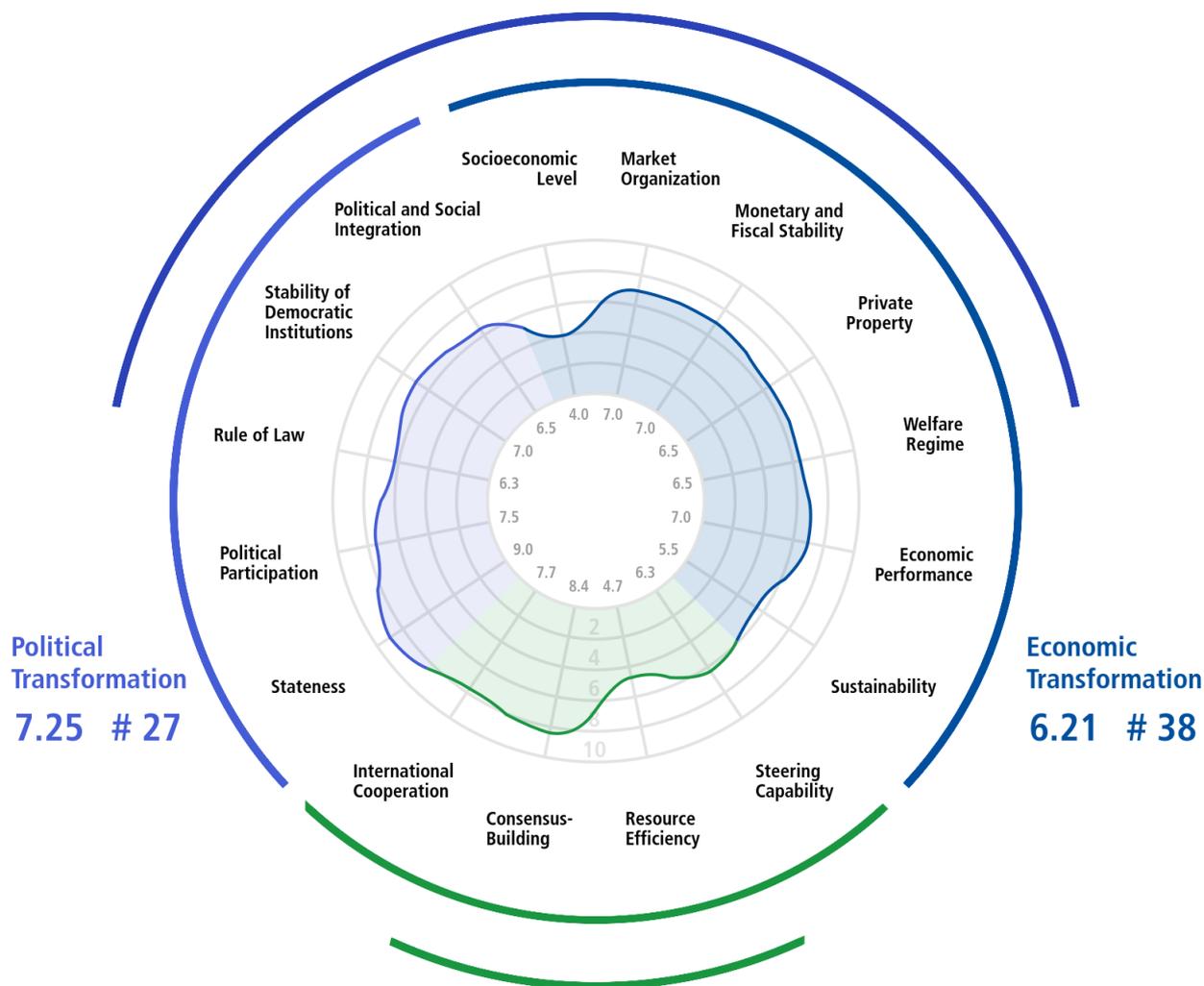


# Mongolia

## Status Index

**6.73 # 27**

on 1-10 scale out of 137



## Governance Index

**5.90 # 29**

on 1-10 scale out of 137

This report is part of the **Bertelsmann Stiftung's Transformation Index (BTI) 2026**. It covers the period from February 1, 2023 to January 31, 2025. 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>.

Please cite as follows: Bertelsmann Stiftung, BTI 2026 Country Report – Mongolia. Gütersloh: Bertelsmann Stiftung, 2026.

This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

## Contact

Bertelsmann Stiftung  
Carl-Bertelsmann-Strasse 256  
33111 Gütersloh  
Germany

### **Sabine Donner**

Phone +49 5241 81 81501  
[sabine.donner@bertelsmann-stiftung.de](mailto:sabine.donner@bertelsmann-stiftung.de)

### **Hauke Hartmann**

Phone +49 5241 81 81389  
[hauke.hartmann@bertelsmann-stiftung.de](mailto:hauke.hartmann@bertelsmann-stiftung.de)

### **Sebastian Plate**

Phone +49 5241 81 81263  
[sebastian.plate@bertelsmann-stiftung.de](mailto:sebastian.plate@bertelsmann-stiftung.de)

### **Sabine Steinkamp**

Phone +49 5241 81 81507  
[sabine.steinkamp@bertelsmann-stiftung.de](mailto:sabine.steinkamp@bertelsmann-stiftung.de)

**Key Indicators**

Population	M	<b>3.5</b>	HDI	<b>0.747</b>	GDP p.c., PPP \$	<b>19098</b>
Pop. growth <sup>1</sup>	% p.a.	<b>1.2</b>	HDI rank of 193	<b>104</b>	Gini Index	<b>31.4</b>
Life expectancy	years	<b>72.1</b>	UN Education Index	<b>0.693</b>	Poverty <sup>3</sup>	<b>2.4</b>
Urban population	%	<b>69.3</b>	Gender inequality <sup>2</sup>	<b>0.284</b>	Aid per capita \$	<b>74.7</b>

Sources (as of December 2025): The World Bank, World Development Indicators | UNDP, Human Development Report 2025. 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

This assessment of Mongolia's democracy, economy and governance presents a nuanced picture of steady progress tempered by enduring challenges. The country continues to uphold its democratic framework through regular elections, active political pluralism and broad societal support for democratic norms. However, uneven application of the rule of law and persistent elite influence continue to limit institutional effectiveness.

Mongolia exercises effective state authority across its territory, despite logistical difficulties in remote regions. Religious influence on governance is minimal, and constitutional secularism is respected, as reflected in the government's decision to remain neutral on the recognition of the 10th Jetsun Dampa as the highest Buddhist authority. Political participation remains strong, with 1,336 candidates from 22 political parties contesting the 2024 parliamentary election. Although the Mongolian People's Party (MPP) and the Democratic Party (DP) have historically dominated politics, five parties secured parliamentary seats – signaling a shift toward greater political diversity. Following the election, the MPP formed a coalition with the DP and HUN Party. The peaceful and competitive nature of the election reaffirmed Mongolia's democratic credentials, despite ongoing concerns about corruption and restrictions on freedom of assembly.

The rule of law is inconsistently enforced. Although civil rights are protected on paper, high-profile corruption cases – such as the 2022 – 2023 coal scandal – have exposed weak prosecutorial action and limited judicial independence. Corruption remains a major impediment to development. Government efforts to combat corruption – including increased oversight of state-funded projects and resource sectors – have yielded limited results, contributing to declining public trust. While democratic institutions remain functional, the 2022 constitutional amendment allowing ministers to also serve as members of parliament has raised concerns about weakened checks and balances. Political parties are well established but ideologically vague, with decision-making often shaped by patronage. Nonetheless, civil society remains active and the democratic order is not under threat.

Economically, Mongolia recorded strong growth of 7.4% in 2023, with GDP reaching \$20.33 billion and per capita income rising to \$18,005 (PPP) according to World Bank data. The Human Development Index (HDI) stood at 0.741 in 2022, while the inequality-adjusted HDI dropped to 0.645, indicating disparities in access to education, income and basic services. The market remains weakly regulated, with high concentration and an informal sector employing 41% of the workforce. Although foreign investment is generally encouraged, regulatory inconsistencies and uneven enforcement of competition laws persist. The country maintained fiscal stability in 2024, recording a 3.1% budget surplus and a manageable public debt level of 38.9% of GDP. Inflation, however, remained high at 10.3%, exceeding the central bank's target. Reserves were steady at \$4.7 billion, covering 3.3 months of imports.

While property rights are legally recognized, enforcement is uneven, particularly in urban land disputes and herder-related conflicts. The welfare system provides targeted support but services are inconsistently delivered. Literacy rates are high at 95.1% and electricity access reached 99.5% in 2020, though infrastructure gaps – especially in sanitation and education – persist in some areas. Mongolia's economic outlook is mixed: robust growth and foreign direct investment (FDI), which reached 11.1% of GDP in 2023, are offset by a widening current account deficit of \$521.9 million due to increased imports. Environmental sustainability remains a significant challenge, with ongoing reliance on coal and weak enforcement of environmental regulations, despite active international cooperation.

Mongolia's governance is shaped by structural constraints such as geographic isolation, harsh climatic conditions and a dispersed population. Overreliance on mining and inadequate infrastructure further limit development capacity. Despite widespread support for democratic values, governance performance is uneven. Frequent ministry restructuring hampers policy coordination, leading to inefficiencies such as the shifting of educational and cultural responsibilities between agencies. Large infrastructure projects face cost overruns and delays, while political interference in civil service appointments undermines accountability and professionalism. Although democratic institutions are broadly legitimate and civil society is active, policymaking often reflects elite interests rather than inclusive dialogue.

International cooperation remains a key strength. Mongolia continues to engage constructively with multilateral partners and has pursued trade agreements with Japan, Asia-Pacific Trade Agreement (APTA) members and the Eurasian Economic Union (EAEU). While domestic opposition delayed a trade deal with the EAEU, negotiations are ongoing. Development partnerships remain strong, particularly in areas such as energy transition and institutional reform.

Overall, Mongolia remains a stable and open democracy with improving fiscal fundamentals and constructive international engagement. Yet, persistent issues – including weak rule of law, poor enforcement of property rights, structural inequality and fragmented governance – undermine institutional capacity and the quality of public service delivery. The dominance of elite interests and bureaucratic inefficiencies particularly impact vulnerable populations and hinder inclusive development. To preserve its democratic gains and build long-term resilience, Mongolia must reinforce institutional safeguards, strengthen transparency and prioritize equitable growth through targeted, sustained reforms.

## History and Characteristics of Transformation

Until 1990, Mongolia was a socialist state heavily influenced by the Soviet Union. The Mongolian People's Revolutionary Party (MPRP) maintained a one-party system, controlling all aspects of governance and economic planning. Following the 1992 adoption of a new constitution, Mongolia institutionalized democratic governance with a parliamentary system, free elections and protections for civil liberties. Mongolia has since experienced political pluralism, with the Democratic Party (DP) and the Mongolian People's Party (MPP, successor to the MPRP) alternating in power. As of 2024, 37 political parties are registered with the Supreme Court of Mongolia.

To date, Mongolia has sought to embed democratic principles into all aspects of governance – including legislation, development strategies, planning and decision-making. The state has emphasized broad public participation, citizen consultation and mechanisms for public debate and accountability, reinforced through legal frameworks. However, unresolved corruption cases continue to undermine public trust in the political, judiciary and executive branches. Moreover, initiatives to restrict and control the involvement of non-governmental organizations (NGOs) have created an atmosphere of uncertainty and concern, even though these measures have not yet been formally adopted.

Mongolia is rich in natural resources, yet its dependence on the mining sector has diverted attention from environmental protection and fostered corruption linked to resource extraction and export. However, there is growing demand to diversify the economy by developing other sectors. The country faces significant energy shortages, and although energy system reform has been widely discussed, little progress has been made. These challenges are especially pressing in sectors dependent on production and energy.

As Mongolia looks ahead, ensuring sustainable economic growth, diversifying the economy and enhancing governance remain key challenges. While the democratic system remains resilient, ongoing reform efforts will be crucial for navigating the evolving political and economic landscape.

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

There has been no competition for the state's monopoly on the use of force throughout the entire territory. Internally, police and various security organizations maintain full, uncontested control over the territory.

Available findings – particularly the 2021 assessment by the Legal Research Center – suggest that Mongolia has taken concrete steps to enhance its capacity to uphold its monopoly of force. The report highlights a notable expansion of the Armed Forces' role, especially in supporting strategic national development. Under a presidential decree, military personnel and resources have been actively engaged in national strategic and large-scale infrastructure projects, a move that both preserves military readiness and aligns with broader national goals.

This dual-use strategy has also contributed to the financial strengthening of the Armed Forces Development Fund, which previously relied almost solely on reimbursements from peacekeeping operations. Involving the military in state development projects has generated new streams of revenue, enabling investment in modernization, training and social protection. Crucially, the fact that no private entities contribute to the fund underscores that the state maintains exclusive control over military financing and operations.

In accordance with Article Fourteen of the constitution of Mongolia, no person shall be discriminated against based on ethnic origin, language, race, age, sex, social origin and status, property, occupation and position, religion, opinion or education. Therefore, it is ensured that everyone is equal before the law.

According to the 2020 Population and Housing Census of Mongolia, the majority of the population is Khalkh, the largest ethnic group, comprising 83.8%. Other minority groups account for 16.2%, including Kazakhs (3.1%), Dorvod (2.8%), Bayad (2.1%) and Buryats (1.6%). However, all ethnic groups are entitled to equal rights and are supported by the official concept of the nation-state – despite their differing cultures and languages. As stated in the constitution, they have equal rights to acquire citizenship without discrimination.

Question  
Score

Monopoly on the  
use of force

10



1

State identity

10



1

However, as outlined in Article 10 of the Law of Mongolia on Citizenship, a request for Mongolian citizenship may be denied on several grounds, mostly for criminal reasons. The only noncriminal reason for denial is if the individual has been determined, through appropriate procedures, to have a mental or highly infectious disease.

Historically, Mongolia has embraced a wide range of cultural and religious traditions, fostering a society that values inclusivity. Aside from the Khalkh, minority groups such as Kazakhs, Dorvod, Bayad and Buryats openly celebrate their cultural traditions. For example, the Buryat community celebrates the annual Altargana festival, while the Kazakh community celebrates Nauryz. Issues related to religion or ethnicity do not influence any sector, as Mongolia promotes inclusivity across all spheres. The latest data show no recorded cases of discrimination or crimes related to ethnicity. Over the decades, no conflicts between ethnic groups have been reported in Mongolia.

As stated in Article Nine of the constitution of Mongolia (1992), the state shall respect religions, and religions shall honor the state. State institutions, organs or authorities shall not engage in religious activities, and monasteries shall not carry out political activities. According to Article Four of the Law on the Relationship Between the State and Religious Institutions (1993), religious institutions shall not undertake the duties of state organizations and are prohibited from engaging in political activities, participating in them or financing them in the pursuit of state power. The use of religion for political party or official purposes, or to promote the interests of political parties, officials or organizations, is prohibited. Therefore, in accordance with these laws, religious dogmas should not influence legal order or political institutions.

Religion plays a visible yet carefully managed role in Mongolia's public life. Many government officials personally engage in religious practices, particularly Buddhism and shamanism. However, religious beliefs do not visibly influence state policy or lawmaking. The government maintains a formal commitment to secularism, as enshrined in the constitution. This secular stance has been tested in several high-profile instances where religion intersects with geopolitics. In 2016, the Dalai Lama visited Mongolia, which triggered strong diplomatic backlash from the People's Republic of China. In response, the Mongolian government discouraged further visits, signaling its effort to protect bilateral relations. A similar example occurred with the recognition of the 10th Jetsun Dampa, a prominent Buddhist figure and relative of a former member of parliament. The government publicly disavowed involvement in the recognition process and reaffirmed its separation from religious affairs.

These events demonstrate that while religion remains culturally significant and politically sensitive, the Mongolian state continues to uphold its secular principles. The government seeks to balance respect for religious freedom with political neutrality and international diplomacy.

No interference of religious dogmas

10



1

The government of Mongolia has enacted the Law on Administrative and Territorial Units and Their Governance (2020). This law regulates relations concerning the administrative and territorial units of Mongolia, their functions, economic basis, reasons and procedures for changes, as well as the self-governing and state administration systems within these units. Mongolia's administrative system is structured into several levels, including the capital city Ulaanbaatar, 21 provinces (aimags), districts (soums) and the smallest units, bags (villages). Ulaanbaatar is both a city and a province, while each aimag is divided into soums, which are further subdivided into bags or settlements. In urban areas, districts are divided into khoroos (urban subdivisions). The system promotes local self-governance, with governors at each level responsible for implementing policies, ensuring services and coordinating with national organizations.

While administrative structures have existed throughout Mongolia since their establishment in near-current form in the early years of the Mongolian People's Republic, the provision of services at the local countryside level remains hampered by a vast, sparsely populated territory. The rapid expansion of the road network in the past ten years in particular has made travel and transport more accessible, helping to overcome some challenges.

Mongolia has made measurable progress in providing essential public goods and services, though challenges remain due to its geographic and demographic context. The literacy rate stands at 95.1%. Notable improvements in public health have also been recorded, with maternal mortality declining to 36.3 per 100,000 live births and child mortality to 13.5 per 1,000 live births as of 2023.

In education, more schools, kindergartens and dormitories are being equipped with basic infrastructure, improving learning environments. However, sanitary conditions in many public institutions remain inadequate, with efforts underway to replace outdated pit latrines with modern sanitation facilities. Access to electricity has also expanded significantly, with 99.5% of households connected to the grid as of 2020 as stated in the Voluntary National Review 2023. Nevertheless, some rural and remote households remain off-grid, highlighting ongoing disparities in infrastructure coverage.

Mongolia's vast territory, extreme climate and dispersed population present unique logistical and financial challenges in ensuring equitable access to quality services nationwide. Efforts continue to enhance service provision in health care, education, sanitation and electricity access, particularly for underserved rural communities.

Basic  
administration

6

'06 \_\_\_\_\_ '26 10



1

## 2 | Political Participation

As outlined in the constitution of Mongolia, all citizens have the right to participate in the conduct of state affairs directly or through representative bodies, including the right to elect and be elected to state bodies. Several laws regulate nationwide elections, such as the Law on the Election of the State Great Khural (parliament) of Mongolia, the Law on Presidential Elections and the Law on the Local Election of the Citizens' Representatives' Khural. These laws define the principles and procedures for organizing and conducting elections, ensuring that Mongolian citizens can exercise their voting and candidacy rights.

The General Election Commission (GEC) of Mongolia serves as the electoral management body, overseeing voter, candidate and party registration as well as polling procedures. The GEC is also required to report on its operations and undergo external audits to ensure compliance with the law and protection of voters' and candidates' rights during the election process.

Significant constitutional and legislative changes were introduced ahead of the 2024 parliamentary election. Parliament was expanded from 76 to 126 members, who were elected through a mixed majoritarian and proportional election system. Rural electoral districts, which had previously been multi-member districts at the provincial level, were combined into districts of one to three provinces. A total of 1,341 candidates, including 19 political parties, two alliances and more than 40 independent candidates, competed in the June 28, 2024, parliamentary election. Turnout was 69.9%. The governing Mongolian People's Party won a simple majority of 68 seats but chose to form a coalition government with the Democratic Party and HUN.

An OSCE election observation mission assessed the election as generally well-administered, with voters having access to education about the voting system before the election and access to polling stations. The mission noted several factors that appeared to favor the governing and major parties. However, broadly speaking, Mongolians were able to stand for election and vote freely.

In Mongolia, no group or entity holds veto power capable of undermining democratic processes. Mongolia's legal and electoral system provides a robust safeguard against undemocratic influence or veto authority.

Portrayals of political elites have long used terms such as "oligarchs," suggesting a perception of limited access to the political process. However, political factions and ties between corporate actors and politicians are generally fragmented and compete for access to positions and policymaking, so that no actors or groups of actors are effectively able to exercise complete control or veto.

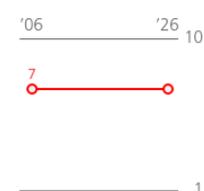
Free and fair elections

8



Effective power to govern

7



Even two well-established large parties are divided into factions along personalistic, not ideological, lines, leading to a history of factional competition that prevents any takeover of political control.

Democratically elected governments at the national, provincial and local levels can legislate and implement policies, though implementation is often hampered by a lack of political will and commitment.

However, the effective power of elected officials is often constrained by the influence of powerful business interests. These interests are especially tied to the mining sector, which plays a dominant role in Mongolia's economy. The close relationship between political elites and mining companies has raised serious concerns about policy capture and corruption during the past decade.

Article 16 of the constitution of Mongolia guarantees citizens the right to form political parties, mass organizations and other associations based on their social and personal interests and opinions. These organizations must respect public order, uphold state security and comply with the law. Discrimination or persecution of individuals for joining or being members of such organizations is strictly prohibited. In addition, the Law on Procedure on Conducting Demonstration and Assembly (1994) regulates citizens' freedom under the constitution to conduct peaceful demonstrations and assemblies, establishes procedures for conducting them and ensures public order and citizens' security during these activities.

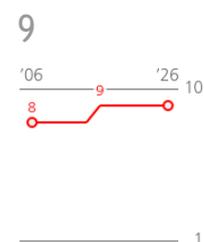
In recent years, there have been several instances of arrests during demonstrations that have been widely perceived to chill the right to assembly. Yet large-scale demonstrations have continued to be held.

The effectiveness of demonstrations and civil society organizations has been called into question by frequent, often immediate suggestions that particular efforts are pursued merely at the behest of powerful political forces or for pay.

As of January 28, 2023, Mongolia has 1,882 foundations, 620 religious organizations, five public legal entities, one national humanitarian organization and 28,964 associations operating under the framework of the right to freedom of association. According to the 22nd report by the National Human Rights Commission of Mongolia on the state of human rights and freedoms, 710 protests and rallies took place between 2020 and 2022, with 623 occurring in the capital city and 87 in rural areas. Each year, the National Human Rights Commission provides recommendations and takes action to address human rights violations and other pressing issues.

While the right to establish associations, political parties and public organizations is formally recognized in Mongolia, relatively few non-governmental organizations (NGOs) maintain consistent operations. Additionally, the contributions of NGOs are often insufficiently acknowledged. Government organizations frequently lack a proactive and responsible approach to engaging with, recognizing and incorporating the activities and perspectives of NGOs into their work.

Association /  
assembly rights



1

Article 16 of the constitution of Mongolia guarantees freedom of thought, opinion, expression, speech, press and peaceful assembly. According to Article 14.3 – Violation of the Freedom of Expression or Press of the Criminal Code of Mongolia (2015), any act of using force, threatening to use force or suppressing publication through payment to interfere with a publisher’s lawful activities – whether to disseminate or conceal confidential information related to a person – or threatening to cause serious harm to rights and legitimate interests shall be punishable by a fine.

Despite this legal provision, media outlets that do not refuse to publish content in exchange for payment remain common. In particular, media organizations frequently enter into non-disclosure agreements with government agencies. These agreements have attracted significant criticism and public debate. International organizations have often emphasized that the personal liability of reporters is an impediment to the further development of a free and active media.

There are persistent concerns about media freedom. According to a poll by the International Republican Institute, more than half of Mongolians (53%) view the current state of media freedom in Mongolia as “somewhat bad” or “very bad.” Similarly, 56% believe the media lacks the freedom to report independently on any issue.

The role of the media and the lack of investigative reporting were also highlighted in the final report of the OSCE election observation mission.

A new draft law on media and the press is currently under consideration by the State Great Khural.

### 3 | Rule of Law

As stated in Article 37 of the constitution of Mongolia, state power is vested in the people of Mongolia. Any illegal seizure of state power or attempts to do so are strictly prohibited. Chapter 3 of the Constitution, which addresses the state structure of Mongolia, defines the organization, functions and operational procedures of state power. The separation of powers with mutual checks and balances is clearly specified in the constitution, along with other general laws including the Law on Civil Service, the General Administrative Law and various sectoral laws.

In practice, several changes to governmental structures have been made to reinforce a balance of power. As a result of the 2019 constitutional amendments, a new provision was added stating: “The Government shall consist of the Prime Minister and Ministers. The Prime Minister and no more than four members of the Government may concurrently hold seats in the State Great Khural (parliament).” However, this provision was later nullified by a decision of the Constitutional Court on August 15, 2022.

Freedom of expression

6



1

Separation of powers

7



1

The expansion of parliament in 2024 was intended to strengthen legislative oversight of the executive branch and reduce the number of members of parliament (MPs) simultaneously holding cabinet positions. However, following the 2024 parliamentary elections and in accordance with the Constitutional Court's ruling, a new government structure was approved, consisting of the prime minister and 22 ministers – all of whom concurrently serve as MPs.

As a result, the executive branch has expanded to an unprecedented size and now operates without effective institutional checks and balances. This consolidation of legislative and executive authority raises serious concerns about a growing imbalance of power within Mongolia's system of governance.

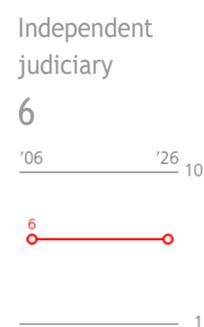
The constitution of Mongolia was adopted in 1992 as part of the nation's transition to a democratic system. As stated in Chapter Four, judicial power in Mongolia is vested exclusively in the courts. Courts are established solely under the constitution and other laws, and the judicial system includes the Supreme Court, aimag (provincial) and capital city courts, soum (county) or inter-soum (inter-county) courts and district courts, with the possibility of establishing courts based on regional principles.

The Constitutional Court of Mongolia was established as an institution responsible for overseeing the implementation of the constitution, issuing rulings on constitutional violations and resolving disputes. According to the law on the Constitutional Court, nine members of the court are appointed: three by the State Great Khural (parliament), three by the president and three by the Supreme Court, following a nomination process and a hearing before the State Great Khural. They are appointed for a term of six years.

Since 1992, the judicial system has been implemented in phases, initially governed by a single law regulating judicial organization, guarantees of judicial independence, the selection and appointment of judges and judicial administration. In 2013, new laws on the judiciary, the legal status of judges and judicial administration were enacted to modernize the legal framework governing the judiciary's scope of authority.

As reported by the Constitutional Court, public awareness of constitutional judicial authority in Mongolia was initially limited. However, annual increases in the number of petitions and disputes, along with changes in the content and topics of these petitions, indicate positive developments in the situation and a growing public understanding of the Constitutional Court.

The independence of the judiciary has frequently been called into question by political actors and the media. In particular, the involvement of the president and, later, the National Security Council – composed of the president, prime minister and speaker of parliament – in the appointment and dismissal of judges has been



criticized. Some decisions by the Constitutional Court seem to go curiously unenforced, and others appear to be blatantly linked to political actors, for example, in the prolonged fight over control of the Democratic Party.

Violations within the civil service are reviewed and resolved under various legal frameworks, including the Law on Civil Service, Law on Violations, General Administrative Law, Law on State Audit, Law on the Prosecutor's Office and the Law on Civil Procedure. For example, under Article 75.1 of the Law on Civil Service, complaints regarding violations of rights and conflicts of interest among civil servants and civil service candidates are reviewed by a commission established by the Civil Service Council. The council publishes its annual performance reports, including resolutions of complaints. According to the 2023 report, an oversight inspection revealed that 451 civil servants were appointed in violation of legal procedures. As a result, 156 legal claims were filed and the courts ordered compensation of MNT 443.3 million from the responsible officials, with 253.6 million MNT already recovered.

Additionally, Article 48 of the Law on Civil Service stipulates disciplinary actions against civil servants for breaches of Article 37 (General Duties of Civil Servants) and Article 39 (Prohibited Conduct for Civil Servants). Disciplinary measures vary depending on the nature and recurrence of violations. They may include dismissal from the civil service and a ban on reappointment – though this does not exempt them from criminal or other legal liabilities. In addition, the Anti-Corruption Law details specific liabilities for political, administrative, special and executive-level civil servants who abuse their official power for personal gain, grant undue advantages to others or receive unlawful benefits from individuals or legal entities.

These legal provisions demonstrate the existence of a comprehensive accountability framework for civil servants. Moreover, monitoring and inspections conducted by the Civil Service Council play a significant role in preventing unlawful appointments and other violations within the civil service.

In 2023, Prime Minister Luvsannamsrain Oyun-Erdene declared a national campaign against corruption, introducing initiatives such as Operation “Whistle” to protect whistleblowers and foster societal intolerance toward corruption. Despite these efforts, challenges persist in holding public officials accountable. While some anti-corruption operations and public hearings have led to arrests and asset recoveries, there is ongoing public concern about the adequacy of prosecutions and the overall effectiveness of these measures.

The most prominent recent example is the 2022 – 2023 coal corruption scandal in Mongolia, which illustrates how officeholders who engage in corruption are not consistently prosecuted. Although the case attracted significant public attention and led to mass protests, legal proceedings have been slow, fragmented and politically sensitive. Accused parties included truck drivers, business owners, government

Prosecution of  
office abuse

5

'06 \_\_\_\_\_ '26 10

5 4 5

\_\_\_\_\_ 1

ministers, politicians and members of the border militia. The charges extended beyond corruption to include embezzlement, money-laundering, tax evasion and smuggling.

However, not all suspects could be prosecuted under the same charges or within the same jurisdictions. In one instance, a local court charged customs officials with accepting bribes and truck drivers with offering bribes to public officials. The investigation lacked strategic coordination, and prosecutions have remained limited in scope. While the scandal resulted in negative publicity and a strong public backlash, it also revealed the state's limited capacity to ensure full legal accountability for corrupt officeholders. This case exemplifies how reputational damage may occur, but comprehensive legal consequences remain rare.

The constitution of Mongolia, in Chapter 2, protects human rights and freedoms. Specifically, Article 14 guarantees that all individuals are equal before the law and the courts and explicitly prohibits any discrimination. Furthermore, Chapter 14 of the Criminal Code of Mongolia specifies the legal consequences for restricting an individual's rights and freedoms. In 2002, Mongolia enacted the Civil Code based on the principles of equality and independence of participants in civil legal relations, inviolability of property, freedom of contract, noninterference in private matters, unrestricted exercise of civil rights and obligations, restoration of violated rights and judicial protection of rights.

The National Human Rights Commission of Mongolia was established by the parliament of Mongolia in 2000. A revised version of this law, approved in 2020, expanded the commission to seven members. This independent body is responsible for monitoring the implementation of human rights and freedoms, ensuring compliance with the constitution, national laws and international treaties. The commission plays a crucial role in safeguarding human rights in Mongolia, preventing violations and promoting human rights education and awareness among the public.

Mongolia has legally codified civil rights and formally guarantees protection for human rights defenders. These rights are outlined in the newly introduced Law on the Legal Status of Human Rights Defenders, which aims to protect individuals who advocate for human rights and hold the state and private actors accountable. The law affirms the state's duty to protect human rights and the responsibility of businesses to respect them, while prohibiting retaliation against defenders.

However, in practice these legal guarantees are not consistently upheld. In recent years, there has been a notable rise in harassment, intimidation and even criminalization of human rights defenders, particularly those working on environmental and land rights in rural areas. Defenders have reported being subjected to surveillance, smear campaigns and fabricated legal charges.

Civil rights

7

'06 \_\_\_\_\_ '26 10



1

Article 7.2.1 of the law, which prohibits receiving funds from vaguely defined foreign sources, has been criticized as a tool to suppress activism and limit access to legitimate support, especially in remote communities. While mechanisms exist to address rights violations, they are inconsistently enforced and there is little evidence of proactive state action to prevent or redress such risks.

#### 4 | Stability of Democratic Institutions

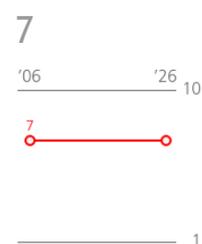
In accordance with the constitution of Mongolia and other relevant laws, various democratic institutions operate to facilitate and promote democratic functions.

In addition to its institutional frameworks, Mongolia has sufficient legal regulations governing the preparation, adoption, implementation and review of political decisions through legitimate procedures by the appropriate authorities. For example, the Law on Legislation (2015) regulates the State Great Khural and sets requirements for legislative drafts, ensures public participation in the drafting process, governs the submission of drafts to the State Great Khural and mandates the publication and promotion of adopted legislation, along with assessing their implementation outcomes.

Together, these key legal frameworks provide a comprehensive system for regulating decision-making processes, defining the responsibilities of key stakeholders and ensuring that all decisions are made through legitimate procedures by the appropriate authorities.

Nonetheless, challenges persist in the performance of Mongolia's democratic institutions. While the judiciary is constitutionally independent, public confidence is weakened by perceptions of politicization and inconsistent application of justice. Oversight bodies such as the Independent Authority Against Corruption and the National Human Rights Commission are active and have pursued high-profile cases. However, their effectiveness is often constrained by limited enforcement capacity and political influence. These issues suggest that although democratic institutions are operational and broadly accepted, structural inefficiencies and uneven performance continue to hinder their full effectiveness.

Performance of democratic institutions



Mongolia has established a democratic constitution, developed a strong political party system and allowed peaceful transitions of power. Civil society has flourished, and the country has made significant free market reforms. In the 2024 parliamentary election, 1,336 candidates from 22 political parties participated, reflecting the diversity of political views in the country. Although the Mongolian People's Party has dominated in recent years, five different parties won seats in the 2024 election – showing a positive shift in the political landscape.

While the constitution enshrines democratic values, it is the actual public acceptance and operation of these institutions that affirm their legitimacy. In present-day Mongolia, there is broad societal and political consensus supporting democracy as the foundation of governance. Although there is occasional public admiration for perceived efficiency in countries like China or Russia, this has not translated into organized or persuasive anti-democratic movements. This widespread public and political acceptance of these institutions indicates that democracy in Mongolia is not only enshrined in its constitution but also embedded in its political culture and everyday governance.

## 5 | Political and Social Integration

Mongolia's political system is governed by the Law on Political Parties, which provides the legal foundation for the establishment, organization, financing and oversight of political parties, while safeguarding citizens' right to freedom of association. The country's party system remains relatively stable, anchored by the Mongolian People's Party (MPP) and the Democratic Party (DP) – both of which have long dominated the political landscape and facilitated peaceful transfers of power since the democratic transition. Although these parties are institutionally established, public trust has declined due to internal conflicts, perceived corruption and a lack of clear ideological direction.

The 2024 parliamentary elections highlighted both continuity and change. A total of 1,336 candidates from 22 political parties contested the elections, reflecting the country's diverse political landscape. Following the 2023 constitutional amendment, the number of parliamentary seats increased from 76 to 126. The MPP won 35% of the vote, securing 68 seats, and five parties ultimately gained representation in the State Great Khural. The emergence of the HUN Party as a credible third force demonstrates moderate voter volatility and growing interest in alternative political actors. However, Mongolian political parties overall remain weakly rooted in society and lack clearly defined ideological platforms. Parties frequently operate around personal networks and patronage rather than structured policy agendas or broad-based social representation.

On August 12, 2024, a Joint Government Agreement titled "Courage for Rapid Development" was signed by the MPP, DP and HUN Party, aiming to promote sustainable governance through coalition cooperation. While this cross-party

Commitment to democratic institutions

7

'06 '26 10



1

Party system

6

'06 '26 10



1

agreement suggests a willingness to collaborate on national priorities, public concern remains that such coalition arrangements may dilute the role of the opposition. Critics argue that power-sharing among major parties risks prioritizing internal consensus over external scrutiny, potentially weakening democratic checks such as legislative oversight and accountability.

Overall, Mongolia’s democratic institutions remain functional and widely accepted, but they face ongoing challenges related to party institutionalization, voter engagement and the effectiveness of opposition politics.

According to the Business Registry Database of Mongolia, as of 2024, there are 108,378 active enterprises. Among them, 3,869 cooperatives, 1,600 partnerships and 9,116 non-governmental organizations (NGOs) have been established based on shared interests and needs. Findings from the 2021 Civil Society Landscape Study indicate that these organizations primarily operate in fields such as education, professional development, science, health, social services and the arts.

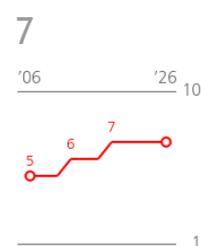
Yet, NGOs remain highly atomized, with many not truly representing groups of people but instead functioning as not-for-profit single-person consultancies. Even large social organizations such as unions do not play much of a role in mediating between society and politics. Notably, there is an absence of national associations that would provide such mediation in areas critical to Mongolia, including herding, environmental degradation or air pollution.

The majority of Mongolians (68%) believe that democracy is the best form of government. Yet a January 2024 study by the Academy of Political Education shows that this view does not align with trust in government institutions, which is declining. This is especially true for the State Great Khural (69.9% do not trust or do not trust at all combined), the judiciary (66.9%) and the government (62.8%). Compared to other Asian countries, trust in the judiciary, political parties and election-organizing institutions in Mongolia is worryingly low.

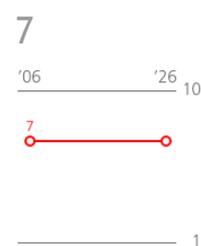
While public trust in political institutions in Mongolia has declined in recent years, this trend does not necessarily indicate a rejection of democratic norms and procedures. This distinction suggests that, despite frustration with the functioning of democracy in practice, there remains underlying approval of its core principles.

In principle, Mongolian society is based on trust in individuals with whom people share close relationships or local affiliations, such as relatives, friends and colleagues, rather than official or indirect social ties. The Independent Research Institute of Mongolia (IRIM) posits that society was characterized by pastoral nomadism on one hand – “an ecological adaptation that makes it possible to support more people in the Mongolian environment than would be true under any other mode of subsistence” – and by a sharp urban and rural divide on the other, compounded by an ongoing rural exodus.

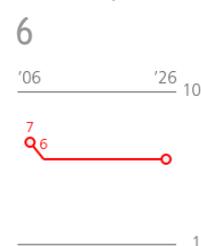
Interest groups



Approval of democracy



Social capital



Hence, trust in government and political institutions is not well developed, as shown in a January 2024 study conducted by the Academy of Political Education. The findings indicate that trust in state institutions in Mongolia is relatively low. Among respondents, seven out of 10 people generally do not trust government institutions. Even more pronounced, political parties have the highest percentage of respondents answering “do not trust” or “do not trust at all” (80%). A comparison with data from 2022 reveals a significant decrease in trust in political parties (1.8 out of 5.0).

A nationwide survey by IRIM and the International Republican Institute in 2021 also indicates a fairly high share of social media users: 67% receive political information primarily from social media. Moreover, the same survey revealed that 29% considered raising concerns on social media as a main activity for ordinary people to influence decisions made in Mongolia. It is no surprise that the use of social media contributes to an increase in formal and informal interest groups and online support groups.

## II. Economic Transformation

### 6 | Level of Socioeconomic Development

According to the UNDP Human Development Report 2024, Mongolia’s Human Development Index (HDI) in 2022 was 0.741, ranking 96th out of 193 countries and placing it in the high human development category. Over the long term, Mongolia has steadily improved, with its HDI increasing 28% between 1990 and 2022, driven by a 127% rise in Gross National Income (GNI) per capita, a 13.9-year increase in life expectancy and a 0.9-year gain in mean years of schooling. However, progress has stagnated since 2018, as the HDI fell back to its 2013 level during the COVID-19 pandemic and has struggled to fully recover. Income disparities, regional inequalities and economic fluctuations tied to the mining sector continue to shape Mongolia’s human development trajectory.

Despite overall human development progress, poverty remains a major concern. Mongolia’s poverty rate declined slightly to 27.1% in 2022, down from 27.8% in 2020, yet rural areas continue to experience higher poverty levels than urban centers, widening the rural-urban divide in economic opportunities, education and access to social services. Income inequality, as measured by the Gini Index, stood at 31.4 in 2022, reflecting moderate inequality levels compared to global standards. Additionally, inequality in income distribution, education and gender equality remains persistent.

Question  
Score

Socioeconomic  
barriers

4

'06 '26 10



The Inequality-Adjusted Human Development Index (IHDI) for Mongolia in 2022 was 0.645, indicating a 12.9% loss in human development due to disparities. This suggests that although national averages point to relatively good living conditions, significant segments of the population – especially in rural or marginalized areas – experience considerably lower quality of life. The gap between the HDI and IHDI demonstrates that the benefits of human development are unevenly distributed and ultimately lower the overall standard of living for many people.

Gender inequality remains a concern, despite Mongolia's ranking in the high Gender Development Index (GDI) group. The Gender Inequality Index (GII) was 0.297 in 2022, showing gradual improvement but still highlighting gender-based disadvantages in political representation, labor market participation and wage equality.

Economic indicators		2021	2022	2023	2024
GDP	\$ M	15286.4	17146.5	20325.1	<b>23586.1</b>
GDP growth	%	1.6	5.0	7.4	<b>4.9</b>
Inflation (CPI)	%	7.4	15.2	10.4	<b>6.2</b>
Unemployment	%	7.7	6.2	5.5	<b>5.4</b>
Foreign direct investment	% of GDP	14.2	14.6	11.1	<b>11.8</b>
Export growth	%	-14.6	32.3	33.2	<b>0.7</b>
Import growth	%	13.6	29.1	18.9	<b>17.7</b>
Current account balance	\$ M	-2108.4	-2303.5	121.3	<b>-2485.4</b>
Public debt	% of GDP	67.4	64.6	46.7	<b>44.1</b>
External debt	\$ M	34712.6	33451.2	34321.3	-
Total debt service	\$ M	2657.5	3981.5	4848.2	-
Net lending/borrowing	% of GDP	-5.9	-	-	-
Tax revenue	% of GDP	16.9	-	-	-
Government consumption	% of GDP	14.9	13.9	13.0	<b>16.3</b>
Public education spending	% of GDP	-	-	3.7	-
Public health spending	% of GDP	4.2	3.1	-	-
R&D expenditure	% of GDP	0.1	0.1	-	-
Military expenditure	% of GDP	0.6	0.5	0.6	-

Sources (as of December 2025): 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

According to the 2024 U.S. Department of State Investment Climate Statement, Mongolia “imposes few market-access barriers, and investors face few investment restrictions, enjoying mostly unfettered market access.” This assessment reflects the formal legal openness of Mongolia’s investment climate, where the government has made efforts to streamline licensing procedures, improve transparency in procurement and reduce bureaucratic burdens. Foreign investors, particularly in sectors like renewable energy, agriculture and technology, generally have the right to establish and operate enterprises with full ownership and can repatriate profits without major legal obstacles.

Despite Mongolia’s nominally open investment environment, significant structural and regulatory challenges continue to hinder the development of a truly competitive market economy. Barriers to market entry and exit persist. The regulatory framework in key sectors such as telecommunications, air transport and fuel supply contains restrictions that limit competition. Additionally, the state plays a substantial role in the economy, with government intervention in various sectors potentially distorting market competition.

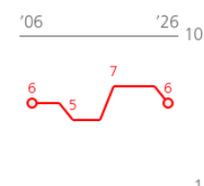
Foreign ownership is also restricted in certain industries, creating additional barriers to investment and limiting competitive pressures. Moreover, transparency and predictability in policy enforcement are lacking, reducing investor confidence and limiting fair competition.

Another concern is the size of the informal sector, which reflects underlying regulatory inefficiencies and enforcement gaps. According to the National Statistics Office, informal employment accounted for 41% of total employment in 2023, a modest decline from 43.3% in 2022 yet still a significant share of the labor market. High informality suggests both economic vulnerability and a lack of access to formal economic protections and obligations – undermining the creation of a level playing field.

There is an obvious contradiction between formal openness and weak implementation. Although legal restrictions on market access may be limited, the practical business environment is shaped by informal barriers, entrenched market players and inconsistent regulatory enforcement.

Market  
organization

6



1

Mongolia has established a legal and institutional framework for competition policy, primarily through the Law on Competition and its enforcement agency, the Anti-Monopoly Agency, formerly the Authority for Fair Competition and Consumer Protection (AFCCP). While the Competition Law of Mongolia, first adopted in 2010, provides a formal basis for regulating anti-competitive behavior, enforcement remains limited. Implementation challenges are particularly evident in areas such as merger control, cartel enforcement and the regulation of dominant market players, which continue to require significant improvement.

Mongolia’s anti-monopoly legislation has been tested in court. In a notable 2020 case, the Supreme Court of Mongolia addressed an anti-competitive agreement between two unnamed companies – referred to as “Company A” and “Company M.” The AFCCP determined that their cooperation agreement violated Article 11 of the Competition Law, resulting in substantial fines. Although the company names were not publicly disclosed, the case set an important precedent. The Supreme Court ruled that any agreement meeting formal criteria could be considered anti-competitive, regardless of the intent or execution of the agreement.

Despite this positive step, enforcement remains weak. The Anti-Monopoly Agency faces major institutional constraints, including limited funding, a small and under-resourced staff and insufficient technical expertise. These issues hinder its ability to proactively deter violations and apply the law consistently. Moreover, procedural ambiguities and limited judicial experience in competition law have led to several enforcement decisions being overturned on appeal, further weakening the system’s credibility.

Recognizing these issues, the government-initiated reform efforts in 2024 by establishing a working group to amend the Law on Competition with the goal of improving enforcement effectiveness. Since the initial 1993 Law on the Prohibition of Unfair Competition, Mongolia has amended its competition law 11 times to align with global standards. However, the practical impact of these reforms remains uncertain. Many businesses and stakeholders question whether the revised legal provisions are effectively adapted to Mongolia’s small, resource-dependent economy.

Mongolia’s membership in the International Competition Network (ICN) signals its formal commitment to international best practices in competition policy. Nonetheless, this commitment has yet to fully translate into strong domestic enforcement. As the World Bank (2022) notes, Mongolia’s markets continue to suffer from weak competition, significant market concentration and barriers to entry. In the 2019 Global Competitiveness Report, Mongolia ranked 133rd out of 141 countries in perceptions of domestic competition, 137th in terms of market dominance and 104th for competition in the service sector – highlighting the extent of structural limitations.

Competition policy

7

'06 \_\_\_\_\_ '26 10

7 ————— 1

\_\_\_\_\_ 1

A further barrier to fair competition is persistent government intervention in key economic sectors. The state provides subsidies, tax exemptions and preferential treatment to selected industries, distorting the competitive landscape. In some cases, foreign companies face regulatory discrimination, particularly in highly protected or politically sensitive sectors. These patterns of intervention weaken investor confidence and undermine the development of a level playing field for both domestic and international businesses.

Mongolia follows a relatively open trade regime, with low tariff rates, minimal import restrictions and a commitment to free trade. Mongolia's most-favored-nation applied tariff rates indicate a moderate level of protection, with a simple average most-favored-nation tariff of 5.2% in 2023. Agricultural products face a higher tariff rate of 6.3% while nonagricultural products have a lower 5.0% average tariff. The trade-weighted average tariff, which reflects actual import volumes, is 5.3% overall, with 8.7% for agriculture and 4.9% for nonagriculture.

The final bound tariffs, which set the maximum tariff rates Mongolia can impose under WTO commitments, average 17.4%. This gives Mongolia considerable flexibility to raise tariffs without violating WTO rules. However, the actual applied tariffs are significantly lower, suggesting a commitment to keeping trade open.

Mongolia's total foreign trade turnover rose 15% from \$21,243 million in 2022 to \$24,437.1 million in 2023. Exports increased 21.1% from \$12,538.6 million in 2022 to \$15,186.9 million in 2023. Imports climbed 6.3% from \$8,704.4 million in 2022 to \$9,250.2 million in 2023, indicating higher domestic demand and economic expansion.

Mongolia maintains duty-free or low-tariff access for most imports. By 2023, 96.8% of nonagricultural imports and 84.6% of agricultural imports enter with tariffs below 5%. This tariff structure indicates that while most goods can be imported freely, Mongolia protects specific agricultural and strategic industries.

Mongolia has actively pursued trade liberalization through agreements such as the Economic Partnership Agreement with Japan, which took effect in 2016, and full membership in the Asia-Pacific Trade Agreement (APTA) since 2020. In 2024, Mongolia entered negotiations with the Eurasian Economic Union (EAEU) to establish a temporary free trade agreement aimed at reducing tariffs on 375 goods from each side over a three-year period. Although the signing was postponed in December 2024 due to concerns from domestic businesses about potential negative impacts on local industries, progress has continued. According to a March 20, 2025, report by Interfax, the EAEU and Mongolia have since resolved the remaining issues surrounding the agreement. These developments highlight Mongolia's strategic efforts to diversify its trade partnerships while carefully balancing international obligations with domestic economic interests.

Liberalization of  
foreign trade

8



1

Mongolia's financial sector lacks depth, stability, diversification and innovation, according to the Asian Development Bank (ADB). The banking sector is heavily influenced by mining-driven economic cycles, making it vulnerable to external shocks. Financial reporting does not fully align with international standards, and risk management remains inconsistent. While the Bank of Mongolia (BoM) has strengthened macro-prudential measures and transparency in related-party disclosures, broader banking sector reforms have been slow.

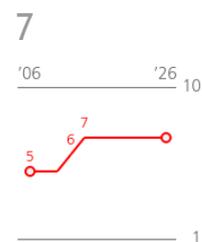
According to the Mongolian Bankers Association's 2024 Q3 report, Mongolia's banking sector maintains a capital adequacy ratio (CAR) of 16%, exceeding the minimum regulatory requirement of 12%. While the CAR has decreased slightly, banks still hold sufficient equity to mitigate risks and support economic growth, ensuring compliance with Basel Accord regulations.

The National Statistics Office reported that as of December 2024, outstanding non-performing loans (NPLs) totaled 1.9 trillion MNT, marking an 8.4% decline, or 172.6 billion MNT, from the previous year. The NPL ratio stood at 5.1%, indicating an improvement in loan quality.

The BoM has implemented risk-based supervision and mandates external audits, requiring banks to disclose financial statements to enhance transparency and stability. As of Q3 2024, the return on equity (ROE) stood at 20%, reflecting profitability and efficient asset management. Despite improvements, domestic equity and debt capital markets remain underdeveloped, with low liquidity and weak market activity. Stock prices of banks are relatively low, and progress in diversifying financial instruments and strengthening capital markets remains slow.

While Mongolia's banking and capital markets are aligned with international standards in principle, weak supervision continues to undermine their effectiveness. According to the 2021 study *Non-Performing Loan Recovery: The Case of Mongolia*, it takes an average of 4.2 years to recover non-performing loans (NPLs), with recovery rates declining over time. Out-of-court settlements have proven less effective than judicial proceedings. These inefficiencies reveal significant gaps in the legal and institutional framework, increasing the financial sector's vulnerability to capital flow volatility.

#### Banking system



## 8 | Monetary and fiscal stability

According to the Ministry of Economic Development's Macroeconomic Overview for the third quarter of 2024, Mongolia's economy grew by 5.0% in the first three quarters of 2024. Inflation reached 6.7% in September 2024. While inflation for imported goods remained stable, domestic goods and services saw an upward trend. As of the third quarter of 2024, the government-reported debt-to-GDP ratio increased to 38.9%. Inflation is expected to remain above target until at least 2026 due to ongoing fiscal and energy-related pressures.

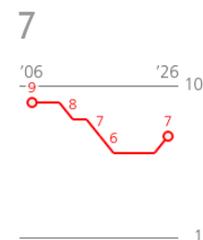
The national currency, the Mongolian tugrik (MNT), operates under a flexible exchange rate regime, meaning it is not pegged to any anchor currency. The Bank of Mongolia monitors and publishes daily foreign exchange rates as well as monthly data on the nominal effective exchange rate (NEER) and real effective exchange rate (REER). These indices measure the MNT's value against a basket of currencies from Mongolia's trading partners and adjust for inflation differentials. An increase in the REER indicates a strengthening of the MNT, potentially affecting the competitiveness of Mongolian exports.

In line with IMF recommendations, there is an urgent need to enhance the Bank of Mongolia's (BOM) operational independence to ensure monetary and external stability. To improve the business climate, the IMF urged authorities to address long-standing concerns regarding corruption, governance and anti-money-laundering (AML)/combating the financing of terrorism (CFT).

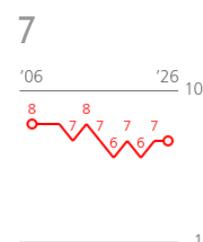
Since 2010, Mongolia has implemented the Law on Budget Stability. This law aims to ensure the stability of the unified budget by establishing principles for budget management, setting special budgetary requirements, implementing and monitoring these provisions, and defining the rights, duties and responsibilities of state institutions. It also regulates relationships related to the creation of renewable resources from mineral revenues, investments that support economic development and the accumulation of financial reserves.

However, the recent amendment to Mongolia's 2024 Budget Law, which increases investment expenditure by MNT 1.8 trillion and results in an 11.4% rise in total budget expenditure compared to the approved budget, exemplifies a lack of institutional safeguards if the increase is made without a robust framework for long-term fiscal sustainability or transparent decision-making. It may also indicate the potential for ad hoc, permissive policy changes, as such adjustments are made without thorough planning, comprehensive risk assessments or strategic alignment with broader economic goals.

### Monetary stability



### Fiscal stability



Despite ongoing structural concerns, Mongolia demonstrated solid fiscal progress in 2024. The country recorded a budget surplus of 3.1% of GDP, supported by strong revenue growth that outpaced expenditures. The public debt-to-GDP ratio rose slightly to 38.9% yet remained within manageable levels. Robust tax revenue performance reflected improvements in fiscal administration and more disciplined budget management.

However, external sector vulnerabilities persisted. The current account deficit widened to \$521.9 million by early 2025, primarily due to increased imports and global market pressures. On a more positive note, gross international reserves remained stable at \$4.7 billion, covering approximately 3.3 months of imports – thereby providing a crucial buffer against external shocks.

Overall, while Mongolia achieved improved fiscal outcomes in 2024 – particularly through a budget surplus and stable debt levels – concerns remain about the long-term sustainability of fiscal policy amid rising external imbalances and global economic uncertainty.

## 9 | Private Property

Mongolia’s legal framework establishes and protects private property rights through several key laws and constitutional provisions. The 1992 constitution recognizes both public and private property forms, stating that “the State shall recognize any forms of public and private properties.” However, it limits real estate ownership to adult Mongolian citizens, excluding “subsoil” resources, which are state property.

The Civil Code of Mongolia (2002) further delineates property ownership rights, governing the creation, termination and transfer of such rights, as well as possession, contractual agreements and inheritance issues. It provides a comprehensive framework for the possession, use, disposal and mortgage of immovable property.

The Law on State Registration of Property Rights (2018) regulates the registration of property rights, ensuring legal protection for rightful owners. Registration grants legal recognition and protection, and the law outlines procedures for registering ownership and other related property rights.

Additionally, while foreigners and nonresident investors may own structures and obtain use rights to land, only Mongolian citizens may own real estate. Ownership of a structure grants control over the use rights to the land on which it sits. Use rights are granted for periods ranging from three to 60 years, depending on the specific agreement.

While Mongolia’s legal framework formally protects property rights, several high-profile cases and structural challenges reveal persistent issues with enforcement and implementation. The Khan Resources arbitration case exposed weaknesses in

Property rights

6

'06 \_\_\_\_\_ '26 10



\_\_\_\_\_ 1

safeguarding foreign investments, while prolonged disputes surrounding the Oyu Tolgoi mine highlighted the influence of political and public pressures on property and contractual agreements. Similarly, domestic resistance to the Gatsuurt gold mine drew attention to concerns over environmental preservation, community land rights and the limited legal mechanisms available to protect them. These cases illustrate that although property rights are clearly defined in law, they are not consistently enforced and remain vulnerable to arbitrary state action and competing economic interests.

Mongolia permits and protects private companies through a strong legal framework that guarantees private ownership and business operations. The country has conducted privatization processes in line with market principles, transitioning from a centrally planned economy to a market-oriented system since the 1990s. However, challenges remain, including state control in key sectors – such as energy and infrastructure – slow privatization in some industries and concerns over market competition due to the dominance of large conglomerates. While the legal environment is generally favorable, further reforms are needed to enhance market competitiveness and ensure fair access for all businesses.

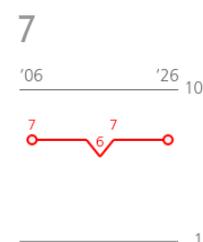
Beyond the extractive sector, issues are evident in both urban and rural settings. In urban areas, residents of ger districts often face significant legal and financial barriers when attempting to formalize land ownership. In rural regions, herders' customary land use rights frequently come into conflict with licensed mining operations, reflecting a lack of clear legal recognition and inadequate protection. Moreover, although real estate transactions are governed by the Civil Code of Mongolia, persistent problems with transparency, bureaucracy and administrative inefficiencies hinder efficient and equitable property registration and transfer processes.

Together, these examples underscore the urgent need for more effective implementation, institutional reform and clearer legal protections to ensure that property rights in Mongolia are secure, accessible and consistently upheld across different sectors and populations.

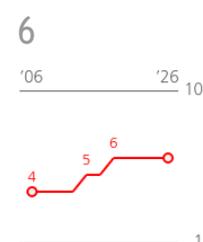
## 10 | Welfare Regime

Mongolia's legislation and regulatory framework for the social safety net is primarily defined by the Law on Social Insurance and the Social Welfare Law, which together establish the country's system of welfare and risk protection. Under the Law on Social Insurance, Mongolian citizens, foreign nationals and stateless individuals are required to participate in social insurance, which aims to pool financial risks for contributors. The law governs the creation, distribution, expenditure and accountability of the Social Insurance Fund, ensuring transparency and oversight. Mongolia's Law on Social Insurance outlines five distinct schemes: pension insurance, maternity and sickness benefit insurance, health insurance, industrial accident and occupational disease insurance and unemployment insurance.

Private enterprise



Social safety nets



Of these, only health insurance is universally mandatory. The other four are required for formally employed individuals, while self-employed persons, herders and freelancers may enroll voluntarily or remain uninsured. This structure has resulted in low coverage rates, as many voluntary participants contribute only the minimum, leading to insufficient future pensions and a heightened risk of old-age poverty. Furthermore, the voluntary system has not effectively extended protection, leaving many excluded from social insurance.

To address gaps for older citizens, the government introduced the Law on Recognition of Past Services and Redemption of Pension Insurance Contributions, allowing retrospective pension payments. While this expanded coverage for older herders nearing retirement, it may unintentionally weaken the incentive for younger individuals to contribute regularly, potentially jeopardizing the long-term sustainability of the Social Insurance Fund.

The Social Welfare Law of Mongolia (2012) defines the categories, scope and funding mechanisms for social welfare benefits and services. This law addresses the provision of pensions, allowances and services, focusing on individuals in need of support due to health, family issues or other vulnerabilities. It ensures that citizens who are unable to live independently, including those with specific needs or disabilities, receive the minimum required support from the state through pensions, allowances or specialized services.

In 2023, MNT 515 billion worth of social welfare was distributed to 2.6 million people in Mongolia. This includes 11 types of social welfare pensions and allowances, such as those for the elderly, the poor, single parents, caregivers, mothers with many children, care services, livelihood support and assistance for individuals with disabilities. Due to increasing demand on the Social Insurance Fund, there have been initiatives in recent years to reform and modernize the social welfare system in Mongolia.

The constitution of Mongolia, in Chapter 2, Article 14, states that all individuals legally residing in Mongolia are equal before the law and the courts. Article 14.2 specifically prohibits discrimination based on race, ethnicity, language, skin color, age, gender, social origin, status, wealth, occupation, position, religion, belief or education.

The Global Gender Gap Index 2024, published by the World Economic Forum, ranks Mongolia 85th out of 146 countries, reflecting uneven progress in gender equality. Mongolia ranks first in both education and health, indicating minimal gender disparities in access to basic services. In education, women slightly outperform men in literacy, with 95.4% of women literate compared to 94.7% of men. Additionally, women outnumber men in educational institutions at all levels, with 620,400 female students versus 609,200 male students – suggesting higher overall educational attainment among women. This trend has even prompted concerns about the potential for men to fall behind in education.

Equal opportunity

7

'06 '26 10



1

Despite these strengths, Mongolia ranks 43rd in economic participation and 120th in political empowerment, revealing persistent gaps in power and representation. According to the National Statistics Office, as of 2024, 67.7% of civil servants, or 144,183 individuals, are women, while 36.3%, or 82,313 individuals, are men. However, women remain severely under-represented in high-level political and economic decision-making roles. In the 2024 parliamentary election, parties were – once again – subject to a minimum threshold of 30% of candidates being female. For the party lists that determined parliamentary membership via proportional representation, legislation mandated a “zipper system” with alternating male and female candidates. The adoption of this requirement raised the total number of women in parliament to 32, constituting more than a quarter of the membership.

While fundamental rights are largely upheld, traditional gender norms and imbalances in political and economic power remain influential. A 2024 report by the National Committee on Gender notes growing support for women’s participation in decision-making roles, though household-level gender roles remain largely unchanged.

Beyond gender equality, there are concerns about discrimination against Kazakh Mongolians that affect this population’s educational opportunities. According to the Education Policy Review report prepared in 2020 by a UNESCO team for the Ministry of Education, Culture, Science and Sports, 77.4% of the population has received early childhood education, while 22.6% has not. The report highlights several challenges affecting access and quality, particularly for ethnic minority children. These include low enrollment in preschool education, lower academic performance compared to Khalkh children, the absence of Mongolian language programs tailored for minority students in lower grades and limited Mongolian language proficiency among teachers. As a result, many teachers are unable to effectively deliver or explain the curriculum in Mongolian, further impacting learning outcomes for minority students.

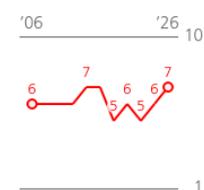
## 11 | Economic Performance

According to World Bank data, Mongolia’s GDP was \$20.33 billion, with a growth rate of 7.4% in 2023. GDP per capita was \$18,005 (PPP). According to the National Statistics Office, Mongolia’s inflation rate stood at 10.3% in 2024, while unemployment reached 5.3%. In 2023, foreign direct investment inflows amounted to 11.1% of GDP.

Mongolia’s economic performance in 2024 showed robust growth driven by the mining sector. According to the Customs General Administration, Mongolia’s coal export revenue in 2024 totaled \$8.6 billion, with a record-high export volume of 83.7 million tons, surpassing 80 million tons for the first time in history. This marks a 20% increase in volume compared to the previous year. Additionally, the total export value

Output strength

7



of six key mineral products reached \$13.2 billion, reflecting a 5% increase compared to 2023. However, the reliance on coal exports poses a significant risk to the economy, as China aims to reduce its dependence on lignite coal for energy production in the future and Mongolia's geographic position does not offer alternative export destinations.

In addition to its dominant mining sector, Mongolia's economy is increasingly supported by several dynamic industries. As of 2023, agriculture remained vital, contributing 12.1% of GDP, largely through livestock and cashmere production. The wholesale and retail trade sector remained a key driver of domestic commerce, while transportation and storage saw significant growth – rising by 39.3% and contributing 1.8% to GDP growth. Real estate activities also expanded in line with urbanization, with the broader services sector (including real estate) growing by 9.2% and contributing about 41% to GDP. Together, these sectors are helping to diversify Mongolia's economy and strengthen its long-term resilience.

## 12 | Sustainability

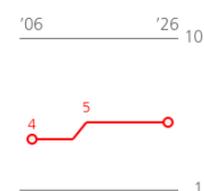
Since 1995, the Law on Environmental Protection has been in effect in Mongolia. Chapter Four of this law outlines general measures for environmental protection, utilization of natural resources and restoration efforts. Among the provisions in this chapter, the law mandates that Mongolia must have a National Program for Environmental Protection and Ecological Security backed by financial guarantees. Additionally, it includes provisions encouraging the implementation of safe, nontoxic, pollution-free and zero-waste technologies.

However, to date, Mongolia has no nationwide environmental program in place. Instead, the Regulation on Incentivizing Citizens, Enterprises and Organizations Implementing Environmentally Friendly Advanced Methods and Technologies was approved in 2017 and remains in effect. Its long-term goal is to promote environmental protection, sustainable resource utilization, restoration efforts and the mitigation of greenhouse gas emissions, waste generation and heat loss. In 2019, Mongolia developed its Nationally Determined Contribution (NDC) as part of its commitment to the Paris Agreement. According to the NDC, Mongolia has set a target to reduce total national greenhouse gas emissions by 22.7% by 2030.

According to the 2021 monitoring and evaluation report on the implementation of the Government of Mongolia's 2020 – 2024 Action Program, the Ministry of Environment and Tourism was responsible for two key objectives and 50 measures, achieving an implementation rate of 73%, indicating some level of progress. However, the ministry's performance reports have not been made publicly accessible since 2021.

### Environmental policy

5



The absence of a national environmental program and a lack of transparency and accountability in reporting remain significant concerns. Moreover, frequent structural changes within the ministry following parliamentary elections have contributed to policy discontinuity and operational inefficiencies. The most recent example is the 2024 parliamentary elections, after which the Ministry of Environment and Tourism was restructured and renamed the Ministry of Environment and Climate Change.

Across rural Mongolia, awareness of climate change and its consequences is growing – especially the rising risk of floods as temperatures climb. In 2021, President Khurelsukh launched the One Billion Trees program to address these concerns.

The Mongolian government’s continued support for lignite coal exports has contributed significantly to economic growth but has also sparked tensions with the international community, particularly over global efforts to reduce CO<sub>2</sub> emissions and transition to cleaner energy sources. In response to these challenges, the government announced plans at the end of 2024 to reform the energy sector and is currently working on amendments to the sector’s legal framework. As part of this effort, the United Nations Development Programme presented the government with a policy document titled “Just and Inclusive Energy Transition.” The chair of the National Energy Committee highlighted that the primary goal of these reforms is to advance the development of green energy in Mongolia. Accordingly, the government is expected to take further initiatives across all levels to support this transition.

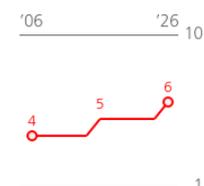
As of 2024, Mongolia has 2,421 educational institutions, of which 1,769 are public and 652 are private. The share of the education and science sector in Mongolia’s GDP has increased continuously since 2022, growing by 5.2%, 5.5% and 5.6% on average over the past three years. Since 2020, Mongolia has implemented the Medium-Term Development Plan for the Education Sector (2021 – 2030), approved under the Minister of Education and Science’s Order A/96. This plan was developed with technical support from ADB TA MON 51103-001: Supporting the Education Sector Master Plan Development Project. The first five-year phase of the plan is being implemented from 2021 to 2025.

According to the 2020 Population and Housing Census, Mongolia’s literacy rate was 98.7%, reflecting a 0.4% increase compared to 2010. The same census reported that 26.5% of the population had attained higher education or above, an 8.2% increase from 2010. However, despite the rising interest in and enrollment in higher education, research findings indicate concerns such as lower entry requirements and an increase in low-quality higher education providers.

Primary and secondary education in Ulaanbaatar continues to face challenges of overcrowding, leading to shift systems in schools. Teachers have also repeatedly demanded higher wages, arguing they are overburdened by the large number of students in primary and secondary schools.

Education policy /  
R&D

6



According to the Ministry of Education and Science's report on science and technology activities for the 2023/2024 academic year, key research and innovation outputs have shown positive trends:

- Scientific research, experimental and development projects increased from 8,524 in 2019 to 5,626 in 2022 (a 66% increase).
- Total published works grew from 7,661 in 2019 to 12,508 in 2022 – an increase of 4,847 publications.
- Patents granted rose from 60 in 2019 to 78 in 2022 – an increase of 18.
- Copyright certificates increased from 87 in 2019 to 260 in 2022 – a rise of 173.

These figures highlight not only the growth of education but also the increasing emphasis on research, science and technology activities in Mongolia. Moreover, in the 2024 Global Innovation Index, Mongolia ranked 67th among the 133 economies featured in the 2024 index.

## Governance

### I. Level of Difficulty

As a landlocked country situated between Russia and China, Mongolia faces limited trade opportunities beyond its two neighbors. Challenges such as remoteness from international markets and dependence on Russian and Chinese trade have hindered Mongolia's economic resilience, particularly during the COVID-19 pandemic when border closures disrupted supply chains. The global pandemic, compounded by the Russia–Ukraine conflict that began in 2022, not only tested the government's ability to stabilize the economy but also exacerbated vulnerabilities in import-dependent sectors including food and agriculture, construction and textile production.

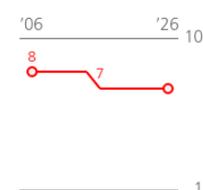
In response, the government intensified efforts to improve access to financial support through the “10 trillion MNT Comprehensive Plan to Protect Health and Recover the Economy” and the “Concession Loan Scheme to Support the Food and Agricultural Industries,” aimed at mitigating the economic impact of the conflict and pandemic. Additionally, in recent years, out-migration among the young workforce has increased, leading to labor shortages. As of 2023, more than 100,000 Mongolians live and work abroad, contributing to workforce deficits in key sectors as noted in sectoral reports.

When Mongolia transitioned from socialism to a democratic system in the 1990s, the existing structure of public organizations – comprising a single-party system and its affiliated unions, including trade unions, youth and women's organizations, student and pioneer movements, writers', journalists' and artists' unions, and various sports federations – underwent significant changes. Many of these organizations either changed their names, replaced their leadership, split into smaller entities or were newly established.

During this transition, the term “public organization” was first redefined as “non-profit” and later as “non-governmental.” This led to the adoption of the Law on Non-Governmental Organizations (NGOs) in 1997, which aimed to regulate relations concerning citizens' right to association, the establishment of NGOs and their activities, in accordance with the constitution of Mongolia and international treaties. Since its enactment, the law has been amended nine times, though no fundamental changes have been made to its core principles.

Structural constraints

7



1

Civil society traditions

6



1

Data from the legal entity registration system indicates that the establishment of new NGOs had been increasing annually, surpassing other types of legal entities, but saw a slight decline in 2022. As of 2024, the National Statistics Office of Mongolia reported a total of 9,116 NGOs operating in the country. However, there is still no publicly accessible registry or statistical database detailing NGO classifications, types and activities. This highlights a lack of structured initiatives directed at the NGO sector. Moreover, there has been limited progress in improving the financial sustainability of NGOs and consequently their institutional capacity, as stated in an Asian Development Bank report.

There have been no widespread or prolonged conflicts in Mongolia arising from political, social, ethnic or religious differences. Freedom of expression is considered a fundamental human right, and all population groups have the right to voice their concerns under relevant laws. Over several decades, there have been no reported conflicts caused by political, social, ethnic or religious differences in Mongolia.

Conflict intensity

1

'06 '26 10



## II. Governance Performance

### 14 | Steering Capability

The Law of Mongolia on Development Policy and Planning, and Its Management (2020) regulates matters related to ensuring the sustainability and consistency of Mongolia's development policymaking and planning processes. It aligns with other legislation, from the constitution to the Law on Administrative and Territorial Units and Their Governance.

As outlined in Chapter 2 of the law, a total of 16 principles guide the development policy and planning process. Three key principles include: 1) policies must be based on research and studies, 2) all stakeholders must be actively involved and 3) policies should adhere to a defined framework for consistency and inclusiveness. Article 6 of the law specifies three interconnected types of development policy and planning documents, categorized by their time horizons: Long-term policies – up to 30 years, mid-term policies – 10 years or five years and short-term policies – up to four years. The law mandates that all shorter-term policies align with longer-term visions and plans to achieve the goals and targets set forth.

As of 2023, Mongolia has 203 development policies in force. In 2020, the government approved the long-term development policy Vision 2050. This policy aims to transform Mongolia into a leading regional power by 2050 by addressing

Question  
Score

Prioritization

7

'06 '26 10



1

poverty, fostering a greener economy, improving education, promoting gender equality for better job access and redefining social strategies to be more citizen-centered. As required by law, all mid-term and short-term development policies at all levels in Mongolia must align with Vision 2050.

As outlined in the Law of Mongolia on Development Policy and Planning, and Its Management (2020), Chapter Five focuses on implementation, monitoring and evaluation. The law also grants the government authority to adopt regulations for monitoring, evaluation and performance assessment at the state level. In line with this, the government approved a regulation in 2020 designed to assess the quality of policy planning and implementation, evaluate the effectiveness of activities and decisions and measure their impacts. This covers development policy documents, Mongolian legislation, presidential decrees, decisions of the National Security Council and government decisions. It also applies to local state administrative bodies. Each year, administrative organizations are required to submit reports on the progress and impact of development policy and planning targets to the government within an agreed timeframe.

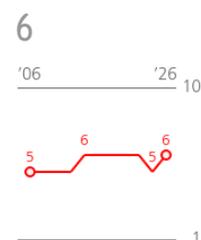
Organizations that effectively meet their targets are eligible for incentives of up to MNT 100 million, based on their performance. If implementation falls short, organizations are required to take corrective actions, including training and consultation from higher administration.

The Cabinet Secretariat of the Government of Mongolia and the Monitoring, Inspection and Evaluation Department of the Secretariat of the State Great Khural are responsible for monitoring and evaluating the government's performance. However, following the enactment of the Law on State Savings in 2022, budget cuts have reduced funding for external monitoring and evaluations. As a result, only the Monitoring Department of the State Great Khural publishes ad hoc reports. The most recent example is the evaluation report on the annual implementation (2022 – 2023) of the Government of Mongolia's Action Plan (2020 – 2024), which indicated that the plan's performance stood at 66.8%, signaling the need for intensified implementation. Similarly, the State Great Khural publishes monitoring and evaluation reports on various policies and legal acts on an ad hoc basis.

Regarding the megaprojects planned for implementation in Mongolia, the first-ever Mega Projects Forum was held in 2015. Among the nine major projects discussed, one of the most notable was the Fifth Power Plant, whose tender was first announced in 2011. However, as of 2024, only the feasibility study has been completed, reflecting a prolonged delay.

In addition, the General Development Plan of Mongolia until 2030, approved by the government in 2019, introduced several ambitious mega projects that remain in their early stages. These include the development of Maidar City, envisioned as a smart city based on modern technology and engineering infrastructure, a new inland port,

## Implementation



and a multimodal logistics hub centered around the Zuunmod City project, focused on agriculture, light and food industries and construction materials manufacturing. At present, these projects are still finalizing their feasibility studies, with progress significantly delayed due to financing constraints.

The slow and inconsistent advancement of Mongolia's mega projects underscores persistent weaknesses in policy implementation. Despite formal planning and high-level government approval, many large-scale initiatives remain stalled at the planning phase. This reflects broader institutional challenges in translating policy into practice, especially in areas that demand intersectoral coordination, long-term strategic planning and reliable financing.

In 2019, a regulation on establishing and utilizing the database for the Unified Information System for Development Policy Planning was enacted. The purpose of the unified database was to ensure coherence of policy documents to be implemented over the long, medium and short terms. It aimed to maintain the continuity of sectoral policies, consolidate the analysis of past policy implementations and integrate future policies and actions. Additionally, the system was intended to provide public access to information, disseminate and publish collected data.

However, after the regulation was approved, the National Development Agency, which was responsible for the database, ceased operations in 2019 due to a government restructuring. Although the agency's functions were transferred to other government entities including the Ministry of Finance and the Ministry of Planning and Development, a unified information system database is still lacking. As of 2025, only the Cabinet Secretariat of the Government of Mongolia and the Monitoring, Inspection and Evaluation Department of the Secretariat of the State Great Khural publish monitoring and evaluation reports on government performance, but these are produced irregularly and on an ad hoc basis with limited scope. Moreover, while the "Regulation on Conducting the Monitoring and Evaluation of Policy Documents and the Performance of Administrative Organizations" includes provisions to ensure effective policy implementation, there are no guidelines or requirements for utilizing or reflecting on these M&E reports. Even if such reports were used, only a limited number are available. This reflects the government's limited willingness or ability to engage in policy learning.

Due to budget cuts during the COVID-19 period, government agencies in Mongolia have ceased commissioning external organizations to conduct monitoring, evaluation and assessment of their operations and implemented programs. As a result, these functions are now carried out internally through their own Monitoring, Inspection and Evaluation Departments. However, these internal evaluations primarily focus on the completion status of planned activities, often limited to reporting quantitative performance figures. Generally, there is little analysis of good practices, lessons learned and challenges encountered – along with how such insights can inform future planning and decision-making. Moreover, personnel responsible for monitoring and

#### Policy learning

6



1

evaluation often lack the professional expertise required for these functions. This has led to low-quality and ineffective evaluations, undermining the development of evidence-based and results-oriented planning and decision-making processes across the public sector.

## 15 | Resource Efficiency

In the 2023 National Public Service Employee Registration of Mongolia, 4,239 government organizations and 226,496 civil servants were recorded, reflecting an increase of 1,291 civil servants, or 0.6% from the previous year. Civil servants account for 6.67% of the total population and 18.2% of the total workforce in Mongolia.

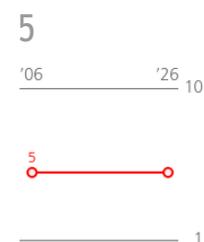
According to the 2023 annual report of the Civil Service Council of Mongolia, there is a discrepancy in salary levels for identical positions, with some sectors offering relatively higher pay. Allowances, compensation and financial aid provided to civil servants are also governed differently by sectoral legislation. This has resulted in the breakdown of a unified salary policy. Consequently, labor mobility between sectors has increased, leading to instability in the civil service. To address this, there is a need for specific legislation to regulate civil servant salaries and social security.

In 2023, the Civil Service Council held 48 meetings and discussed more than 430 issues related to civil service reform, good governance based on the rule of law, enhancing public sector productivity and improving public administration and human resources management. The council issued 585 resolutions. However, a lack of accountability regarding the efficiency of civil service operations has hindered the identification and resolution of issues related to the recruitment and utilization of civil service resources.

The Mongolian government demonstrates selective efficiency in the use of its human, financial and organizational resources, with progress in certain areas overshadowed by persistent structural challenges. While fiscal discipline has improved – with the full repayment of the \$1.5 billion Chinggis bond and a budget surplus achieved in 2023 – capital expenditure remains under-executed and public spending is often driven by short-term political interests rather than strategic planning. Large infrastructure projects have frequently faced cost overruns, budget shortfalls and delays due to weak project management and poor interagency coordination, reflecting broader inefficiencies in organizational capacity.

Although Mongolia has made progress in areas such as digitalization and tax administration and launched the New Recovery Policy to modernize governance, implementation has been inconsistent. Skilled human resources are unevenly distributed, particularly in rural areas, and performance-based incentives in the public sector remain weak.

Efficient use of assets



In line with Section 4 of the Law on Legislation, the Ministry of Justice and Internal Affairs is tasked with addressing issues related to legislative overlap, gaps and violations, and evaluating the consequences of law enforcement. However, as reported in the 2024 Annual Report of the Ministry, although implementation of its action plan reached 95.12%, specific measures taken to eliminate legal redundancy, gaps and violations were not clearly outlined.

Coordination of policies is also limited by the lack of resources available to legislators, either individually or through parties. Legislation is typically drafted and proposed by individual MPs in small ad hoc coalitions before such drafts are passed to the Ministry of Justice and Internal Affairs.

Over the past decade, frequent changes in the structure of Mongolia's government clearly demonstrate the challenges of coordination and the presence of conflicting objectives across ministries. Following the reorganization of the cabinet, several ministries have undergone name and mandate changes, disrupting policy continuity and complicating resource allocation. For example, the Ministry of Education and Science had its science policy functions separated and transferred to the Ministry of Economy and Development. Additionally, the former Ministry of Education, Culture and Science has since been split, leading to the creation of a new Ministry of Culture, Sports, Tourism and Youth. These shifts have caused a misalignment between existing national programs and the newly defined mandates, requiring significant legal amendments and budget reallocations.

This constant restructuring has led to inefficiencies such as duplicated efforts, unclear lines of authority and delays in program execution and monitoring. The unstable and frequently changing nature of the government's institutional structure undermines long-term planning, hinders effective coordination and ultimately leads to fragmented governance.

In Mongolia, several laws are in place to detect, regulate and address issues related to corruption within the civil service. These include the State Inspection Law (2003), Anti-Corruption Law (2006), the Law on Regulating Public and Private Interests in Public Service and Preventing Conflicts of Interest (2012) and the State Audit Law (2020). State inspection involves oversight by the State Great Khural, the president, the State Audit Agency and other relevant authorities, as well as constitutional bodies, courts, prosecutors and local self-government entities. These laws include measures to evaluate whether the activities – actions or inactions – of civil servants and the goods, services and products they produce or sell comply with legal requirements.

In 2023, Mongolia adopted the National Anti-Corruption Program (2023 – 2030) with the goal of strengthening the justice system to reduce corruption and crimes related to abuse of power, prevent conflicts of interest and cultivate a culture of justice at all levels of society.

#### Policy coordination

5

'06 \_\_\_\_\_ '26 10



\_\_\_\_\_ 1

#### Anti-corruption policy

4

'06 \_\_\_\_\_ '26 10



\_\_\_\_\_ 1

According to the 2024 Annual Report of the anti-corruption agency, among public officials involved in corruption-related investigations, 133 (9.3%) are political officials, 290 (20.2%) are government administrators, 241 (16.8%) are special state officials, 205 (14.3%) are public service officials, 106 (7.4%) are officials from state and local government-owned entities and 461 (32.1%) are other individuals.

In 2022, corruption allegations involving Erdenes Tavan Tolgoi, a major state-owned coal mining company, triggered widespread public protests and revealed the deep-rooted influence of business interests on political decision-making in Mongolia. This case exemplified how elite economic actors can undermine state accountability, particularly in the lucrative mining sector.

The media environment further reflects this pattern of compromised oversight. According to the Press Institute of Mongolia, 74.36% of media outlets maintain direct or indirect political affiliations. This high degree of politicization limits journalistic independence and weakens the media's role as a public watchdog.

Political patronage also continues to pose a major challenge. Public sector appointments are frequently based on political loyalty rather than merit, leading to inefficiencies, reduced professionalism and increased opportunities for corruption. A 2019 survey confirmed that appointment-related corruption was widespread – indicating systemic flaws within the bureaucracy.

These factors suggest that the Mongolian government shows only limited willingness and capacity to effectively combat corruption. Although some integrity mechanisms exist, they are largely ineffective, opaque and applied unevenly. The lack of meaningful enforcement and independent oversight undermines anti-corruption efforts and reinforces a system in which accountability is more symbolic than substantive.

## 16 | Consensus-Building

The constitution of Mongolia, adopted in 1992, declares that Mongolia is an independent, sovereign and democratic republic. It establishes democracy, justice, freedom, equality, national unity and the rule of law as the fundamental principles of state governance.

The “Vision 2050” long-term development policy of Mongolia, approved in 2020, envisions Mongolia becoming one of the leading countries in Asia in social development and quality of life by 2050. Within this framework, a core objective is to strengthen democratic governance and the rule of law. Chapter 5 of the policy also aims to cultivate a well-developed electoral culture that fully adheres to democratic election principles by 2031 – 2040.

Consensus on goals



Following the 2024 parliamentary elections, the three coalition parties – Mongolian People’s Party (MPP), Democratic Party (DP) and the National Labour Party (HUN) – have publicly declared their commitment to national development and rapid progress. This demonstrates a notable level of political consensus on Mongolia’s long-term development trajectory.

Therefore, Mongolia’s current political environment does not reflect deep ideological divisions over democracy or the market economy. Rather, it shows general agreement on these as long-term strategic goals, even if debates over specific policies and implementation strategies persist. However, public opinion polls reveal a gap between broad support for democratic values and the level of trust in key institutions, such as state authorities and the judiciary.

Similarly, Article 5 of the constitution of Mongolia stipulates that the country must have a diversified economy aligning with global economic trends while reflecting Mongolia’s unique characteristics. The state recognizes and protects all forms of public and private property under the law, and ownership rights may be restricted only on legal grounds.

The long-term development policy “Vision 2050,” adopted in 2020, envisions Mongolia becoming one of Asia’s leading economies by 2050. The policy aims to establish a self-sustaining economy that ensures equal and inclusive benefits for every household and citizen. Under the Law on Development Policy and Planning and Its Management, all development policies implemented in Mongolia must align with this framework. However, debate continues over the role of the state in the mining sector and the development of strategically important mines in partnership with international investors.

According to the National Survey of Mongolia, conducted on behalf of the International Republican Institute in 2024, 68% of Mongolians believe democracy is the best possible form of government for the country. In contrast, about 2% believe other forms of government could be equally good or even better than democracy. These findings suggest the presence of some marginal anti-democratic views in the country. However, because of the principles and values enshrined in the constitution of Mongolia and the laws aligned with it, reformers can effectively exclude actors with anti-democratic interests, and no credible public arguments have been made against democracy.

There is limited evidence of clearly defined or organized actors with enough power who are actively and systematically opposing democratization in Mongolia. While instances of corruption, elite influence and weak institutional checks persist and may indirectly hinder democratic progress, these issues do not appear to stem from a coherent or deliberate anti-democratic agenda. Consequently, Mongolia’s current

Anti-democratic actors

9



1

political dynamics do not reflect a direct confrontation between pro-democratic and anti-democratic forces. Instead, they show a more complex and nuanced landscape shaped by competing priorities, fragmented governance and evolving power structures.

In Mongolia, there are no significant or ongoing conflicts stemming from deep divisions within society. While there was a notable incident – the riot on July 1, 2008, in Ulaanbaatar – this was largely a reaction to disputed election results. Some analysts suggested that the growing divide between the rich and poor, along with confusion over the transition from a first-past-the-post electoral system, may have exacerbated tensions and contributed to the unrest. However, apart from this isolated incident, Mongolia has not experienced any major or persistent conflicts based on deep societal cleavages. The absence of such conflicts suggests that, to date, political leadership has been relatively successful in maintaining social cohesion and preventing the emergence of large-scale divisions within the population.

The Law on Legislation establishes the principle of public participation in its implementation. Similarly, Article 5 of the Law on Development Policy, Planning and Its Management includes principles such as ensuring broad participation and maintaining a balance between top-down and bottom-up planning approaches.

To adhere to these principles, involving non-governmental organizations (NGOs) in the formulation, implementation, monitoring and reporting of development policies has become common practice. Additionally, the implementation of long-term and medium-term development policies is reported to the Cabinet Secretariat of the Government of Mongolia. It also mandates stakeholder and public participation in monitoring and evaluation processes.

While these laws and regulations establish a legal framework for civil society and public engagement in policymaking, there is limited reporting on actual outcomes and levels of participation.

The historical context of Mongolia, especially during the 1930s, highlights the complexities involved in addressing past injustices. During that period, the government pursued a policy of eradicating any traces of those deemed “enemies of the people,” which led to widespread repression and murder, especially of Buddhist monks. Repression and arrests continued during the state-socialist era.

With the democratic revolution of 1990, the political environment underwent a dramatic transformation, ushering in a new focus on human rights. In the aftermath of this shift, the formation of the Rehabilitation Commission represented a key step in confronting the wrongs of past political persecution. The commission was tasked with rehabilitating the victims of political repression, restoring their dignity, providing reparations and preserving their legacies – marking a significant effort to address and reconcile the injustices of the past.

Cleavage /  
conflict  
management

8

'06 '26 10



1

Public  
consultation

7

'06 '26 10



1

Reconciliation

9

'06 '26 10



1

n/a

The political leadership has made efforts to achieve reconciliation between victims and perpetrators of past injustices. However, in today's political discussions, issues related to these past wrongs do not receive significant attention.

## 17 | International Cooperation

Mongolia's long-term development policy, "Vision 2050," approved by the State Great Khural in 2020, outlines the country's political and economic development priorities through 2050. To achieve these goals, the policy is structured into three decade-long stages: Stage 1: 2021 – 2030, Stage 2: 2031 – 2040 and Stage 3: 2041 – 2050. This phased approach serves as a roadmap for Mongolia's long-term development.

Regarding financial sources for implementing Vision 2050 and its associated development policies – short-term, medium-term and long-term – the Law on Development Policy, Planning and Its Management (Article 20) specifies the primary funding sources, including foreign loans and aid (Article 20.2.2) and foreign and domestic investment (Article 20.2.3).

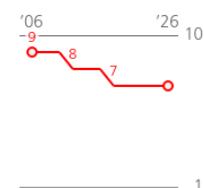
Accordingly, the Ministry of Finance maintains and publicly releases a list of all projects funded by foreign aid and investment. As of 2024, a total of 438 projects funded through international assistance are ongoing.

Beyond state policies, the government has been making efforts to transition toward SDG-aligned and results-oriented budgeting, as recommended by the United Nations. In 2022, Mongolia developed a draft Integrated National Financing Strategy, as highlighted in the Mongolia Voluntary National Review 2023. However, the report emphasizes the continued need to secure financial resources to fully achieve the goals set in development policies. Efficient and optimal management of existing resources remains a key challenge, as stated in the report. It is also recommended that the government focus on increasing domestic financial sources rather than relying heavily on external assistance. Research findings indicate that many national development policies are being implemented without clear and sufficient financial backing, posing a risk to their success.

Mongolia actively seeks and uses international assistance to support its development and environmental objectives. For example, responding to international pressure about its heavy reliance on coal and related CO2 emissions, the government has expanded partnerships with global actors such as the European Bank for Reconstruction and Development to promote renewable energy projects, including the construction of solar and wind power plants. Similarly, the United Nations Development Programme has introduced the "A Just Energy Transition for Human Development in Mongolia" policy framework, which the government has formally acknowledged and supported with commitments to legal and regulatory reforms.

Effective use of support

7



These actions indicate that Mongolia's political leadership is responsive to international development support and willing to align donor priorities with its national agenda. However, despite these efforts, there is limited evidence of a fully integrated and consistent long-term strategy that ensures effective coordination across sectors or sustained implementation. Development goals are often shaped by short-term political cycles or donor-driven priorities, which makes it difficult to embed external assistance in a cohesive long-term transformation plan.

According to the Unified Legal Information System of Mongolia, Mongolia is a party to a total of 687 international treaties, including climate change agreements, ILO core labor standards, human rights conventions, arms control agreements and peace and cease-fire agreements. Furthermore, the Ministry of Foreign Affairs of Mongolia publishes all bilateral and multilateral intergovernmental agreements to ensure transparency and accessibility of information.

Additionally, Mongolia has joined various cooperation mechanisms and institutions that monitor compliance with these agreements, including the International Criminal Court, International Court of Justice, U.N. Human Rights Council and WTO dispute settlement decisions. However, there is no centralized database for accessing reports and records of actions taken under these treaties and agreements, which makes it difficult to track or understand their relevance and impact.

Furthermore, shortfalls in cooperation with these institutions and mechanisms have been reported. For instance, the WTO's 2021 report highlights several issues, including inadequate translation of the full WTO agreement texts into Mongolian, limited engagement in WTO-related activities, insufficient government commitment to the WTO's goals and programs and a lack of reliable government functions aligned with the WTO framework. These reports suggest the need for more focused attention and contributions to joint efforts.

As a party to these treaties and agreements, Mongolia should submit regular reports on their implementation. However, country reports for these treaties and agreements are not available in the unified system. Instead, they are scattered across various websites under the jurisdiction of different ministries of Mongolia.

Mongolia's international reputation came under scrutiny following President Vladimir Putin's visit in September 2024, despite an outstanding arrest warrant issued against him by the International Criminal Court (ICC), to which Mongolia is a state party. Although executing such an arrest was neither practical nor politically viable, the government's inaction nevertheless raised concerns about its adherence to international legal commitments. This incident highlighted the complexities Mongolia faces in balancing its geopolitical interests with its obligations under international law. While the immediate diplomatic consequences were limited, the event may have longer-term implications for perceptions of Mongolia's reliability in upholding international norms.

Credibility

7



1

In 2024, Mongolia's political leadership demonstrated a strong commitment to fostering good neighborly relations and expanding international cooperation. Diverse high-level diplomatic engagements took place, reflecting Mongolia's proactive foreign policy. These included 15 presidential, three parliamentary, eight prime ministerial and eight foreign ministerial visits. The country hosted key visits from Russian President Vladimir Putin, Chinese Vice President Han Zheng and U.S. diplomatic officials, reinforcing balanced relations with both neighboring and third-neighbor countries. Mongolia also strengthened strategic partnerships with Germany, Kazakhstan and Vietnam, reflecting its efforts to enhance regional and international cooperation. With a focus on the region, Mongolia has revived the Ulaanbaatar Dialogue on Northeast Asian Security, a tool for regional dialogue.

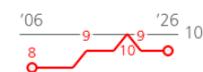
Additionally, the government co-hosted the World Women's Summit with the UN, further solidifying its global engagement. However, while Mongolia actively participates in international and regional organizations, challenges remain in securing effective cooperation and full policy alignment. As of 2024, Mongolia has diplomatic relations with 192 countries, demonstrating its commitment to international engagement. Overall, Mongolia's leadership exhibits strong political will for regional and global cooperation, but continued efforts are needed to enhance institutional capacity and policy implementation.

Moreover, Mongolia actively fosters positive relations with its neighbors and regional organizations across a range of policy areas, including trade, security and environmental cooperation. China remains Mongolia's largest trading partner, receiving more than 90% of its coal exports. In 2023, Mongolia's coal production surged to 82 million tons – more than double the 39 million tons produced in 2022 – largely due to the newly developed railway network linking Tavan Tolgoi with the Chinese border. To diversify its trade partnerships, Mongolia has initiated discussions with India regarding coking coal exports. Indian steel companies such as JSW Steel and the Steel Authority of India have engaged in negotiations with Mongolian authorities to secure imports, aiming to reduce dependence on traditional suppliers. Notably, Mongolian coking coal is recognized for its superior quality and cost advantage, priced about \$50 per metric ton lower than Australian alternatives.

Mongolia also takes part in trilateral dialogues with China and Russia to promote mutual trust and regional cooperation. At the Shanghai Cooperation Organisation summit in October 2024, Chinese Premier Li Qiang expressed a commitment to strengthening trilateral ties, emphasizing trust and coordinated efforts.

## Regional cooperation

9



1

## Strategic Outlook

In support of Mongolia's long-term development ambitions, this outlook outlines strategic actions aligned with the country's key democratic, economic and governance challenges. The 2024 – 2028 Government Action Program sets forth ambitious goals: halving poverty to 14%, raising GDP per capita to \$10,000 (PPP) and launching 14 mega projects to stimulate regional development and economic growth. Realizing these objectives will require a stronger emphasis on effective implementation, institutional transparency and systemic resilience.

First, Mongolia must improve policy implementation and accountability. Past policy frameworks have often faltered due to fragmented execution and unclear mandates. Frequent restructuring, such as the division of education and cultural portfolios, has undermined continuity. Establishing a centralized delivery unit to track the 620 program targets and publicly report on progress would enhance coordination, transparency and monitoring of SDG commitments.

Second, the country must address brain drain by investing in domestic opportunity. With more than 200,000 citizens abroad, largely due to limited job prospects, Mongolia must create attractive conditions for youth. Expanding support for sectors like renewable energy, digital services and agribusiness can generate quality jobs. Donor-backed vocational training, startup hubs and diaspora engagement programs can provide practical pathways to retain and reintegrate talent.

Third, restoring public trust in democratic institutions requires a decisive anti-corruption drive. The unresolved coal scandal highlights systemic weaknesses. Reforms should include greater independence for the Anti-Corruption Authority, real-time procurement transparency and protection for whistleblowers. Institutionalizing civic participation through digital tools can also strengthen oversight and public engagement.

Fourth, economic diversification is essential to building resilience. While GDP grew 7.4% in 2023 and FDI reached 11.1% of GDP, more than 80% of exports go to China and 41% of the workforce remains in the informal sector. Mongolia must reduce reliance on mineral exports by strengthening non-extractive sectors, formalizing small businesses and advancing industrial value chains.

Fifth, climate and environmental goals must be fully integrated into national planning. Mongolia's pledge to reduce emissions by 27.2% – or up to 44.9% with international support – and to plant one billion trees by 2030 is ambitious. These goals should be matched with green budgeting, renewable energy incentives and environmental assessments for infrastructure projects. International support in the form of climate finance and technical expertise is key to meeting these goals.

Sixth, Mongolia should maintain an independent foreign policy amid growing geopolitical pressure. Sandwiched between China and Russia, the country must navigate calls to deepen ties with regional blocs while preserving its sovereignty. Strengthening its "third neighbor" policy and expanding cooperation with OECD countries, the European Union and democratic Asia-Pacific partners will help Mongolia protect its autonomy and diversify partnerships.

Mongolia's long-term transformation depends on political will to deliver reforms, expand opportunity and improve institutional effectiveness. With targeted domestic action and sustained international partnerships, Mongolia can advance its vision of inclusive, democratic and sustainable development.