

# Mongolia 2012



Total: 63.66

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## Quick facts

Population:	3.18 million
Population growth:	1.47 %
Unemployment rate:	9.9 %
GDP:	13.43 billion \$
GDP growth rate:	17.3 %
GDP per capita:	4800 \$

## Political Freedom

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### Free and Fair Elections : 8.93

In Mongolia, elections are generally free and fair. The Prime Minister is elected by the party or coalition that has won the most seats in parliament. The President is the head of state and the armed forces. The last presidential election was held in 2009 and was considered to be in compliance with democratic standards amongst independent international observers. However, some criticism remains. For example, voting procedures and constituencies in parliamentary election have frequently been subject to change during the last few years. The subdivision of electoral districts has also alternated between multi-member and single-member districts. Concerns are that these changes might distort confidence in democratic governance.

Political participation and pluralism are constitutionally guaranteed and are also protected in practice. Civil society groups, including trade unions, can usually operate without governmental restrictions.

### Absence of Unconstitutional Veto Players : 8.33

There are no unconstitutional veto players in the political system of Mongolia. Civil control over the military has been established. Business interests or other pressure groups remain subordinate when it comes to policy-making. That the government does not always operate with complete transparency has been a cause of concern. Nevertheless, the integrity of the government is not

threatened by extra-legal powers.

## **Freedom of Press : 6.3**

Freedom of the press is generally respected by the government. There is a great variety of privately owned newspapers and broadcasting stations. The public also has access to foreign media and the government does not interfere with internet usage. However, in the countryside, not many people have access to alternative sources of information. Instead, they have to rely on the state-owned national Mongolian broadcaster. Meanwhile, some journalists practice self-censorship for fear of being prosecuted under the controversial State Secrets Law. However, media restrictions imposed during the state of emergency in 2008 have been lifted. A new law on press freedom, aimed at improving the legal environment of the media sector, was discussed by government officials, media organisations and civil society representatives during 2011.

## **Rule of Law**

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### **Independence of the Judiciary : 2.67**

In theory, the Mongolian judiciary is independent. However, this is largely eroded by rampant corruption which affects the decision-making process. Moreover, judges are often nominated and selected in opaque nomination processes based on personal or party relationships rather than professional qualifications.

### **Corruption : 2.7**

Corruption remains a serious problem in Mongolia. Although the Independent Authority Against Corruption has made progress in tackling corruption since 2007, the challenge persists. In April 2012, former President Nambaryn Enkhbayar was arrested and charged for corruption. Four months later, the Mongolian court found him guilty of illegally privatising a hotel, misusing television equipment donated to a monastery to broadcast from his own television station, and other corruption charges, and sentenced him to four years in prison. Moreover, as the resource-rich country is in the middle of a mining boom with skyrocketing economic growth, those in power are presented with opportunities to accumulate their own wealth. According to Sumati Luvsandendev, the country's leading pollster, nine Mongolians out of ten believe that politicians are making personal gains from "special arrangements" with foreign enterprises over mining rights. Mongolia was ranked 120 out of 183 countries in the 2011 Corruption Perceptions Index published by Transparency International.

### **Protection of Human Rights : 6.88**

Mongolia's human rights record is making some progress. In January 2012, the government took a vital step towards full abolishment of capital punishment as it approved a bill aimed to scrap the death penalty. Freedoms of assembly and association are respected. A number of non-profit groups which receive most of their funding from foreign donors operate without government restrictions. Freedom of religion and academic freedom are also largely observed. However, other aspects of human rights remain poor. The police force is known to make arbitrary arrests, detain

citizens for long periods and beat prisoners. Deaths in jails due to inadequate nutrition, heat and medical care continue to occur. Only 60% of the female population have access to university education. Although domestic violence is prohibited by law, social and cultural norms discourage women from reporting such crimes.

## Economic Freedom

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### **Security of Property Rights : 5.67**

Law enforcement with regard to property rights protection is weak. Judges tend either not to respect contracts at all or simply to ignore their contents. The same applies to the protection of intellectual property, where enforcement is lax, and pirated products are readily available.

### **Size of Government: Expenditures, Taxes, and Enterprises : 7.45**

Government spending (including consumption and transfer payments) is relatively high, equalling about 35% of the GDP.

Mongolia has a low top income tax rate of 10% and a moderate corporate tax rate of 25%. Other taxes comprise value-added tax, excise tax on alcohol and vehicles, and dividend tax. Overall tax revenue represents about 34% of the GDP.

### **Regulation of Credit, Labour, and Business : 7.47**

The last year saw a restructuring of the banking sector, meaning private access to credit is now easier. By and large, the government stays out of the financial sector, and foreign investors enjoy a mostly unconstrained access to the domestic capital market. Ten of the 16 private banks currently operating in the country are foreign-owned. The number of state-owned banks has been reduced. Additionally, there exist a number of smaller, mostly unregulated lending institutions.

Starting, running and closing a business are protected by the country's regulatory environment. Starting a business takes 13 days and 7 procedures. Obtaining a business license can be done in 208 days and 19 procedures. However, declaring bankruptcy can be a lengthy and burdensome process.

Labour regulations are comparatively flexible. The non-salary cost of a worker is average, whereas firing an employee is a straightforward and costless procedure. Regulations on work hours, however, are not flexible.

### **Freedom to Trade Internationally : 7.26**

Mongolia's weighted average tariff rate is about 5.1%. International trade is relatively free and liberalisation is ongoing. Still, import and export restrictions and taxes, weak enforcement of intellectual property rights, and inefficient and corrupt customs implementation pose an obstacle to international trade.