

Mongolia 2013



Total: 64.32

Quick facts

Population:	3.23 million
Population growth:	1.44 %
Unemployment rate:	9 %
GDP:	15.44 billion \$
GDP growth rate:	12.3 %
GDP per capita:	5500 \$

Political Freedom

Free and Fair Elections : 9.64

Mongolia is an electoral democracy and has significantly improved its political freedom score in comparison to the 2012 edition of the Freedom Barometer. The increase in score from 8.93 to 9.64 points is due to significant changes in the electoral process and their effective implementation during the 2012 elections for the 76 member parliament. These changes included the introduction of biometric voter identification papers, vote-counting machines, quotas for female candidates and more stringent procedures in the General Election Commission.

President and parliament are elected every four years. Most executive powers are in the hands of the prime minister, who is nominated by the majority party or coalition. The president is head of state and the military, and can veto legislation, which in turn is subject to a two-thirds override in parliament. Mongolia's party landscape is characterised by three major parties, the Democratic Party (DP), currently holding a majority, the Mongolian People's Party, which emerged from the former Socialist Party that ruled the country until 1996, and the Justice Coalition, consisting of two further splinter groups of the former socialist revolutionary party. Currently a coalition of DP, Justice Coalition and the small Civil Will-Green Party is in power.

Civil society organizations and trade unions are present and active and can usually operate without restrictions, though there have been allegations of wire-tapping of non-governmental organizations. The right for public assembly is guaranteed and upheld in practice.

Absence of Unconstitutional Veto Players : 7.5

There are no unconstitutional veto players in the political system of Mongolia. Civilian control over the army has been established. Business interests or other pressure groups remain largely 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 officially guaranteed by law. However, effective limitations of the daily work and independence of journalists significantly compromise press freedom. A staggering quarter of journalists reportedly are affected by defamation lawsuits from politicians over critical reports. Other forms of legal defamations, and personal threats, especially related to mining operations, are also common. Additionally, Mongolia's State's Secrets and libel laws place the burden of proof on the defendant and make it hard to obtain government information. These factors lead to a higher degree of self-censorship.

The country has a wide range of privately owned print and broadcasting outlets, with international media groups moving into the market. In the vast countryside however, Radio Mongolia remains the main source of information. Internet access is free, though there is a certain level of censorship on sexual and violent content.

Rule of Law

Independence of the Judiciary : 2.92

In theory, the Mongolian judiciary is independent. But this is eroded by several factors: The rules regulating judicial independence are not properly enforced. Judges are often nominated and selected in an opaque nomination processes based on personal or party relationships rather than professional qualifications. Furthermore, bribes often determine the outcome of court cases.

Corruption : 3.6

Last year the Democratic Party passed a new law articulating Conflict of Interest and has since moved 26 spots from 120 to 94 in Transparency International's 2012 Corruption Perceptions Index.

Since the Democratic Party's election win in July 2012, there have been a number of high-profile arrests. The former President of the Mongolian People's Revolutionary Party was sentenced to four years in jail for corruption, later reduced to two and a half years. The former

chairman of the Mineral Resource Authority is also serving a three and a half year sentence for selling illegal mining licenses.

The Study of Private Perceptions of Corruption report published by The Asia Foundation points out that more than 17 percent of large businesses spent over 50 percent of their time overcoming non-productive obstacles, such as obtaining or renewing licenses, facing temporary prohibitions and navigating an unstable regulatory environment. The 11 percent of businesses able to overcome these obstacles have been able to accomplish this by using 25 percent of their company resources.

Corruption still remains a problem but anti-corruption efforts have been stepped up significantly and a decline of corruption can be reasonably expected in coming years.

Protection of Human Rights : 6.87

Mongolia took a huge step forward in 2012 and abolished the death penalty after a two-year moratorium. Freedom of assembly and association are mostly respected and many NGOs are able to operate without harassment from government. However serious issues remain centered on the conduct of enforcement agencies. There are still allegations of extrajudicial killings, unlawful detainment and torture. Mongolian prisoners routinely complain of cruel punishments and ill-treatment.

Economic Freedom

Security of Property Rights : 5.8

In theory property rights are protected but enforcement remains weak. The same applies to contractual rights. Judges often do not respect contracts or tend to ignore their provisions. The protection of intellectual property rights is not properly enforced. Pirated goods are readily available.

Size of Government: Expenditures, Taxes, and Enterprises : 7.27

Government spending (including consumption and transfer payments) is relatively high, equalling about 35% of 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 32% of the GDP.

Regulation of Credit, Labour, and Business : 7.49

Private access to credit is fairly easy, thanks to a restructuring of the banking sector in 2011-12. Access to credit information has recently been improved by guaranteeing borrowers's right to look into their personal data. By and large, the government stays out of the financial sector, and foreign investors enjoy a mostly unconstrained access to the domestic capital market. Fourteen

commercial banks operate in Mongolia. 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 12 days and 7 procedures and has been made easier by eliminating the minimum capital requirement for limited liability companies. 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 : 6.93

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.