

Mongolia 2014



Total: 64.52

Quick facts

Population:	2.95 million
Population growth:	1.37 %
Unemployment rate:	9 %
GDP:	17.03 billion \$
GDP growth rate:	11.8 %
GDP per capita:	5900 \$

Political Freedom

Free and Fair Elections : 9.64

In terms of free and fair elections, Mongolia scores high. For decades, Mongolia had been a mere satellite state of the former Soviet Union. But since the peaceful revolution of 1990, the country has undergone a remarkable transformation towards a democratic system. Elections for the 76-seat parliament are held every four years. The 2008 elections were overshadowed by bloody unrest due to allegations of fraud and election manipulation. In the 2012 elections, changes were made to improve the electoral process. These included the introduction of biometric voter identification papers, vote-counting machines, quotas for female candidates and more stringent procedures in the General Election Commission.

Mongolia's party landscape is dominated by three major parties, the Democratic Party (DP), currently holding the 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.

The last presidential elections took place in June 2013. With a majority of 50.23% of the votes, Democratic Party candidate and former prime minister Tsakhia Elbegdorj emerged as new president. Elbegdorj was a key figure in the peaceful 1990 revolution and has done a lot for the country's economic and democratic development. His victory ensures far-reaching powers for the Democratic Party in national legislation until the next national elections in 2016.

Civil society organisations and trade unions are present and active and can usually operate without restrictions, though there have been allegations of wire-tapping of non-governmental organisations. 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 guaranteed by law. 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.

Censorship in news reporting is not uncommon though. Several libel, defamation and secrecy laws are in place. They restrict critical reporting, specifically related to government activity. Breaching those laws is punishable with high fines which in turn leads journalists to practice self-censorship. Mongolia's Communications Regulatory Commission (CRC) holds a "forbidden words" list that seeks to limit government-critical reporting and commenting. The CRC is also in charge of issuing broadcasting and publishing licenses. Its members are appointed by the government. Ownership of media companies and political influence in reporting is not sufficiently transparent.

Rule of Law

Independence of the Judiciary : 3.11

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 : 3.8

Corruption still remains a serious problem but anti-corruption efforts have been stepped up significantly and a decline of corruption can be reasonably expected in coming years. A number of laws (e.g. the Conflict of Interest Law of 2012) were passed during the past few years. They penalise offences such as giving and accepting bribes, misuse of budget, unjust enrichment and conflicts of interest. Sanctions for offences under Mongolia's anti-corruption laws reach from dismissal from public office to the invalidation of decisions made by the offender and the confiscation of property and profits.

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.

Protection of Human Rights : 6.86

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 centred 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 : 5.74

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 : 7.25

Government spending (including consumption and transfer payments) is relatively high, equalling about 45% 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 33% of the GDP.

Regulation of Credit, Labour, and Business : 7.42

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' rights 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, a number of smaller, mostly unregulated lending institutions exist.

Starting, running and closing a business are protected by the country's regulatory environment. Starting a business takes 11 days and 5 procedures (compared to 12 days and 7 procedures in 2013) and has been made easier with the elimination of the requirements to notarise company statutes and charters as well as registering a new company with the local tax office. Obtaining a business license can be done in 186 days and 20 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 : 6.9

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