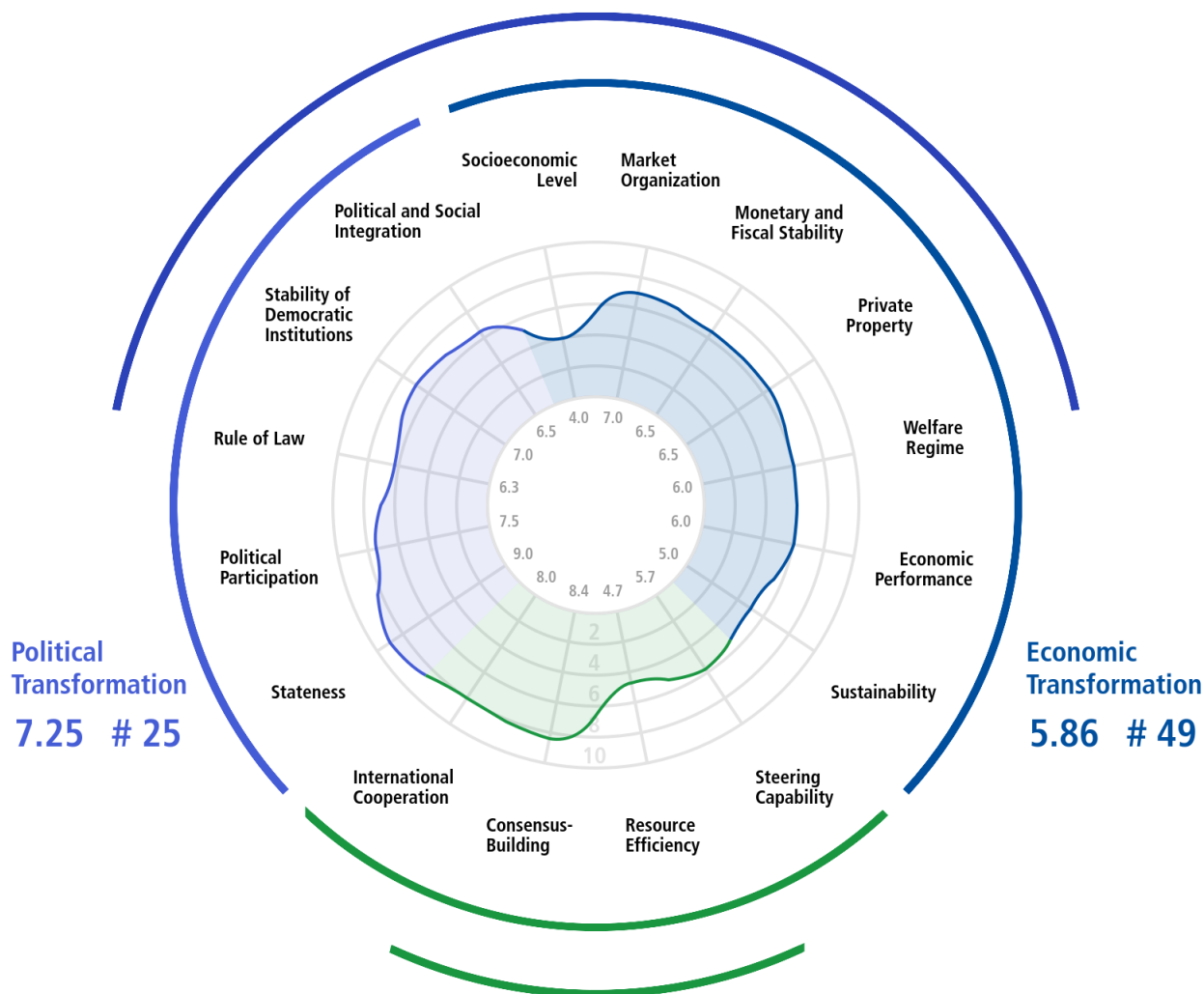


Mongolia

Status Index

6.55 # 30

on 1-10 scale out of 137



Governance Index

5.83 # 29

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2024**. It covers the period from February 1, 2021 to January 31, 2023. The BTI assesses the transformation toward democracy and a market economy as well as the quality of governance in 137 countries. More on the BTI at <https://www.bti-project.org>.

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Key Indicators

Population	M	3.4	HDI	0.739	GDP p.c., PPP \$	14230
Pop. growth ¹	% p.a.	1.5	HDI rank of 189	96	Gini Index	32.7
Life expectancy	years	71.0	UN Education Index	0.730	Poverty ³	% 6.9
Urban population	%	68.9	Gender inequality ²	0.313	Aid per capita \$	83.7

Sources (as of December 2023): The World Bank, World Development Indicators | UNDP, Human Development Report 2021-22. Footnotes: (1) Average annual growth rate. (2) Gender Inequality Index (GII). (3) Percentage of population living on less than \$3.65 a day at 2017 international prices.

Executive Summary

In 2021, the Mongolian People's Party (MPP) won the presidential election, solidifying its power across all branches of government. The resolution of the debate over Mongolia's debt for a 34% share of the Oyu Tolgoi mine is seen as a successful outcome resulting from the unified position of the National Security Council members and the dominant party. As a result, government-led large-scale projects have received increased support and progressed quickly. However, disputes within the opposition party have weakened its role, raising concerns about democratic governance in Mongolia. Nonetheless, both civil society and the public have voiced strong opposition to alleged scandals and illegal actions involving high-ranking government officials in 2021 and 2022.

Mongolia's economy returned to the pre-COVID-19 level in 2022. Economic growth restored to 1.4% in 2021 and 2.3% in 2022, and it is expected to grow at a rate of 5.6% in 2023. The rise is mainly driven by the removal of COVID-19-related restrictions and a strong rebound in the agriculture sector, according to the Asian Development Bank. Mongolia's main export has experienced a dramatic increase in 2022, which has helped the economy. In 2022, Mongolia exported 30.2 million tons of coal to China, a 90% increase compared to the level in 2021. As China canceled its COVID-19-related restrictions on the border between Mongolia and the People's Republic of China (PRC) and the two presidents agreed to significantly increase the exporting of coal and other mineral resources to China during the Mongolian president's visit to Beijing in 2022, the amount of exported coal is expected to further increase in 2023.

The government has initiated several new steps to strengthen the economy. According to its focus under the "Vision 2050" long-term strategic document, the Ministry of Digital Development and Communication and the Ministry of Economy and Development have been established and started operation. Various types of E-Mongolia and digital transformation initiatives are being implemented to ease access to government services and reduce costs. Additionally, a "New Recovery Policy" was adopted in 2021, aiming to bolster the economy protect public health, and is being implemented through sub-programs.

The latest alleged corruption cases, regarding small and medium business loans from the Development Bank on the one hand and the embezzlement related to export coal on the other, stirred public anger and protest in November and December 2022. This prompted the government and parliament to take swift action. According to the government and the Independent Anti-Corruption Authority (IAAC), all necessary criminal proceedings are underway. Consequently, a series of consultative meetings were held, where the culprits were heard at the parliament's temporary supervisory group meetings. Several MPs have also been investigated and requested to terminate their mandates. Now, anti-corruption reform is the focal point on the parliamentary agenda, with proposed legislation including the Law on the Legal Status of Whistleblowers, the Law on the Ethics and Responsibility of Public Servants, the Law on Conflict of Interest in Public Service, and a National Anti-Corruption Program.

History and Characteristics of Transformation

In 1992, the first democratically elected parliament of Mongolia, the State Great Hural, adopted a new constitution, thereby confirming the nation's aspiration to end nearly 70 years of a centrally planned economic and a single-party authoritarian system in order to build a democratic and prosperous nation. Mongolia has demonstrated a consistent record of free elections and peaceful transfers of power, and it has made significant progress toward strengthening institutions for a market economy in the past 30 years.

Mongolia's majoritarian voting system has provided more opportunities for its two major parties, the Mongolian People's Party (MPP) and the Democratic Party (DP), which has increasingly constrained the development of a multiparty system. The MPP's landslide victory in the last two parliamentary elections in 2016 and 2020, as well as the 2021 presidential election, allowed the party to consolidate its dominance, while the DP remains mired in a deep-seated institutional crisis. In the last two decades, money and personal wealth have become increasingly influential in the Mongolian party system. Consequently, friction and political bargaining between clientelistic networks have led to a measure of political instability and unpredictability. Public trust in political parties has reached historic lows in recent years.

Long-awaited amendments to the constitution were approved by parliament in November 2019. These amendments included crucial provisions for improving the independence of the judiciary, which had been undermined by increasing interference from major political actors, especially the president. Furthermore, the amendments strengthened the executive power of the prime minister and limited the maximum office term of the president to one six year term.

Corruption has become a significant hindrance to prosperity in the country. Although the last decade has seen the establishment of significant legal and institutional frameworks, such as the Anti-Corruption Law and the Independent Anti-Corruption Authority, the implementation of anti-corruption policy has been plagued by deep-seated conflicts of interest in politics. While the fight against corruption at lower levels of government has yielded positive results, the pursuit of justice remains elusive in cases involving high-profile individuals and political corruption.

Despite the lack of a civil society tradition, Mongolia possesses a thriving realm of autonomous civic activism composed of NGOs, popular movements, independent journalists and social media influencers. These entities collectively serve as a vital force in countering democratic regression. Mongolia boasts the youngest population in northeast Asia, and its younger generation, having come of age in a society characterized by competition and liberty, is poised to enhance the nation's civil society even further.

Mongolia has abundant natural resources. Its economic growth in the past two decades has been driven primarily by mineral exports to China. The country has not been able to efficiently manage revenues from these exports, resulting in a lack of diversification in its economy and competitiveness. Additionally, climate change and the degradation of over 70% of pasture pose an increasing risk to the sustainability of Mongolia's traditional livestock husbandry sector.

Mongolia's strong economic growth, fueled in the past by a mining boom, has been waning since 2013. An economic recession in 2016 resulted in a situation in which the government was at risk of defaulting on its public debt, which amounted to billions of dollars. In 2017, the International Monetary Fund helped Mongolia avoid default. From 2018 to 2019, the government was able to reverse the economic decline thanks to prudent fiscal management and increased revenues from mineral exports, maintaining an annual GDP growth of 5%.

The poverty rate in Mongolia declined from 38.7% in 2010 to 21.6% in 2014 but rose again to 29.6% in 2016. The rate declined somewhat to 27.8% in 2020; however, 15% of the population lives just above the poverty line, making them extremely vulnerable to falling into poverty.

The BTI combines text analysis and numerical assessments. The score for each question is provided below its respective title. The scale ranges from 1 (worst) to 10 (best).

Transformation Status

I. Political Transformation

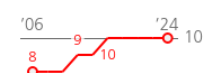
1 | Stateness

The state's monopoly on the use of force throughout the entire territory has not been challenged since the onset of the democratic transition. There have been no organized groups strong enough to challenge the state's existence and monopoly on the use of force.

Question
Score

Monopoly on the
use of force

10



1

The Mongolian population as a whole accepts the nation-state as legitimate. Mongolia considers itself to be ethnically quite homogeneous, with the vast majority of the population belonging to the same ethnic group and speaking the same language.

State identity

10



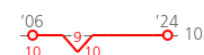
1

There is a Kazakh-speaking Muslim minority (3.8%, according to the 2020 Population and Housing Census), most of whom live in the Bayan-Ulgii province in western Mongolia. Mongolian Kazakhs enjoy significant cultural, linguistic and political minority rights. Additionally, there are smaller groups speaking Turkic languages like Tuvan, which span the border with Russia, but they acknowledge the authority of the Mongolian state.

The constitution of Mongolia explicitly recognizes the separation of church and state. Religion was repressed during the communist era, and Mongolia witnessed a revival of religion – especially Buddhism and traditional shamanism – after the transition to democracy in 1990.

No interference of
religious dogmas

10



1

According to the most recent national census of 2020, 59.4% of individuals aged 15 and above are religious, while 38.6% are non-believers. Among the religious, 87.1% self-identified as Buddhist, 5.4% as Muslim, 4.2% as shamanist, 2.2% as Christian and 1.1% as some other faith.

While some high-level officials are known to have deep religious beliefs and attend religious ceremonies, no religious groups have a substantial influence over national politics and its decision-making process.

Mongolia's administrative structure reflects its unitary state principles. The central government and three tiers of subnational governance are responsible for providing public services throughout the country. The three tiers of subnational or local government are aimags (provinces) and the capital city; soums (rural districts) and duuregs (urban districts); and bag (rural sub-districts) and khoroos (urban sub-districts). The central government and local self-governing bodies share power and responsibilities at each tier.

The e-government initiative – which significantly improved access to some government services – has broadened into the E-Mongolia platform to streamline public service delivery. In 2022, the government established the Ministry of Digital Development and Communications with the aim of facilitating access to e-services. Based on the total number of public services accessed in 2021, citizens are expected to save a total of 3,581 hours per year and MNT 52.6 billion annually as a result of the 571 services currently available through E-Mongolia.

Mongolia has significant deficiencies in its provision of transport, energy and water infrastructure. Although the national road network has tripled over the past two decades, it suffers from poor quality and underinvestment in maintenance. However, a multimillion-dollar project to upgrade the Darkhan-Ulaanbaatar road, one of the busiest intercity routes, was finally completed in 2022.

Mongolia's energy infrastructure is insufficient. More than 10% of the population lacks access to electricity, and less than 25% has access to direct heating. Approximately 50% of the population in the capital city has access to centralized water and sanitation infrastructure, where nearly half of the population resides. Within ger (residential) districts and private houses, 20% of the people have access to centrally connected 320 water distribution facilities, while the rest are served by 294 water distribution facilities that provide transported water.

Mongolia offers free and universal health care to its citizens, and all health care service centers provide preventive and curative care services for children aged five and under. Although routine immunization, essential medicine and health care are readily accessible, the public health system lacks advanced diagnostic and treatment capacity. In February, Mongolia lifted its COVID-19 restrictions, and as of May 2022, over 5.5 million doses of COVID-19 vaccines had been administered.

Basic
administration

6

'06 _____ '24 10



1

2 | Political Participation

As scheduled, the presidential election took place in June 2021. The government issued pandemic-related restrictions ahead of the election, which included rules for campaign activities and procedures at electoral stations. A total of three candidates, representing two political parties and one coalition, competed in the election. The voter turnout rate in 2021 was 59.35%, which was lower than the rate of 68.27% observed for the elections held during the COVID-19 pandemic and the presidential election held in 2017, when safety measures were in place.

MPP candidate Khurelsukh Ukhnaa won the 2021 election with 67.69% of the vote. Enkhbat Dangaasuren, the “Right Person Electorate” coalition’s candidate, came in second with 20.31%, and Democratic Party candidate Erdene Sodnomzundui received only 5.99%.

One factor that may have helped Khurelsukh consolidate MPP power was a dispute over whether then-president Battulga Khaltmaa, of the opposition Democratic Party, was eligible to run in the presidential election. This dispute continued until the Constitutional Court concluded in April 2021, just two months before the election, that past and present presidents are ineligible to run for office again. This did not provide a good opportunity for the main opposition party to determine its candidate.

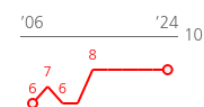
Universal suffrage with a secret ballot was equally provided to voters, and there were no significant issues. The election was generally considered free and fair by the OSCE. However, controversy arose regarding the disqualification of several candidates from other parties. No serious irregularities were observed regarding the transparency and impartiality of the polling procedures.

The General Election Commission of Mongolia is a central election body mandated to hold Mongolian parliamentary elections, presidential elections and referendums nationwide. It is legally required to perform its activities in an impartial and independent manner and abide by the principles of the rule of law, political neutrality, collective discussion, decision-making, transparency and fairness.

Observers expressed concerns that the MPP, as the ruling party, had the authority and ability to mobilize administrative and local governing bodies, which are responsible for organizing elections at the local level, to act in its favor. However, the number of registered complaints was minimal, and the MPP’s landslide win did not bode well for arguments from the opposition parties. While there have been several alleged irregularities in the election, no proof has to date been provided.

Free and fair elections

8



1

The country's democratically elected political representatives wield considerable power to govern. However, political parties are intricately linked with domestic business and clientelistic groups, which poses a significant challenge for parliament and government in establishing and implementing effective, long-term policies. The determination of large-scale and highly influential industrial and infrastructure projects, such as the Oyu Tolgoi copper mine and the Tavan Tolgoi coal mine, has hinged on the balance of power among these groups.

After winning both the parliamentary election in 2020 and the presidential election in 2021, the Mongolian People's Party (MPP) controls all branches of government. In principle, this absolute power exercised by a single party promised to settle issues arising between the Mongolian government and the Rio Tinto group, which is overseeing the Oyu Tolgoi copper mine project. Surprisingly, the MPP has struggled in parliament, where it holds a supermajority (62 of 76 seats). The opposition party frequently voices its concerns over some issues, and civil society is active in matters involving alleged illegal activities by politicians and high-ranking officials.

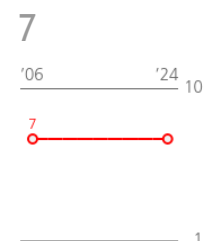
Freedom of association and assembly is guaranteed by the constitution as well as specific laws and regulations. Mongolia joined the Freedom of Association and Protection of the Right to Organize Convention in 1969. Mongolia's Law on Non-Governmental Organizations, adopted in 1997, has fairly straightforward procedures for NGO registration and reporting.

Under the Law on Organizing Demonstrations and Public Gatherings, enacted in 1994, organizers of demonstrations are required to notify the governor of the district, or aimag, regarding the planned event. The governor holds the authority to authorize or prohibit the event. If organizers fail to submit the required notification, or if the governor rejects the authorization, the police are permitted to disperse the protesters. This discretionary power of governors has faced criticism for its perceived infringement on the right to assemble and demonstrate. Nevertheless, rallies are a common occurrence both in the capital and other locations.

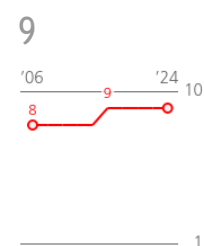
The Law on Organizing Demonstrations and Public Gatherings prohibits demonstrations during a state of emergency, disaster or the presence of threats in specific areas or nationwide. The specific areas in the capital include various important sites, such as Sukhbaatar Square, as well as areas around the state palace, which is the main location for demonstrations. The Law on Infringements includes a section that outlines the responsibilities of organizers of demonstrations, including their compliance with health and safety regulations.

A number of demonstrations organized during 2021 and 2022 were deemed illegal by the police authority because governor approvals were not granted, the demonstrations were organized in prohibited areas, or demonstrators built tents or demonstrated overnight in those areas. There were several public demonstrations and protests in 2022 against the government for its inability to combat injustice and corruption. The demonstrations in December 2022, which called out corruption at state-owned enterprises, lasted for more than two weeks.

Effective power to govern



Association / assembly rights



Mongolian and international civil society organizations have expressed concern over a new draft law on non-profit legal entities that could lead to increased government interference. A number of activists and lawyers complained about the failure of government agencies to comply with the Law on Organizing Demonstrations and Gatherings during the pandemic, pointing to arbitrary arrests and excessive force against peaceful protesters.

The constitution of Mongolia, Article 16 of the Chapter on Human Rights and Freedoms, guarantees freedom of thought, opinion, expression, speech and the press. The 20th Status Report on Human Rights and Freedoms in Mongolia, compiled by the National Human Rights Commission of Mongolia, noted: “Taking preventive legal measures against the spread of obviously false information during the state of emergency is consistent with human rights principles. However, criticism of professional organizations that the lack of a narrow definition of what constitutes ‘obviously false information’ and ‘the spread of false information’ allows arbitrary use of laws by those in power and creates a chilling effect on media freedom and freedom of expression is reasonable.”

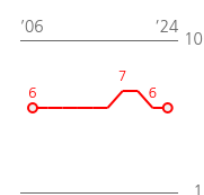
The Media Freedom Report 2022 notes that, in practice, legal changes made in light of the pandemic are being misused against citizens. According to its monitoring of violations of civil and political rights conducted from November 25, 2020 to February 25, 2021, around 80 cases of violations have been documented. Furthermore, more than half of the 300 Mongolian journalists involved in a survey undertaken by the Mongolian Media Council stated that “since the implementation of the state of ‘all-out-preparedness,’ media freedom has deteriorated.” Two-thirds of the respondents said that officially provided news prevailed in most of the information they published.

Mongolia ranked 90th out of 180 countries in the Freedom of the Press Index in 2022, dropping from 73rd in 2020. While there are numerous media outlets, they are significantly influenced by politics and rely on support from major corporations and influential politicians. According to the Press Institute of Mongolia, 29 out of 39 media outlets, equivalent to 74.36%, have either direct or indirect political affiliations. This level of politicization enables owners to directly shape the political agenda and exercise control over the work of editors and journalists.

By law, the Mongolian national broadcaster is governed by an independent board and reports impartially, with a diversity of perspectives. However, the ruling party has always persisted in its ability to interfere in media matters and exercise its influence. Professional bodies, such as the Media Ethics Council and Press Council of Mongolia, have existed for some years and have developed a code of ethics to promote press freedom, protect journalists’ rights and support ethical journalism. Critics assert that the national broadcaster is censoring its content and focusing on news that does not conflict with the ruling party and the government. For instance, the news related to the Russian aggression against Ukraine has sided with Russia rather than covering the issue from different angles.

Freedom of
expression

6



A number of new, independent online media outlets – which employ multiple social media platforms, live streaming and open data analysis – play an important role in promoting press freedom and informed public debates.

3 | Rule of Law

The 1992 constitution provides for a separation of powers, restricting any individual or institution from acquiring excessive power. Legislative power is vested in the unicameral parliament, the State Great Hural, which consists of 76 directly elected members. Parliament confirms the appointment of the prime minister, who in turn appoints cabinet ministers. Parliament possesses the typical legislative and budgetary authority.

Mongolia is considered to be a semi-presidential system. The president is directly elected by the people and holds significant powers, which include serving as the leader of the National Security Council, issuing government guidelines, initiating legislation and appointing Supreme Court judges (with nominations provided by the Judicial General Council, which serves as the oversight body ensuring judicial independence). Constitutional Court judges are appointed by the parliament, with one-third nominated by the parliament, the president and the Supreme Court, respectively.

Constitutional amendments made in 2019 empower the prime minister to freely appoint his cabinet but restrict membership to a maximum of four members of parliament. The cabinet of Prime Minister Oyun-Erdene in January 2021 included significantly more ministers without parliamentary membership who possess relevant subject-matter expertise than in the past. However, due to the amendment of August 25, 2022, the 2019 amendment has been repealed, and currently, there are 16 members of parliament among the 21 cabinet ministers, including the prime minister.

During the COVID-19 pandemic, certain measures implemented by the State Emergency Commission and local emergency commissions were subject to parliamentary oversight and judicial review. In January 2021, the parliamentary subcommittee on human rights sent recommendations to the State Emergency Commission regarding the improvement of measures aimed at protecting human rights in emergency situations.

The Mongolian legal system is a hybrid of civil and common law systems. Although judges may take notice of prior rulings in similar cases, Mongolian laws lack the specificity needed for consistent interpretation and application.

The judicial system consists of the Constitutional Court, the Supreme Court, provincial and capital city courts, and county and district courts. The Judicial General Council (JGC) has the responsibility of ensuring the independence of the judiciary by nominating the judges and ensuring their impartiality (Art. 49 of the constitution). However, the council lacks the mandate to investigate allegations of judicial

Separation of powers

7

'06 '24 10



1

Independent judiciary

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'06 '24 10



1

misconduct and is dependent on political power holders, especially the president of Mongolia, who originally endorsed council members. Then, under the newly revised Law on Courts adopted by parliament on January 15, 2021, the prerogative of the president to appoint the previously only five members was changed. Now, five of the ten members are to be elected by the General Assembly of Judges, and the remaining five non-judges by the parliament in an open selection process.

Mongolian prosecutors hold considerable influence within Mongolian courts, as their objections are seldom disregarded. The prosecutor general, along with two deputies, is appointed for a six-year term by the president in consultation with the State Great Hural. Over the past decade, the president's authority in appointing members of the JGC (revoked in 2021) and the prosecutor general, along with two deputies, has severely compromised the judiciary's independence. Consequently, the judiciary has increasingly been utilized as a tool against political and business adversaries. Recently, there has been criticism leveled at two Supreme Court judges for unjustly dismissing the case of Sangajavyn Bayartsogt, a former member of parliament who has been found guilty of violating relevant laws.

The biannual surveys of fairness perceptions, conducted by the Mongolian Independent Anti-Corruption Authority, rank the judiciary as one of the poorest performers among government institutions. Many independent legal experts openly criticize extensive patron-client relations and corruption within the system, such as the improper influence of Supreme Court judges over other judges and a lack of internal accountability mechanisms for unethical behavior.

The latest judicial reforms have increased the threshold for lawyers (those who have only graduated from law school) to become jurists and judges. In addition to the general legal conditions and requirements specified in the Law on the Courts, there are specific selection processes and requirements. These requirements are classified differently for judges at various levels of courts. Furthermore, there are basic requirements as well as specialized requirements for appointment as a judge. Several stages of the educational process must be completed in order to become jurists and judges. The Jurists' Bar Association and the Professional Committee for Courts not only play a role in the selection process for judges but also provide mandatory annual training to ensure their continuous professional development.

During the period under review, many officeholders who allegedly broke the law and engaged in corruption were investigated by the Independent Authority Against Corruption (IAAC), Mongolia's principal agency responsible for investigating corruption cases. The officeholders include a former prime minister, governors, judges and tax officers.

However, the actual impact of the IAAC on high-level political corruption is perceived as arbitrary and subject to political influence. Numerous cases have been dismissed and unjustly penalized due to loopholes in the applicable laws and the court system – including the expiration of limitation periods and a court's authority to send a case back to the police for additional investigation.

Prosecution of
office abuse

5

'06 '24 10



There is widespread suspicion that the IAAC has become a tool by which political retribution can be carried out and that it is largely under the control of individuals who do not themselves wish to face corruption charges leveled by a truly independent authority. In January 2021, parliament made amendments to the Law on Fighting Corruption that enable the prime minister to directly appoint the head of the IAAC.

According to the IAAC, corruption-related crimes in 2022 resulted in a loss of MNT 5 trillion to the state budget, which represents nearly a third of the state budget for that year, which totaled MNT 18.7 trillion. Of the MNT 5 trillion loss, MNT 2.3 trillion has been repaid to the state during the relevant investigations.

A scandal centered on the embezzlement of exported coal – made public by the government of Mongolia in November 2022 – dominated public discussions over political accountability and triggered public protests and demonstrations near the state palace that lasted several weeks in December 2022. The protesters demanded that the government disclose the names of those officials who were involved in the alleged “coal theft.” Sometime after the protest started, the IAAC made 17 names public, including seven members of parliament from both ruling and opposition parties, as well as the former president and speaker of the parliament. According to the IAAC, the case is under investigation, and various legal actions have since been taken.

In 2020, four former members of parliament were prosecuted for abuse of power in obtaining loans from the Small and Medium Enterprises Development Fund and sentenced in accordance with the new law. Two of them received three-year prison sentences, while the other two were banned from working in public administration and fined MNT 40 million.

Civil rights are codified by law but are not always properly respected and protected. The protection of the right to life and security, equality before the law, and access to justice are insufficient and the protection of physical integrity and prevention of torture are inadequate. The annual reports of the National Human Rights Commission of Mongolia (NHRCM), submitted to parliamentary review, have documented numerous violations, such as police abuse of prisoners and detainees, and poor conditions in detention centers. Although Mongolia ratified the Optional Protocol to the Convention against Torture in 2014, it did not fulfill its obligation to establish national preventive mechanisms (NPM).

According to the constitution of Mongolia, all forms of discrimination are prohibited. No individual may be discriminated against based on ethnic origin, language, race, age, sex, social origin or status, property, occupation or position, religion, opinion or education. Discrimination and persecution of individuals for joining a political party or other association are also prohibited. However, the practical implementation of these provisions is not flawless.

Civil rights

7

'06 _____ '24 10



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Yet the past few years have seen significant progress in terms of gender equality due to the efforts of civil society organizations. According to the World Economic Forum's Global Gender Report 2022, Mongolia has risen nine ranks compared to 2019, now ranking 70th out of 146 countries. The report assesses gender status based on four criteria: economic participation, education, health and political participation. In terms of economic participation, Mongolia ranks 26th out of 146 countries. In education, Mongolia ranks 63rd. Mongolia's health rankings are tied for 1st place with 28 other countries. However, in political participation, Mongolia ranks 113th.

Due to the widespread use of social media, a concerning trend is that the protection of privacy is becoming fragile, and defamation of individuals on social media is spreading to a degree that endangers various types of individual rights. The public and authorities do not view other forms of discrimination as significant.

4 | Stability of Democratic Institutions

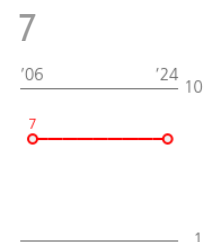
Mongolia held national and local elections amid the COVID-19 pandemic. After the parliamentary election in June 2020, the General Election Committee held the presidential election in June 2021. With a majority of seats in parliament (62 out of 76), the MPP successfully consolidated its power in all branches of the government. All political parties accepted the election result, and the post-election transition occurred without significant difficulties.

The last two years witnessed the release of several high-ranking officials from their duties due to public discontent and anger. In September 2022, Minister of Social Welfare and Labor Sarangerel, was dismissed by the prime minister for her inappropriate choice of words in describing lower-income families as "bottom-level households," which provoked broad public resentment on social media. In November 2022, the deputy minister for digital development and communication was removed from her post after an interview with international media, in which she dismissively referred to the mentality of the older and Russian-educated generation.

While the Civil Service Council of Mongolia has a system of selecting civil servants based on merit, the ruling party often appoints civil servants to posts based on political affiliation. As a result, government policies are frequently disrupted by changes in leadership and follow-up shuffles in rank-and-file personnel. This has adversely affected many long-term development programs adopted by parliament. Additionally, the alignment of actual government policies with these programs has also been inadequate.

An important step toward improving impartiality and meritocracy in the human rights sector was taken after the adoption of the Law on the Human Rights Commission in January 2020. Subsequent amendments were made in April and December 2021 and June 2022, respectively. In June 2022, a new chief commissioner of the National Human Rights Commission of Mongolia was appointed after an open debate in parliament.

Performance of democratic institutions



While Mongolia is a country with a unitary government system, there are 21 local self-governing bodies and citizens' representatives khurals (local parliament) established on a local election basis. As a result of the 2020 local elections, the ruling party has the majority in the capital city and in 13 aimags (provinces) out of 21, while the opposition Democratic Party has a majority in eight aimags. Recent state policies tend to increase the independence of the local self-governing bodies in economic and social decision-making.

Representatives of these self-governing bodies are nominated by the local community and elected by the local people. However, the latest appointment of the governor of the Khovd aimag, who was supposed to be nominated by the citizen' khural of the aimag, caused some public resentment that the prime minister had used his authority over the local self-governing body.

Democratic institutions are accepted as legitimate by all relevant political actors. The cabinet also maintained its commitment to democratic institutions – such as parliament, judiciary, oversight and watchdog institutions – during Mongolia's COVID-related state of emergency.

The government has proved unsuccessful in addressing socioeconomic inequality and corruption and has a poor record of engagement with youth, low-income communities and other disadvantaged groups. This has fueled populist sentiments and, in turn, disillusionment with democracy. However, the carefully calibrated semi-presidential system and the emergence of new activism have contributed to a strong defense and solidification of democracy, helping combat populism.

5 | Political and Social Integration

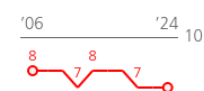
The MPP's 2022 parliamentary and 2021 presidential election wins, which have given it an overwhelming majority of seats in parliament, have consolidated the party's dominance in the Mongolian political system. However, the MPP has also struggled with party discipline in parliament, where members of parliament largely pursue personal projects and the party does not articulate a coherent theme.

The two dominant parties (MPP and DP) prefer single-member majoritarian or multi-member plurality systems, which are thought to benefit them. These election systems present challenges for smaller and new parties because they reward the established parties with their substantial networks of support and broad mobilization of people and resources on the ground.

The Democratic Party's ongoing internal conflicts, lack of generational turnover and institutional weakness have adversely affected its role as the main opposition party. The last two years witnessed a prolonged dispute among DP leaders, involving the General Authority for State Registration and the Supreme Court. Unless significant

Commitment to democratic institutions

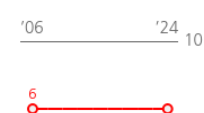
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Party system

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party reforms and leadership changes occur in the DP, Mongolia’s two-party system may shift toward a dominant party system. Alternatively, the successful competition of the HUN party candidate in the 2021 presidential election could indicate the emergence of a new political force that may replace the DP as the preferred choice among urban professionals.

A high level of public dissatisfaction and frustration persists regarding the lack of democratic behavior and accountability within the major political parties. Public opinion surveys have continuously confirmed that the majority of Mongolians do not trust political parties, even when the latter are ostensibly committed to democracy.

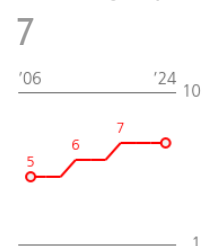
A relatively broad range of interest groups reflects a diverse array of interests and communities within society. Mongolia has a significant number of NGOs, including prominent ones focused on human rights, environmental protection, women’s rights, LGBTQ+ issues, education and social welfare. Non-partisan homeland associations have emerged to represent the specific concerns of individual provinces within the political process. Numerous associations exist to express and promote the interests of the private sector and professional communities.

It is estimated that about 81% of Mongolian citizens aged 15 to 60 use Facebook or other social media. The variety of online interest groups reflects competing social interests. Random postings on Facebook present an anti-Chinese or anti-democracy narrative.

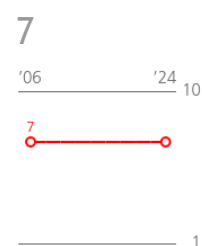
Mongolians have overwhelmingly approved of the notion of a democratic regime since 1990. A number of opinion surveys confirm that 85% to 90% of Mongolians regard democracy as the best form of government. In recent years, support for a strong executive power has increased, which does not necessarily contradict the contention that democratic principles and values are widely accepted by the population. The Political Barometer Survey, conducted annually by the Sant Maral Foundation, finds that over 65% of the population like the existing system of democracy in Mongolia to some extent.

An opinion poll among young Mongolians conducted in March 2022 by the International Republican Institute (IRI) found that, despite the economic and social challenges caused by the pandemic, young people expressed overwhelming support (67%) for maintaining a democratic system. Young people were the main participants in the peaceful protests that erupted in June 2022 and December 2022 over the government’s handling of economic development and social justice, as well as corruption cases related to the export of coal

Interest groups



Approval of democracy



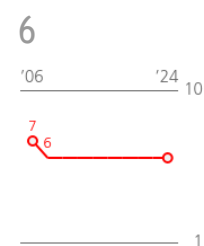
In general, many Mongolians trust individuals with whom they share close relationships or local affiliations. According to a 2022 survey conducted by the Independent Research Institute of Mongolia, more than half of the population (65%) expressed a lack of trust in others within society at large.

The lack of general trust is worsened by the increasing pace of migration to urban areas, as migrants lose their sense of community upon arriving in a new environment. Perceptions of rising crime rates also undermine social capital and trust, which, in turn, reinforces a tendency to rely on acquaintances rather than abstract laws and institutions.

The continuing growth of the use of social media has contributed to an increase in formal and informal interest groups and online support groups. There are numerous independent cultural, environmental, faith-based and social organizations in urban areas. Nevertheless, a significant number of these organizations are relatively small and cannot serve as direct substitutes for kinship and friendship networks, which are vital social groups.

Debates and discontent regarding corruption and bribery cases among state officials indicate a negative impact on social solidarity and trust within the country.

Social capital



II. Economic Transformation

6 | Level of Socioeconomic Development

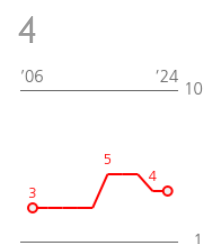
Mongolia's Human Development Index (HDI) value slightly decreased from 0.741 in 2018 to 0.739 in 2021, ranking 96th out of 191 countries worldwide. However, the country maintained its position in the "high human development" category. Though Mongolia ranked high in gender development, its Gender Inequality Index is below the regional and global average – its score on this index was 0.313 in 2021. According to the UNDP 2022 Human Development Report, Mongolia's life expectancy at birth is 71 years, the expected years of schooling are 15, the mean years of schooling are 9.4, and the gross national income per capita was \$10,588 in 2021.

The overall loss in HDI due to inequality was 14%. The poorest 40% of the population holds 20.2% of the income, while the richest 10% holds 25.7%. Mongolia's Gini coefficient was 32.7 between 2010 and 2021, which marks a better performance than most of its geographical neighbors and its peers in the category of "high human development country." In 2021, the country ranked 120th on this measure globally.

Question

Score

Socioeconomic barriers



According to the National Statistical Office (NSO) and the World Bank, the poverty rate in Mongolia was 27.8% in 2020, after declining from 38.7% in 2010 to 21.6% in 2014 before rising again. In terms of the number of poor people, 42% of them live in the capital Ulaanbaatar, mostly in the ger areas on the outskirts of the city, accounting for about 40% of the city's population overall in 2020. Regional differences in poverty and notable differences between rural and urban areas have decreased over the years. Nonetheless, regional and social disparities have serious effects on equal access to good education, health services and adequate housing sanitation.

As for ethnicity, Mongolia is a predominantly homogeneous country, with the exception being the westernmost aimag, where the majority of people are Kazakh. According to the 2020 Population and Housing Census of Mongolia, ethnic Kazakhs make up approximately 4% of Mongolia's total population, but they comprise over 90% of the population in the Bayan-Ulgii aimag. Not only is the standard of living in the western region higher than in other regions, but the Bayan-Ulgii aimag's standard of living is even higher than that among the other aimags in the western region. Additionally, the Kazakh people residing in Bayan-Ulgii have a higher standard of living compared to the other ethnic groups living in the aimag.

Economic indicators		2019	2020	2021	2022
GDP	\$ M	14206.4	13313.0	15286.4	16810.9
GDP growth	%	5.6	-4.6	1.6	4.8
Inflation (CPI)	%	7.3	3.8	7.4	15.1
Unemployment	%	5.4	6.6	7.8	8.2
Foreign direct investment	% of GDP	17.2	12.9	14.2	14.9
Export growth	%	12.0	-5.3	-14.6	31.3
Import growth	%	8.6	-15.5	13.6	30.5
Current account balance	\$ M	-2161.7	-674.6	-2108.4	-2303.5
Public debt	% of GDP	79.2	97.4	79.9	76.3
External debt	\$ M	31643.6	32359.6	33940.3	-
Total debt service	\$ M	11733.0	2796.2	2571.5	-

Economic indicators		2019	2020	2021	2022
Net lending/borrowing	% of GDP	2.2	-9.6	-5.9	-
Tax revenue	% of GDP	16.9	14.1	16.9	-
Government consumption	% of GDP	13.1	15.8	14.9	13.9
Public education spending	% of GDP	3.7	4.7	3.3	4.3
Public health spending	% of GDP	2.5	3.2	-	-
R&D expenditure	% of GDP	0.1	0.1	-	-
Military expenditure	% of GDP	0.7	0.8	0.6	0.6

Sources (as of December 2023): The World Bank, World Development Indicators | International Monetary Fund (IMF), World Economic Outlook | Stockholm International Peace Research Institute (SIPRI), Military Expenditure Database.

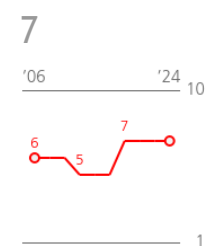
7 | Organization of the Market and Competition

Mongolia's private sector accounts for more than 80% of GDP. Over 90% of all enterprises are privately owned. However, recent surveys show that ownership of private enterprises has become more concentrated in key economic sectors, such as mining, construction and banking. Small and medium-sized enterprises account for 77% of total registered business entities, 72% of the total workforce, 17.8% of the gross domestic product, and 2.3% of total exports.

Mongolia underwent its regular World Trade Organization Trade Policy Review in 2021. The country's business registration process is reasonably clear. Foreign and domestic enterprises must register with the State Registration Office. Registrants can obtain the required forms online and submit them by email. The State Registration Office aims for a two-day review and approval process. However, investors report that bureaucratic discretion often adds weeks or even months to the process and call for a more transparent adherence to the relevant laws and regulations. Businesses also note unpredictable, nontransparent regulatory burdens at the local and provincial levels, as well as a lack of expertise among local inspectors.

Corruption in all sectors of government and political clientelism remain serious challenges to doing business and prevent the creation of a level playing field. Politically connected and larger business groups enjoy better access to financial resources, while SMEs and new entrants face significant financial and administrative barriers. Approximately 90% of private sector entities receive financing from Mongolia's domestic banks. The banks' high annual interest rates are criticized as inhibitive to business growth. Initiatives to allow foreign banks to operate in Mongolia – which could result in better access to business financing – have been opposed by domestic banks.

Market organization



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According to a Bank of Mongolia survey on the SMEs' Development and Financing, the SMEs found the loan terms – including the fees, collateral requirements, guarantees, loan amounts and interest rates – problematic. The greatest difficulties had to do with high interest rates (43%), short loan terms (20%), and unrealistic collateral values (20%).

The National Statistics Office (NSO) reported that informal employment increased from 60,000 to 100,000 from 2010 to 2019. According to an ILO report in 2023, informal employment in Mongolia remained relatively stable. The average number of years in informal employment was 11.8 years, and 64.8% had been in their jobs for at least eight years. The most cited reasons for being in informal employment included personal desire or interest, difficulty finding a formal job and a lack of alternatives. As indicated by the NSO survey, the majority of informal employment workers expressed interest in formalizing. Informal employment workers worked long hours – an average of 58.1 hours per week – far exceeding the standard 40-hour workweek specified in the labor law.

Price setting is primarily done by the market, with the exception of gasoline and meat pricing, where the government frequently interferes. However, in recent years, there has been an increase in welfare assistance in response to post-pandemic inflation.

According to an Asia Development Bank report published in June 2020, on Mongolia's economic prospects, the country's Law on Competition lacks clarity regarding important legal terms such as dominance and mergers. Amendments to the law, along with complementary guidelines, were made in 2022.

Mongolia's Agency for Fair Competition and Consumer Protection (AFCCP) reviews domestic transactions for competition-related concerns. It generally applies its norms and procedures transparently, and its decisions may be appealed in court. Mongolia's AFCCP is a member of the International Competition Network. However, the agency lacks independence from the government. In 2020, the AFCCP took measures to prevent and combat excessive pricing and the creation of artificial scarcity. It fined several companies, including meat suppliers, supermarkets, banks and pharmaceutical companies, for adopting anti-competitive practices.

Market competition in many sectors of the economy is increasing, but several sectors suffer from high levels of ownership concentration. The World Economic Forum's Global Competitiveness Report 2019 suggests that investors and businesses have a very negative perception of market dominance and the effectiveness of anti-monopoly policies. Local companies, especially medium and large ones, view the government as a major contributor to unfair competition in some sectors through its granting of concession agreements, subsidies and low-interest loans.

Competition policy

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Since the onset of its economic transition, Mongolia has promoted foreign trade and investment and achieved tangible results in trade liberalization. Mongolia's accession to the WTO in January 1997 underscored the country's relative success in developing a new trade regime. In the wake of this accession, approximately 30 laws simplifying customs services and reducing customs duties were passed and amended. Mongolia's most-favored nation applied tariff is 5.3%.

Mongolia's first bilateral free trade agreement, the Japan-Mongolia Economic Partnership Agreement (EPA), went into effect on June 7, 2016. Similar agreements have been made with the United States and Canada. Additionally, ongoing negotiations are taking place with Russia, and declarations of intent have been made with China. Mongolia is also a party to several multilateral agreements, such as the Agreement on Trade-Related Investment Measures (TRIMs), which prohibits members from implementing investment measures that restrict trade with other members, and the General Agreement on Trade in Services (GATS), which guarantees most-favored nation status to service providers of any member of the World Trade Organization.

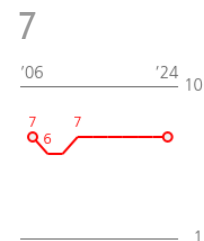
The EU-Mongolia Subcommittee on Trade and Investment held a meeting in March 2022, identifying potential areas of cooperation and the start of negotiations for an agreement on the protection of geographical indications, opportunities in the field of renewable energy, and geology.

A recent survey of trade companies found that approximately half of the respondents reported difficulties in obtaining the necessary import/export documents. For over half of the respondents, the wait time at customs and borders incurred "extremely high" or "high" additional costs. A UNESCAP study on the cashmere trade between Mongolia and China revealed that there were too many steps involved in exporting this commodity. Occasionally, in order to stabilize local demand, the government reduces the import customs tariffs to zero on common-usage products such as wheat, sugar, sunflower oil, etc.

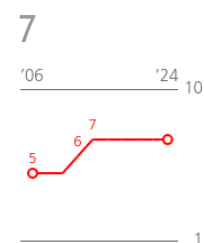
The banking system and the capital market are differentiated and meet international standards. Mongolia has 12 commercial banks. The active assets of the banking sector comprise 97% of the Mongolian financial sector. Five large banks hold 85% of the total assets in the banking sector.

The financial system has undergone rigorous modernization in recent years. It began with the establishment of the Financial Regulatory Commission in 2006, which is tasked with supervising legal compliance and protecting the rights of investors and clients. In 2010, parliament revised the Banking Law of Mongolia, and amendments were made in 2015, 2017, 2018, 2021 and 2022. These amendments introduced disclosure requirements for the owners of Mongolian commercial banks, new restrictions on banking activities – including a prohibition on establishing subsidiaries or affiliates – and clarifications on corporate governance rules. Moreover, a comprehensive set of measures was implemented to prevent bank failures and rescue troubled banks.

Liberalization of foreign trade



Banking system



In January 2021, parliament made crucial amendments to the Banking Law to enhance banking governance and transparency. According to the amendments, Mongolia's major banks are obligated to transition into publicly listed companies by June 2022, with a maximum of 20% of the shares being controlled by a single shareholder. As of now, two of the largest banks have successfully initiated their initial public offerings (IPOs) in the second half of 2022. The state bank has achieved 304% of the initially planned share trade, while Golomt bank has completed 148%.

The lifting of quarantine measures and service time restrictions amid the COVID-19 pandemic has fostered the revival of various economic sectors and paved the way for normal business activities. In the first quarter of 2022, the nonperforming loan ratio for individuals stood at 5% for salary and pension loans, 13% for credit card loans, and 17% for automobile loans. Meanwhile, the nonperforming loan ratio for corporations was 31% in mining, 17% in construction, 3% in trade, 6% in service, and 24% in manufacturing. By December 2022, the reported nonperforming loan ratio had declined to 9.1% from 10.4% in November 2022.

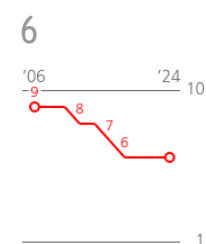
According to the Central Bank Law of 1996 – which has been amended multiple times – one of the missions of the central bank is to conduct supervision over the activities of the banks and other entities specified under the law. The central bank is one of the bodies under the parliament, and its president is appointed by parliament; it is independent of the government. Moreover, there is a financial stability council whose members consist of the president of the central bank, the chief of the Financial Regulatory Committee, the government cabinet member in charge of finance and the budget, and the executive director of the Deposit Insurance Corporation.

8 | Monetary and fiscal stability

Since Mongolia's transition to a market economy, its currency has experienced continuous depreciation, even during periods of strong economic growth. The Bank of Mongolia (BoM), under political pressure from the government, has intervened in the foreign exchange market to alleviate the depreciation pressure. For example, Mongolia's economic stagnation, caused alternatively by falling commodity prices, the economic slowdown in China, the war in Ukraine and waning interest from foreign investors, was instrumental in a currency slump of approximately 25% in 2016 and 15% in 2022 against the U.S. dollar. As of January 2021, the real effective exchange rate index stood at 97.99, a decrease from 104.11 in January 2019. Currency reserves hover around a meager \$3.5 to \$4 billion.

Generally, since 2017, Mongolia's international fiscal and monetary stability has improved due to macroeconomic reforms carried out under the IMF Extended Fund Facility program. However, the BoM is widely criticized for its inability to pursue an independent monetary policy and protect the depreciating Mongolian tugrugs. The bank asserts it does not have a direct instrument to fix the tugrug rate against the U.S. dollar, except for frequent interventions selling U.S. dollars at the market from its reserves.

Monetary stability



According to the central bank, the inflation rate over the past few years has been highly volatile, fluctuating between, for example, 23.2% in 2008, 4.3% in 2009, 12.75% in 2014, 0.8% in 2016, 7.3% in 2019, 3.3% in 2020, 8% in 2021, and 15% in the first quarter of 2022.

Under the IMF's Extended Fund Facility, the Mongolian government underwent a significant shift in the fiscal management of the country from 2017 to 2022. The fiscal balance was in surplus in 2020 and 2021, the public debt-to-GDP ratio declined for three consecutive years, and more than 2.5% of GDP was annually transferred to the Stabilization and Future Heritage Funds. According to Fitch Rating Agency, the Mongolian government debt will stay at 65.3% of GDP by the end of 2022. The fiscal balance improved during the reporting period, from -3.1% of GDP in 2021 to -0.4% in 2022, with further improvement expected.

When China struggled to contain the pandemic in early 2020, Mongolia's major commodity export, mineral products, declined by 45%. The economy contracted by 10.7% in the first half of 2020 (a decline of 4.6% overall), primarily due to an unprecedented decline in mineral exports. The trade and service sector, which generates 39% of GDP, declined by 6.8% due to COVID-19 containment measures.

However, 2022 saw a remarkable turnaround, with GDP growth exceeding 20% (in current tugrug prices) and equally promising prospects for 2023. The total export of mineral products experienced an average growth of 108% in 2022, including substantial increases in coal (168.3%), copper concentrate (116.2%), iron (91.1%), gold (112.5%), petroleum (73.5%), zinc (137.6%), and fluorspar (55.9%). In December 2022, exports from Mongolia surged 234.5% compared to the previous year, reaching a historic high of \$1396 million.

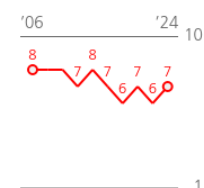
Mongolia's external debt reached \$32.4 billion in September 2022, compared to \$33.2 billion in 2020. In December 2022, the Mongolian government fully repaid its inaugural \$1.5 billion Chinggis bond to better manage its debt profile.

9 | Private Property

The 1992 constitution established basic property rights, which were further secured by such laws as the Law on Property Ownership Rights and the Law on Registration of Property Ownership. Conflicts regarding land ownership are common, especially in Ulaanbaatar. For instance, the specially protected natural and wildlife conservation area around the Bogd Khan mountain is restricted for private land ownership under the law, but businesses and people possess the land for touristic and other purposes and then build apartments and houses for sale. This is a violation of the specially protected area law. There are numerous land disputes regarding the issuance or ownership of public land for private purposes. The government is improving the registration of land ownership and appropriate supervision in Mongolia.

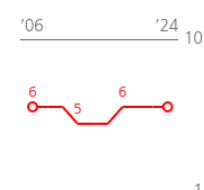
Fiscal stability

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Property rights

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Mongolia is a member of the World Intellectual Property Organization (WIPO) and has signed and ratified most relevant treaties and conventions, including the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights. The key laws safeguarding intellectual property in Mongolia are the Copyright Law, the Trade Names and Trademarks Law, and the Patent Law.

The private sector constitutes approximately 80% of the GDP and 75% of employment in Mongolia, according to various estimates. The role of the private sector in the national economy and in overcoming economic stagnation was widely acknowledged during the period under review.

Key economic sectors are dominated by a few large companies. Oligopolies are evident in the mining, petroleum, banking and telecommunications sectors. The boundaries between private companies and major political parties are often blurred, and widespread conflicts of interest exist. Mongolia has numerous companies with holding structures. However, obtaining reliable information about the management structure and performance is often challenging.

The government policy and legal environment are sufficiently favorable to private enterprises due to the large number of MPs from business sectors. However, unfair practices and lobbying for larger enterprises limit opportunities for SMEs in the market. For instance, a scandal involving the misuse of funding by politicians and officials a few years ago, specifically intended for loans to SMEs, negatively affected subsequent decisions and policies regarding SME funding. Most of the large privatization occurred in the early years of the 1990s and 2000s, and currently, there are only a few large state enterprises that sporadically emerge as earmarked for privatization and then disappear from the public eye.

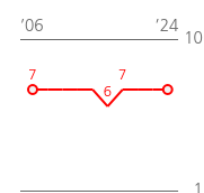
10 | Welfare Regime

Mongolia's social protection and welfare system is based on providing pensions, allowances and services to citizens with special needs. The country's social insurance and pension system is widely regarded as outdated, and the management of the Social Insurance Fund is highly prone to corruption. In October 2021, a draft package law on social insurance was submitted to parliament; however, it was revised and resubmitted in December 2022. The current draft package includes a law on general social insurance, a law on pensions from the social insurance fund, a law on allowances from the social insurance fund, a law on pensions, allowances, and payment incurred due to workplace incidents, and a law on additional individual pensions.

The government implements social protection and welfare programs through the Ministry of Population Development and Social Protection and the General Office of Social Welfare Services, accounting for 1.1% of GDP. Pensions for old age, disability and loss of parents, as well as allowances for temporary loss of capacity to work, pre- and post-maternity, and funeral expenses, are provided by the Social Insurance Fund.

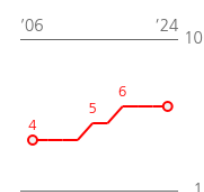
Private enterprise

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Social safety nets

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In addition to these social programs, the government has implemented the Child Money Program, funded by the Human Development Fund. According to the 2023 Budget Law, 91% of the children are entitled to child money of MNT 100k monthly, and the budget for this purpose in 2023 is about MNT 1.3 trillion. Studies have shown that families may benefit from multiple programs. A lack of information can result in a duplication of benefits. Excluding the Child Money Program, 24% of all citizens receive benefits.

The MPP-led government initiated a number of new social protection programs, such as allowances for individuals aged over 70 and support programs for mothers with more than one child. In February 2021, the government approved a comprehensive plan worth MNT 10 trillion. This plan aims to address the health and recovery needs of the economy.

The constitution and various laws guarantee that women and members of ethnic, religious and other groups have equal access to education, public office and employment. Legal provisions against discrimination are widely integrated into laws and policies, but their implementation is at times deficient.

Mongolia had a Gender Inequality Index (GII) value of 0.313 in 2021. As few as 17.3% of parliamentary seats are held by women. The share of women holding decision-making positions is also low. In public service, 26.6% of state secretaries are women, 30% are middle managers, and 15% are senior managers. According to the 2020 UNDP Human Development Report, 91.5% of adult women have reached at least a secondary level of education, compared to 86.1% of their male counterparts.

Mongolia has not improved the rate of female labor force participation in the last decade, despite female educational attainment being higher than that of males. Female participation in the labor market is 53.3%, compared to 66.4% for men, a figure that has not significantly changed in recent years. Studies show that women are more likely to be employed in lower-skilled jobs. According to studies conducted by UNESCO, the situation for women is even worse in rural areas, as many economically active women engage only in unpaid family work.

Mongolia has achieved high scores in education attainment, health and survival, and economic participation and opportunity. The gross enrollment ratio in primary education stands at 96% and in secondary education at 93%. The adult literacy rate is reported to be 97.8%. The ratio of female to male enrollment (GPI) is 0.98. The government offers bilingual education programs for the Kazakh and Tuva ethnic minorities.

Equal opportunity

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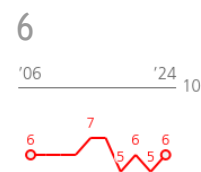
Year	Score
2006	5
2021	6
2024	6

11 | Economic Performance

According to World Bank data, Mongolia's GDP was \$15.29 billion with a growth rate of 1.6% in 2021 (and approximately \$15.7 billion in 2022). The GDP per capita was \$4,566 with a 0% growth rate. Furthermore, the inflation rate was 7.1%, and the unemployment rate was 8.1% in 2021 (14.4% and 7.3% in 2022). Foreign direct investments accounted for \$2.17 billion in 2021. Tax revenue is 14.1% of GDP in 2020.

Mongolia continues to rely on growth led by mining, with mineral exports accounting for 80% of total exports (with coal comprising about 30%). Over 80% of these exports are destined for China (while imports from China make up approximately 35%). In 2022, Mongolia's coal exports reached a peak of 30.2 million tons, reflecting a 90% increase compared to the previous year. The Asian Development Bank predicts economic growth to reach 5.3% in 2023.

Output strength



12 | Sustainability

In order to sustain economic progress, Mongolia will need to address a number of serious environmental challenges. These challenges include water scarcity, degradation of grassland, natural disasters and environmental pollution in urban areas – especially air and soil pollution in Ulaanbaatar. Climate change is exacerbating these challenges.

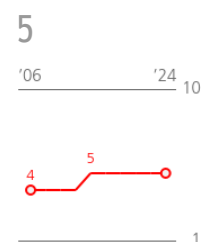
Air pollution in the capital city is a serious problem during the winter months, when households use coal for heating, as well as CO₂ produced by cars that are running in the capital city. According to the National Auditing Board, over MNT 456 billion were spent on improving air quality, but with only minimal results.

However, the most recent government effort to switch from raw coal to refined coal for heating has resulted in a considerable improvement in air quality. As part of this initiative, several refined coal plants have been established. Additionally, in the areas (ger district) where coal is used for heating, the government has eliminated electricity fees during nighttime usage.

The government has implemented various measures considering environmental factors. For instance, to promote the use of electric cars, the government eliminated road fees for such vehicles and set the excise duty rate on hybrid cars and LPG-powered vehicles at half the rate compared to other cars. Additionally, these cars are issued green and distinct title plates.

An estimated 70% of the rangelands in Mongolia have been degraded as a result of overgrazing. The livestock population increased from 22 million in 1992 to approximately 71.1 million in 2022. Consequently, the number of livestock per hectare increased dramatically, which has serious effects on wildlife and the sustainability of the livestock industry. Researchers have urged the country to introduce a new model for the livestock industry that focuses on the quality and

Environmental policy



productivity of animals, as well as new taxation and fee incentives for herders. Currently, no new taxation or fee incentives for herders are planned or discussed. Instead, draft legislation on pasture is in the offing that could result in a tax being imposed on cattle breeders.

Mongolia's reliance on the extractive sector for economic growth has induced and exacerbated environmental degradation. The environmental impacts of government-funded infrastructure and mining projects in the southern Gobi region have not been transparent and have failed to include adequate public consultation.

Mongolia has a 5-4-3 formal education structure. Primary school has an official entry age of six years and a duration of five grades. Secondary school is divided into two cycles: the lower secondary consists of grades six to nine, and the upper secondary consists of grades 10 to 12. Public primary and secondary schooling is free and open to all children. According to the Mongolia Human Development Report 2016, the net enrollment rate is 99.1% for primary education and 96.1% for secondary education.

The urban-rural gap in access to education has narrowed. The ratio of girls and boys in education up to the lower-secondary school level is almost equal. Mongolia had a U.N. Education Index score of 0.643 and an inequality in education score of 11.9 in 2021. Government expenditure on education has consistently been about 12% of total government expenditure in recent years.

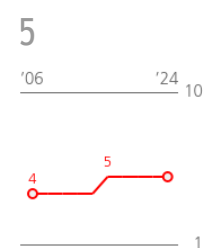
The quality and international competitiveness of Mongolia's tertiary institutions have been weak. Insufficient levels of spending on research and development inhibit scientific research. According to World Bank data, Mongolia's expenditure on R&D represented just 0.13% of GDP in 2020 – an increase from 0.09% in 2019. The government is the primary funder of R&D activities.

The poor quality of education at all levels is a major concern for Mongolia, although the government has made some efforts to improve the education sector in recent years. Rural secondary schools, in particular, face shortages of highly qualified teachers and learning resources. Most public schools are overcrowded and operate in two or even three shifts. In the academic year 2022/2023, out of 859 schools, 80.1% were state schools and 19.9% were private schools, with annual tuition fees ranging from \$1,500 to \$15,000. Discrepancies between the learning achievements of private and public schools, as well as urban and rural schools, are increasing.

A widespread criticism is that universities and colleges do not equip young people with the necessary skills. This criticism is confirmed by the high unemployment rates among young people with vocational and higher educational attainment.

As part of its response to the COVID-19 pandemic, the government suspended all educational facilities beginning in January 2020 and implemented a large-scale campaign to transition to remote learning. School lessons were delivered on 16 different television channels with fixed daily schedules. Schools restarted in September 2020 but were suspended again in November 2020, when the first case of community transmission of COVID-19 was recorded. Starting in the spring of 2022, all educational institutions resumed their normal activities.

Education policy /
R&D



Governance

I. Level of Difficulty

Significant structural constraints impact governance in Mongolia, with the foremost challenge being the country's geopolitical positioning. Situated between Russia and China, Mongolia's political, economic and foreign policies require delicate navigation to consider the interests and influence of its neighboring giants.

These challenges have been accentuated by Russia's actions in Ukraine. Mongolia has had to maintain a "neutral" stance regarding Russia's aggression, particularly in international forums like the U.N. General Assembly. This neutrality has posed difficulties, given that a significant portion of civil society in Mongolia supports Ukraine's right to nationhood and self-determination. The consequences of the Ukraine conflict have rippled into Mongolia's trade and tourism sectors and have affected its foreign relations, especially with its "third neighbors" – the United States, Japan, the European Union and other democratic and developed nations. These dynamics have created complex diplomatic challenges for Mongolia.

The country's vast landmass, coupled with a small population and low population density, places significant demands on its administrative, economic and infrastructural resources. Mongolia is also the world's second-largest landlocked country and contends with harsh winter conditions, including temperatures that plummet to -40°C. Natural disasters involving severe winter conditions that prevent livestock from accessing pastures, referred to in Mongolia as "dzud" disasters, pose a severe threat to thousands of herder households by jeopardizing their livelihoods.

Mongolia succeeded in preventing community transmission of COVID-19 for the first 10 months of the pandemic, recording its first community case in November 2020. The series of containment measures and economic contractions that followed had a disruptive impact on Mongolia's economy. The closure of its borders with Russia and China had a profound impact on trade, particularly with regard to China, which receives 80% of Mongolia's total exports and is the source of 30% of Mongolia's imported goods. The pandemic also exposed vulnerabilities in Mongolia's capacity and preparedness to plan and execute effective policies.

In early 2021, the government gradually eased its COVID-19 containment measures and returned to normalcy in terms of social life. While the northern border with Russia reopened in March 2021, the southern border checkpoints did not resume normal operations until January 8, 2023, that is, after China lifted its COVID-19 containment measures. These developments reflect Mongolia's ongoing efforts to manage its response to the pandemic and the pandemic's impact on various aspects of national life.

Structural constraints

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Mongolia is widely regarded as one of the Asian countries with robust civic freedoms. The nation boasts a legal environment conducive to civil society and its various organizations. As the Mongolian legal system follows civil law practice, the legal framework for civic freedoms is mainly based on the Civil Code and the Law on Non-Governmental Organizations (NGOs), which are supported by other laws and policies. Meanwhile, the number and diversity of NGOs in Mongolia have expanded, emphasizing the need for a comprehensive, integrated policy to safeguard the sector.

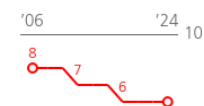
Mongolia's civil society includes a spectrum of entities such as NGOs, trade unions, chambers of commerce and trade, saving and credit cooperatives, local groups affiliated with political parties, apartment owners' unions, non-profit media organizations and informal self-help or community groups dedicated to leisure activities. Among these actors, NGOs wield significant influence. During the communist era, entities such as trade unions, women's associations, youth groups and organizations for the elderly existed, but they operated as instruments of the dominant communist party and lacked the autonomy and voluntary spirit that are characteristic of civil society.

The adoption of the 1992 constitution and the enactment of the Law on Non-Governmental Organizations in 1997 marked pivotal moments that expanded the operational space for NGOs within Mongolian society. Since then, the State Registration Agency has witnessed a substantial surge in the number of registered NGOs. According to the 2021 census conducted by the National Statistical Office of Mongolia, there are currently 23,852 registered NGOs, with approximately 7,800 actively engaged in various initiatives. These active NGOs fall into two main categories, with 60.9% focusing on serving society at large and the remaining 39.1% dedicated to serving their specific members. Many other NGOs have opted not to renew their registration or submit financial and tax reports.

The dynamic evolution of civil society in Mongolia necessitates a concerted effort to enhance the capacities of NGOs in areas such as self-governance, sectoral accountability, financial resources and other critical dimensions. Furthermore, it is imperative to foster an enabling environment for civil society that shields it from restrictive regulations. Mongolia has been relatively slow to fully recognize the pivotal roles of the private sector, civil society and local governments in national development. These sectors still grapple with challenges related to experience, awareness and capacity when it comes to collaborating with the government on equal terms. Further efforts are required to develop an enabling policy environment. This entails implementing favorable tax and insurance policies, bolstering the rights and freedoms of CSOs, institutionalizing communication channels between CSOs and local and central governments, and reinforcing the legal status of CSOs, especially in matters related to public interest litigation.

Civil society traditions

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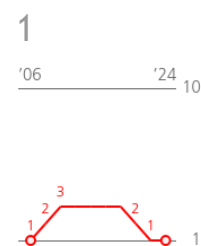
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There are no cases of violent incidents based on social, ethnic or religious differences. Although Mongolians have to some extent questioned the nature and quality of their democratic institutions, no significant violent incidents have occurred since the post-election riots in 2008. Political protests and civic demonstrations are a common occurrence, but they typically transpire peacefully, and confrontations with law enforcement have not escalated into violent clashes. Notably, ultra-nationalist groups have limited capacity to mobilize through social media.

Several “No War” demonstrations voicing opposition to Moscow’s actions in Ukraine have taken place on Sukhbaatar Square and near the Russian embassy. Additionally, one or two pro-Russian demonstrations were held at the Jukov monument in April 2022. These gatherings remained peaceful. Furthermore, Mongolia has witnessed peaceful protests aimed at expressing discontent with the government’s perceived shortcomings in implementing COVID-19 containment measures.

In the later months of 2022, a series of vocal public protests were held in response to allegations of high-ranking elites’ involvement in an embezzlement scandal related to coal exports. Several clashes with the police occurred around the state palace, including some involving protesters who undressed outside in freezing December temperatures. Other protests involved individuals who went on hunger strikes while sleeping outside on Sukhbaatar Square.

Conflict intensity



II. Governance Performance

14 | Steering Capability

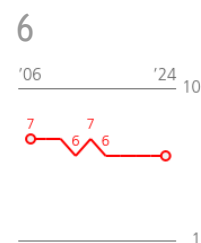
A number of policy and strategic documents defining long-term development priorities have been approved by the parliament in the last decade that include policy guidance on mining, education and fiscal stability. However, the pursuit of these priorities has been consistently disrupted by electoral considerations and the interests of influential politico-business groups. Over the past three decades, few prime ministers and cabinets have managed to remain in power for more than two years, which results in a prioritization of short-term concerns.

Having won the last two parliamentary elections and the last presidential election that have given the MPP an overwhelming majority in parliament, the party has, in principle, had the opportunity to pursue long-term policy priorities. However, many strategies targeting the judiciary, mining and infrastructure that have been initiated by the party’s more reform-minded members have faltered due to clientelist and factional interests within the party.

Question

Score

Prioritization



Prime Minister Oyun-Erdene, who assumed office in January 2021, has a background that includes serving as a minister and chief of the Cabinet Secretariat of Mongolia. He played a central role in developing the long-term policy document “Vision 2050,” which was approved by parliament in May 2020. Oyun-Erdene has remained committed to prioritizing and implementing policies aligned with these strategic objectives. Consequently, he established two new ministries as priority areas: the Ministry of Digital Development and Communication and the Ministry of Economy and Development. The Ministry of Economy and Development, formed in November 2021, is an evolution of the National Development Agency, the primary government body responsible for shaping strategic policy perspectives and long-term priorities. The ministry began its operations in January 2022, with responsibilities encompassing policy and planning in the realms of development, macroeconomics, regional development, industrialization, innovation, trade and investment.

While initially successful in preventing community transmission during the COVID-19 pandemic, subsequent restrictions on businesses and commuting took a toll on both businesses and household incomes. In response, the government launched the “New Recovery Policy” in December 2021. This policy’s objective has been to revive and strengthen the post-COVID economy while creating an environment conducive to the successful implementation of the “Vision 2050” strategic document. The recovery policy encompasses a variety of sub-programs, including the recovery of exit and entry border checkpoints, electricity, industrialization, urban and rural development, green development and government efficiency.

The implementation of major policy priorities in Mongolia has often faced challenges due to political actors prioritizing their parochial interests, issues related to corruption, and a lack of both human and financial resources. One prominent example of government shortcomings is its management of revenues generated from the country’s natural resources. A recent study conducted by the World Bank revealed that Mongolia has produced nearly \$28 billion worth of mineral outputs since 2004. Although the government enacted laws to allocate a portion of this revenue to stabilization and heritage funds, as the study highlights, Mongolia has spent 99 cents out of every dollar earned from mineral wealth and saved only one cent for future generations.

Despite the government’s strategic goal of developing a diversified economy with multiple sectors, including mining, agriculture and manufacturing, the actual implementation of this strategy has been inconsistent and ineffective. Mongolia’s reliance on mineral exports has significantly increased, while other sectors of the economy have remained underdeveloped. Various government plans and projects of importance have encountered setbacks and corruption issues during their execution.

Implementation

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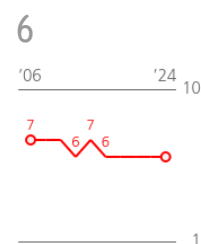
In an effort to address these challenges, the government established an accelerator center for the “New Recovery Policy” in January 2022. The center’s primary role is to coordinate the efforts of government ministries and agencies, providing them with professional support and other resources as needed. Under its purview, the accelerator center manages six sub-programs, 29 objectives, 99 activities, 20 development projects and 27 draft laws, all of which typically involve the responsibilities of multiple ministries and agencies.

Innovation in policymaking in Mongolia appears to depend on individuals occupying specific official positions. After constitutional amendments that aimed to limit the number of parliamentary seats, ministers were selected based on their profession and sector. This approach, which initially garnered public support, had the goal of ensuring government autonomy, bolstering the prime minister’s authority and allowing the government to act with greater independence. However, in August 2022, the Constitutional Court repealed this constitutional amendment, resulting in less than one-third of cabinet ministers being non-members of parliament.

Compared to previous administrations, the current prime minister has placed a strong emphasis on digitalizing government services and processes. Initiatives such as E-Mongolia and the “Digital Nation” have been launched, and a Digital Development and Communication Ministry has been established to drive these efforts. In the last ten years, there has been a concerted effort to develop and enhance monitoring and evaluation structures. All ministries and government agencies have implemented structures for monitoring and evaluating their respective sectors, with standardized and improved procedures in place. Expert groups from various government levels are frequently convened for various purposes. For example, when preparing the long-term policy document “Vision 2050” in 2020, a diverse array of experts from different fields and think tanks collaborated on the document, leading to its eventual parliamentary approval.

In January 2021, significant amendments were made to the Law on the Judiciary, thanks in part to the strong political commitment of a group of members of parliament. This marked a departure from previous reform initiatives that often faltered due to a lack of collective commitment and public engagement. Additionally, the current education minister is highly regarded by the public for his reforms in the education and research sector.

Policy learning



15 | Resource Efficiency

There has been a consistent increase in the total number of civil servants over the past decade. According to the 2021 Report on the Civil Service and Servants by the Council of Civil Service, there are 208,864 civil servants (which represents an increase of 1.9% or 3,853 civil servants since 2020) working in 4,206 organizations. The number of civil servants accounts for 6.3% of the total population and 17.1% of the labor force. In comparison, there were 140,000 civil servants in 2017.

The efficiency of government spending faces several challenges, including weak anti-corruption efforts and auditing mechanisms, as well as a reliance on multiple financing sources. For example, the implementation of the Law on Glass Accounts, which requires government agencies and state-owned enterprises to regularly report their spending, has been inconsistently applied. While the National Audit Agency has not reported significant breaches of the law or inappropriate spending, ordinary citizens and the media have uncovered numerous cases of funding being used for illegitimate purposes.

Managing state-owned companies has proven to be a significant challenge, with over 100 such companies operating in various sectors, primarily mining and energy. Many of these companies receive government subsidies and have accumulated substantial debt. Allegations of inefficient resource utilization and investigations into mismanagement have been reported, particularly at the state-owned “Tavan Tolgoi” coal mine, which is currently under investigation for a coal theft scandal.

Politically motivated dismissals and appointments are common. Since the MPP has won a majority in parliament and both the president and prime minister are MPP members, party logic has determined all dismissals and appointments. However, the revised Law on the Public Service, implemented on January 1, 2019, aimed to depoliticize the public service and make it more merit-based. While this law has improved the performance of the public sector, the dominance of a single party across all branches of government hampers its effectiveness and limits public scrutiny of ongoing human resource challenges.

According to the minister of finance, as of 2022, the total state debt amounts to \$33.3 billion. This includes \$8.1 billion in government debt and \$21.3 billion in private sector debt. Of the government debt, \$5.6 billion was granted by partner countries and international financial institutions in 1991, with a due date of 2060. The remaining \$2.4 billion in government debt consists of government bonds traded since 2012, scheduled to be paid back by 2031.

As part of public service reform, the National Governance Academy has transformed itself into a comprehensive training and education center for public servants, offering various courses and programs tailored to the needs of professionals in the public sector. Additionally, the Law on Administration and Local Bodies underwent seven sets of amendments in 2021, 2021 and 2023, with the goal of enhancing the autonomy of local governments and reducing reliance on the central authority.

Efficient use of assets

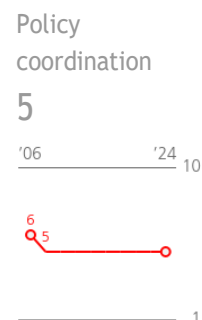
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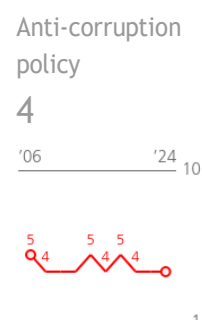
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The government and parliament often adopt a personalistic approach to policy coordination, especially when it comes to advancing “pet projects.” Additionally, conflicts can frequently arise both within and between ministries, government departments, and central and local authorities. There’s also a notable lack of effective horizontal coordination among government agencies. While recent constitutional amendments theoretically grant the prime minister the authority to directly appoint cabinet ministers, political bargaining between party factions and leaders continues to play a significant role in practice.



One significant issue has been the inconsistency and lack of coordination in government measures to combat the spread of COVID-19. The State Emergency Commission and the Capital City Emergency Commission have sometimes implemented conflicting and overlapping measures, leading to frustration and anger among businesses and citizens. In January 2021, public revelations of serious disagreements between the minister of health and the director of the National Center for Communicable Diseases, which serves as the primary hospital for COVID-19 patients, underscored the limitations of the current fragmented governance system with its personalistic coordination style.

The Independent Anti-Corruption Authority (IAAC) reported progress in tackling middle- and lower-level corruption during 2021 and 2022. According to the agency, by September 2022, MNG 2.3 trillion in state losses had been recovered during its investigations (MNG 92.2 billion in 2021 and MNG 35.6 billion in 2020). This highlights four key areas where the government needs to focus its efforts: digitalizing government processes, improving human resources, enhancing transparency and working on relevant anti-corruption legislation. To address these challenges, the government has established a permanent working group dedicated to coordinating anti-corruption initiatives and improving Mongolia’s anti-corruption rating.



However, the IAAC’s capacity to combat high-level corruption and expand its oversight nationwide remains limited. Existing legal frameworks have weakened the IAAC’s institutional independence, investigative authority, and its financial and human resources. For example, the Criminal Law imposes relatively lenient penalties for corruption offenses, including bans on public administration employment for up to five years, fines of up to MNT 27 million, and prison sentences of up to five years.

In December 2022, in response to widespread public protests and demonstrations related to the “Export Coal Theft” scandal, parliament swiftly amended the Criminal Law to strengthen penalties for corruption offenses. These amendments suspended the statute of limitations on corruption cases involving, for example, members of parliament. In addition, high-level officials will no longer receive amnesty, benefit from expedited legal processes or be allowed to pay fines for corruption convictions. Instead, the revised Criminal Law mandates prison sentences of five to 12 years for such cases.

The Law on Public Procurement governs all public-related procurement and tenders. In 2014, the Glass Account Law came into effect, requiring public and state-owned enterprises to publicly disclose their financial transactions through their websites or other means. This law initially increased public awareness of the potential misuse of public funds, but its effectiveness has waned over time. While there is transparency in the public procurement process, there are concerns about potential connections between winning bids and high-ranking officials or politicians, making it difficult to verify such claims.

16 | Consensus-Building

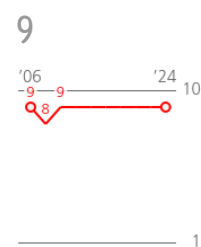
All major political actors in Mongolia are in agreement about the importance of building and maintaining a democratic system. However, public opinion polls reveal a significant gap between the general support for democratic values and the level of trust in key institutions, such as state authorities and the judiciary. The amendments made to the constitution in 2019 were the outcome of consultations involving various political parties and major political figures. These changes underwent extensive public discussions before being finalized. Similarly, significant revisions to the Law on the Judiciary in January 2021 were the result of evidence-based consultations and enjoyed broad consensus among political parties and civil society.

There is little question about Mongolia's general commitment to a market economy. However, Mongolian policymakers continue to struggle with balancing market forces while providing social safety nets and advancing responsible and sustainable development. There is considerable debate and polarization of opinions over the role of the state in the mining sector and the development of strategically important mines in partnership with international investors.

There are currently no explicit anti-democratic actors with substantial influence or veto powers. While a small number of individuals advocate for the establishment of a non-democratic regime, these individuals are not taken seriously by the public or the government. Such attitudes are primarily limited to ultra-nationalist groups that have no political influence and are largely peripheral.

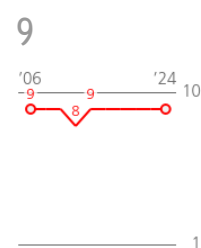
Occasionally, posts and comments expressing anti-democratic sentiments surface on social media, but so far they have not had a substantial impact. There is suspicion that these sentiments may originate from external actors, possibly from neighboring countries. However, the Mongolian Armed Forces have not shown any inclination toward seeking political control in the past, and there are no indications to suggest that this will change in the foreseeable future.

Consensus on goals



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Anti-democratic actors

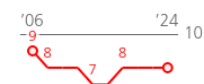


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The political leadership generally prevents cleavage-based conflicts from escalating. However, public grievances and resentment over social injustice and disparities are prevalent, which increases the risk of an unstable political environment fueled by populist actors, but only on social media, where these actors are drawing some attention.

Cleavage /
conflict
management

8



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Civil society has become a significant partner for the government, playing a vital role in advocating for democratic reforms, human rights and gender equality. Additionally, civil society organizations have been providing essential services to vulnerable groups in recent years. The political leadership has allowed civil society to participate in the policymaking process, taking into account and, to some extent, accommodating the interests of various civil society actors. Also in recent years, laws facilitating formal hearings and other mechanisms for seeking input have been passed by the parliament.

Public
consultation

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This collaborative approach has resulted in the development of important laws and government decisions in partnership with civil society. For instance, the implementation of a quota system ensuring the inclusion of civil society representatives on the boards and monitoring committees of public organizations, including national TV and radio, and the National Gender Committee is a notable achievement. Many civil society groups, whether registered NGOs or informal networks, have made significant contributions to policy initiatives addressing critical social issues such as air pollution, sanitation, child rights, gender equality, inclusive education, transparency and fairness.

However, some civil society organizations have raised concerns that, in certain cases, the government has been hesitant or unprepared to engage with them regarding agenda-setting, policy formulation, implementation and performance monitoring. For instance, in November 2021, the government submitted a draft law on the legal status of foundations and federations to parliament, which drew the attention of multiple civil society organizations. The hasty parliamentary approval of a law on social media and human rights in January 2023 was also criticized for its lack of engagement with civil society. However, the president vetoed the law.

Political repression and purges were widespread during the former communist regime in Mongolia. However, since the Stalinist purges, there have been no large-scale, systematic injustices inflicted on the Mongolian population. Between 1922 and 1940, the regime targeted political leaders and individuals considered potentially subversive, including aristocrats, national entrepreneurs and Buddhist monks. This led to the capital punishment of over 37,000 people and the imprisonment of tens of thousands more. After World War II, intellectuals with nationalist views also faced repression. Over time, political repression in Mongolia transitioned from outright state terror to various forms of administrative measures, defamation of personal dignity and discrimination based on one’s opinions.

Following the transition to democracy in 1990, a National Rehabilitation Commission was established to review cases of political repression. The commission processed around 36,000 case files. In January 1998, the parliament enacted the Law on the Rehabilitation of Victims of Political Repression and Compensation. Approximately 31,000 victims received recognition, and MNT 16 billion were disbursed in compensation. In total, 31,604 individuals were penalized for political reasons, with over 10,200 cases resulting in rehabilitation.

In 1996, the Democratic Party formally requested a pardon for its members on behalf of the Mongolian government and party leaders. The Mongolian People’s Party (MPP) followed suit in March 2011. In contemporary political discourse, questions regarding past injustices do not play a prominent role.

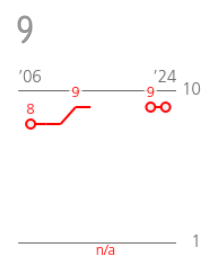
17 | International Cooperation

International assistance in Mongolia increasingly focuses on needs assessments and stakeholder consultations to define program areas and priorities, including the “Mongolian Sustainable Development Concept – 2030.” However, the nature of these needs assessments varies depending on the foreign partner, which can compromise long-term planning. Foreign support, especially from China and Russia, often comes with conditions that reflect their own geopolitical interests. This dynamic can lead to challenges in projects related to uranium development and the hydropower and thermal power plants, as conflicting foreign and geopolitical interests can generate divisions within the local population.

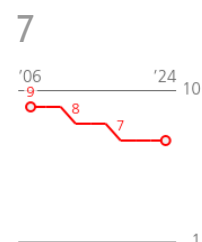
Inconsistent government policies in certain sectors and frequent changes in senior leadership have hindered the implementation of grant aid projects. According to local experts, progress in promoting the harmonization and mutual accountability of international aid remains slow, primarily because the country lacks a robust national results monitoring system.

In August 2022, the Asian Development Bank approved \$100 million in emergency support to help it weather the impact of severe economic shocks. While the government presented plans detailing the allocation of these loans and grants, there are widespread concerns that some of the funds were not used for priority projects, such as improving the diagnostic and treatment capacity of regional hospitals and medical centers and supporting businesses.

Reconciliation



Effective use of support



Mongolia has earned its democratic and diplomatic reputation on the global stage. As a U.N. member state, Mongolia actively participates in intergovernmental policymaking and has demonstrated its firm commitment to fostering peace, security and dialogue. Notably, the U.N. General Assembly passed a resolution (GA resolution 61/87) affirming Mongolia's international security and nuclear-weapon-free status, and a joint declaration providing security assurances to Mongolia was signed by the five permanent U.N. Security Council members.

Mongolia's approach to strengthening its sovereignty and national security aligns with international laws and regulations. It has established comprehensive strategic partnerships with key nations, including Russia, China, the United States, India and Japan. Mongolia has signed important agreements such as the Economic Partnership Agreement with Japan, an Asia-Pacific Trade Agreement with South Korea, and an Economic Partnership with the Eurasian Economic Union.

After attending the 2021 United Nations Climate conference in Glasgow, President Khurelsukh Ukhnaa launched a nationwide initiative to plant 1 billion trees by 2030, in line with Mongolia's commitment to the United Nations Sustainable Development Goals. This initiative addresses challenges like desertification, deforestation and food insecurity. Mongolia is also dedicated to mitigating climate change, setting a conditional emissions reduction target of 27.2% by 2030. A forestry component has been introduced to further reduce greenhouse gas emissions by 44.9% by 2030.

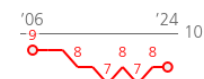
UN Secretary-General Antonio Guterres made an official visit to Mongolia in 2022, recognizing Mongolia's valued partnership with the United Nations and its role as a symbol of peace. U.N. Under-Secretary-General for Peace Operations Jean-Pierre Lacroix visited Mongolia in June 2022 and participated in the International Women Peacekeepers' Conference, highlighting Mongolia's commitment to promoting women in peacekeeping. In response to a request by the U.N. Department of Peace Operations, Mongolia pledged to increase its number of female peacekeepers by 15% by 2027.

UNESCO Director-General Audrey Azoulay visited Mongolia to strengthen cooperation in education, science and culture. Mongolia also hosted high-level visits from neighboring countries and allies, including foreign ministers from China, Russia, South Korea, Poland, Japan and Laos, as well as key officials from Mongolia itself.

After a two-year hiatus due to COVID-19, Mongolia successfully organized the Seventh Ulaanbaatar Dialogue in June 2022. This initiative, launched in 2014, aims to establish a dialogue mechanism in the region. The upcoming eighth dialogue, scheduled for June 2023, continues to focus on enhancing security dialogue in northeast Asia.

Credibility

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Developing international partnerships holds significant importance for Mongolia, a landlocked country situated between two major neighboring nations. Mongolia's foreign policy places a strong emphasis on maintaining balanced relations with both Russia, from which it sources its energy, and China, its primary conduit for imports and exports.

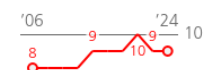
Mongolia considers balanced foreign relations crucial for safeguarding its national sovereignty and fostering development. Consequently, the country has pursued an open and non-aligned foreign policy while maintaining a steadfast commitment to promoting peace. In 2022, Mongolia successfully hosted and reciprocated numerous high-level visits, formalized various official agreements, and expanded its relationships and cooperation with other nations.

Notable figures who visited Mongolia in 2022 include U.N. Secretary-General Antonio Guterres, the Under-Secretary-General for Peace Operations of the United Nations, the Director-General of UNESCO, the Speaker of the Senate of Canada, the Deputy Speaker of the Riksdag (Swedish parliament), foreign ministers from Russia, China, Poland, Japan and Laos, the minister of commerce of Thailand, Japanese parliamentary delegations, India's defense minister, deputy national security adviser, and union law and justice minister, and the chair of the Standing Committee of China's National People's Congress (NPC).

Multilateralism is an important pillar of Mongolia's foreign policy, especially within the framework of its Third Neighbor policy. Mongolia's efforts to balance the influence of its two sizable neighbors have spurred active involvement in various international and regional organizations. In addition to close cooperation with the Asia-Pacific Economic Cooperation (APEC) and the Association of Southeast Asian Nations (ASEAN), Mongolia became a participating state of the Organization for Security and Cooperation in Europe (OSCE) in November 2012. Furthermore, in September 2020, Mongolia officially joined the Asia-Pacific Trade Agreement (APTA) as its seventh member, joining long-standing regional partners such as Bangladesh, India, Laos, South Korea, Sri Lanka and China.

Regional cooperation

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Strategic Outlook

The year 2022 saw a rapid increase in Mongolian exports to China, particularly in the mineral resources sector. The country's economic growth for the year stood at a modest 2.4%. This growth was primarily fueled by the removal of COVID-19-related restrictions and a significant rebound in the agriculture sector. The increase in private and public investments, as well as household consumption, is expected to further bolster domestic demand. Notably, as of January 8, 2023, the borders between Mongolia and China were reopened for passengers and transportation, which is poised to further facilitate trade between the two nations. The government's new economic recovery policy, enacted in late 2021, is anticipated to have a positive impact on both society and the overall economy.

In the presidential election of June 2021, the Mongolian People's Party (MPP) solidified its previous parliamentary election victory. Now in control of all branches of government, the MPP can implement its decisions at all government levels in alignment with its action plan. One significant decision involved resolving the long-standing debate over Mongolia's 34% share in the Oyu Tolgoi project. On January 25, 2022, Mongolia's \$2.3 billion debt for the 34% share was forgiven, successfully resolving the dispute between Rio Tinto and the Mongolian government and streamlining the development of deep mining at Oyu Tolgoi. Moreover, on March 13, 2023, following a \$7 billion expansion, underground production commenced at the Oyu Tolgoi copper mine at a depth of 1300 meters. This development is expected to have a significant positive impact, generating approximately 20,000 jobs for Mongolian citizens.

Under the Oyun-Erdene government, there is a strong commitment to the priorities outlined in the "Vision 2050" development plan drafted in 2020. These priorities include the digital development initiative, which involves the establishment of the Ministry of Digital Development and Communication and the introduction of the E-Mongolia initiative. The latter aims to improve the accessibility and transparency of numerous government services for the public. Additionally, the Ministry of Economy and Development has been established to address crucial economic matters such as innovation, development, loans, aid and region-based development. To promote economic recovery, the government has launched a comprehensive MNT 10 trillion plan aimed at strengthening the economy.

However, building a diversified, high-income economy necessitates countercyclical fiscal and monetary policies and a competitive investment environment on a level playing field. This implies a shift toward a more diversified economy, as the mining sector currently accounts for roughly a quarter of GDP. This dependence makes the economy reliant on petroleum and electricity imports from Russia, as well as mining exports to China. Furthermore, progress in both the economy and society can only be achieved if corruption is effectively combated.

The predominance of a single party (MPP) in power and ongoing factional disputes within the opposition party (DP) could potentially have a negative impact on Mongolia's democratic process. The public has voiced its concerns through various public protests and demonstrations, demanding government action against illegal activities and scandals.

Corruption remains the most significant obstacle to political and socioeconomic progress in Mongolia, permeating all levels and sectors of public administration and politics. The government has recently introduced initiatives targeting five key areas: promoting and implementing whistleblowing legislation, scrutinizing the income sources of public service officials, pursuing individuals who have fled or gone overseas, seeking the return of assets obtained through illegal means abroad, and reforming and replacing the management of state-owned enterprises.