 per kg	International freights and forwarders companies (DHL, UPS etc), national postal service and railway cargo	The product shipping fee is calculated by its dimension and total weight
5	Local transport	30,0	Tsagaan Myandas NGO	Fuel and communication

10. Interview with Mrs.Tsetsegmaa, officer of Export promotion division, MNCCI-Mongolian National Chamber of Commerce and Industry:

As a developing country Mongolia can obtain preferential treatment for trade and customs tariffs from 38 developed countries. Preferences are provided based on the Certificate of

Origin. The Certificate of Origin is a Commercial paper confirming products which are wholly obtained or sufficiently made or processed in Mongolia. The certificate is obtainable from the designated authority located within the Mongolian National Chamber of Commerce and Industry (MNCCI). Certificates of Origin are issued and regulated by - the Regulation for Issuing the Certificate of Origin and Determining the Origin of Export Products from Mongolia - the origin of export products is based on section no. 6.2.3 of MNCCI Law. The Export Development and Promotion Division is responsible for granting the Certificate of Origin, verification of documentation for Hardship and Force Majeure, grant non-origin Certificate of FORM-D and Halal Certificate and for customs declarations by customs brokers. The Export Promotion Division also offers services involving foreign and domestic trade, organizes short term training and seminars, exhibition and trade fairs, business groups, devises rules and regulation for garmented and knitted products, produces export statistical data, and cooperates with other organizations.

11. Interview with Mrs. Gerel, officer of Product Conformity Division, Mongolian Agency for Standardization and Measurement (MASM):

In order to assist to customers to make proper choice, prevent from unoriginal products, create healthy market condition and develop society through promotion of fair competition the division of product conformity supports conformity service of products that are exported through customs declaration.



A certificate of conformity for export products is issued in accordance with Mongolian Law of Standardization Conformity, Mongolian Decree 222 issued in 2003 on Certain Measurements to Enforce the Law of Standardization Conformity Law and Mongolian Decree 127 issued in 2005 on Certain Measurements to Develop Standardization Conformity Activities.

Photo. Mrs. Gerel, officer of MASM

12. Interview with Mr. Bandi Buffer Zone Manager of Hustai National Park:

The HNP is one of the best-managed Specially Protected Areas in Mongolia and was the first park to be managed by a Non-governmental Organization specializing in nature and environmental conservation. The park implemented a project for Improving Sustainable Livelihoods in the Buffer Zone of HNP in 2003-2009. The project is **well on target** for the achievement of the overall objective to support improved and sustainable livelihoods of people living in the buffer zone of Hustai National Park and thereby to contribute to the sustainable management of biodiversity in Hustai National Park.

The Hustai National Park runs a souvenir shop that has proved to be an important venue for the marketing of tourist products made by the buffer zone communities. The Hustai restaurant has purchased a significant quantity of meat from local herders. The local *district* markets are becoming more relevant for dairy products and for vegetables. The uptake of the local felt-products by the international market has been slow; but it seems that this will develop further. More and more tourists want to experience community-based tourism. With the creation of the Community-based tourism network NGO and the joint support of this CBT-initiative between Dutch co-funded projects, we are optimistic for the future. Poor and very

poor people were especially targeted; however, this is only the beginning and the process will have to be intensified in the coming years.

13. Interview with Mrs. Mio Yokota, Programme Officer of UNDP in Mongolia:

Projects involved in rural small and medium enterprises development have as main aim poverty reduction of local pastoralist groups and reducing the pressure on wild life and natural resources (grasslands). The UNDP has a keen interest to help fledgling companies set up through their project to enter into export markets. However, it was observed that there is not yet a consistent business orientation aiming at export.

UNDP does realize they need to have a more cluster like approach similar to WWF. This by now internationally common approach supports economic development by looking at the local competitive advantages like available raw materials, distance to market and capacity and skills. Groups of companies are developed based on these local strengths with the idea that they will compete and overtime differentiate and specialize. However, due to their concern for biodiversity donors and project implementing organizations like UNDP, tend to be hesitant in stimulating communities to enlarging their production and livestock as this increases the pressure on natural resource the project set out to protect in the first place.

14. Interview with Mrs. Suvd, GiZ:

The cluster approach was used by GTZ in its RED project over the last 4 years. The cluster approach has as potential danger that too much emphasis is put on local skill and resources which can lead to supply focus rather than looking into the market demand.

15. Interview with Mrs. Onon, WWF:

The WWF Country Office in Mongolia is implementing projects for conserving biodiversity. Within the framework of these projects the value added livestock production by the target communities and market access is supported through the cluster approach.

16. Interview with Mrs. Matthea van Staden, director of Stichting Made in Mongolia based in the Netherlands:

According to the experience of Made in Mongolia foundation there is a potential of the export opportunities for the small and medium enterprises in Mongolia. But it is fledgling due to limited experience. Next to the challenge of making relevant products for export markets small entrepreneurs need extensive but mainly practical support in getting their products promoted, shipped and delivered. Regarding certification, fair trade and social corporate responsibility, the international market increasingly demands transparency in production and



social corporate responsibility and has become a tool to gain credits on the market. In Mongolia there is a strong “social” and “green” awareness but there are not yet enough clear workable tools for the small and medium enterprises. Mongolian small and medium enterprises and their international clients need these tools to understand each other, agree on common goals and receive technical support to deal better with technical issues in relation to economic, social, work conditions and environmental impact.

Photo. Mrs. Matthea van Staden together with the felts makers

Appendix V: Photos



Photos: Felt making



Photos: Carpet (2.5x5 m) and horse blanket made of sheep wool



Photos: Packing felt carpets for shipping



Photo: Dutch design and innovative use of horse hair



Photo: Felt makers