

# 2025 Mongolia Investment Climate Statement

## Executive Summary

Mongolia's frontier market and natural resources offer potentially lucrative opportunities for investors, but caution is warranted due to the country's:

- vulnerability to external economic and financial shocks,
- ineffective dispute resolution,
- lack of input from stakeholders during rulemaking, and
- increased risk of expropriation.

Investing in such potentially lucrative but politically sensitive sectors as mining and energy carries substantially higher political risks. More positively, Mongolia imposes few market-access barriers, and investors face few investment restrictions, enjoying mostly unfettered market access. Franchises such as fast food and convenience stores outperforming expectations suggest that investors can bring successful international business models to Mongolia. The agricultural and livestock sectors also show strong promise. Mongolia attracts investor attention but has trouble converting interest into investment. Unless and until Mongolia embraces a stable business environment that transparently creates and predictably implements laws and regulations, investors may find Mongolia too risky and opt for more competitive countries. Businesses face substantial and unpredictable regulatory burdens at every level, stating that officials across ministries and agencies routinely contravene existing law and regulation. Investors cite long delays in reaching court judgments, followed by equally long delays in enforcing decisions, and report that such administrative bodies as the General Tax Authority are so chronically unable and unwilling to resolve disputes that their behavior is an indirect expropriation risk. Investors are particularly concerned about a tax process that effectively lets officials issue excessive, confiscatory tax assessments to coerce settlements. The perception that the government favors its own state-owned entities over private sector companies discourages existing investors from expanding, and new investors from coming.

Finally, Mongolia passed a 2024 package of laws aimed at reestablishing its sovereign wealth funds by, among other steps, limiting each private sector owner to no more than 34 percent of mining assets designated by Parliament as strategic deposits and to turn over no less than 34 percent to the state without compensation. These requirements, which investors consider expropriatory, potentially affect up to 16 strategic deposits; and, according to legal experts, there is no limitation on Parliament designating other projects as strategic deposits at any point in the project's lifecycle. The foreign and domestic business community has expressed concerns that the government, having opened the door for expropriation in one arena, may do so for others; and has conveyed its concerns to government and legislative leaders, asking for reconsideration of the expropriatory aspects of these laws. Failure to meet this moment may render Mongolia effectively un-investable, crippling not only private business but an ambitious government development program requiring revenue and finance from both private domestic and foreign sources.

In early 2025, senior government officials and members of Parliament publicly initiated legislation that may improve the climate broadly and for key resource sectors. The business community, which includes domestic and foreign investors and traders, has signaled support for these efforts; but also notes these legislative actions are not accompanied by a commitment to make their implementation predictably consistent with the actual law, making actions by the government and Parliament more symbolic than practical.

## **Section 1. Openness to, and Restrictions upon, Foreign Investment**

### **Policies toward Foreign Direct Investment**

Mongolia generally does not discriminate against foreign investors with two major exceptions. First, foreign investors, investing 25 percent or more in any given venture, must invest a minimum of \$100,000; in contrast, Mongolian investors face no investment minimums. Second, while foreign investors may obtain land-use rights, which allow holders to utilize a given resource (land, water, minerals and metals, etc.), the Constitution of Mongolia and land laws specifically bar foreign nationals and majority foreign-owned companies from transferring, collateralizing, or outright selling those rights. These steps are only available to those with land

ownership or land possession rights, strictly limited by law to Mongolian nationals or entities. Mongolia's Ministry of Economy and Development, responsible for FDI promotion, has restored its one-stop-shop for assisting foreign investors through its Investment and Trade Agency. The [Investment and Trade Agency of Mongolia](#) provides investors with services related to visas, taxation, notarization, dispute resolution with government agencies, and business registration. While most Investment and Trade Agency services are directed at new-to-market investors, existing investors argue the government needs policies to retain existing foreign direct investment, noting the government offers no specific or consistent retention measures.

### **Limits on Foreign Control and Right to Private Ownership and Establishment**

Except for real estate and certain land use and land possession rights, foreign and domestic investors have the same rights to establish, sell, transfer, or securitize physical structures, shares, certain use rights, companies, and movable property. However, foreign investors and companies are explicitly barred from owning land; and while they may obtain land-use rights, allowing holders to utilize a given resource (land, water, minerals and metals, etc.), the Constitution, land laws, and amendments to the Investment Law grant Mongolian nationals or majority-Mongolian owned entities the right to transfer, collateralize, or sell possession rights and (or) ownership rights but specifically bar foreign entities from doing so. Mongolia generally imposes no statutory or regulatory limits on foreign ownership and control of investments, except for foreign state-owned entities. The Mining Law allows the government to acquire up to 50 percent of mineral deposits deemed of "strategic" value to the state by Parliament. Since 2019, Article 6.2 of Mongolia's Constitution also requires the state to take a "majority" share of the "benefits" of strategic mining projects. Investors continue waiting for the government and Parliament to officially clarify the meaning of "benefits" derived from mining activities, which according to government officials may mean profit and may also include such non-cash contributions as development programs, employment, or technology transfers. The Nuclear Energy Law also grants the state participatory rights to develop uranium and other radioactive elements. Mongolia also limits foreign ownership and operational control in the energy and transportation sectors. Investors also observe that excessive regulatory discretion allows bureaucrats *de facto* control over the use of legally granted rights, corporate governance

decisions, and ownership stakes, stating that in some cases regulators make up rules beyond their actual statutory remit. The Law on Investment specifically states that direct investment by foreign state-owned enterprises in three sectors – mining, banking, and telecommunications – is subject to an unspecified national security review process. Nonetheless, Mongolia has no other formal or informal investment-screening mechanism, although the National Security Council (composed of the Speaker of Parliament, the President of Mongolia, and the Prime Minister) has barred investments from some foreign state-owned entities. Finally, Mongolia passed in 2024 a package of laws aimed at reestablishing its sovereign wealth funds by, among other steps, limiting each private sector owner to no more than 34 percent of mining assets designated by Parliament as strategic deposits and to turn over no less than 34 percent to the state without compensation. These requirements, which investors consider expropriatory, potentially affect up to 16 strategic deposits; and, according to legal experts, there is no limitation on Parliament designating other mines as strategic deposits at any point in the project's lifecycle.

## Other Investment Policy Reviews

UNCTAD assessed Mongolia's readiness for eTrade in 2023, in its [eTrade Readiness Assessment](#). Mongolia underwent its regular World Trade Organization [Trade Policy Review](#) in 2021.

## Business Facilitation

Mongolia has signed the WTO Investment Facilitation for Development Agreement; and through its new [Investment and Trade Agency of Mongolia](#), assists foreign investors with business establishment and facilitation services, including support with registration, taxation, residency and visa issues, among other services. Mongolia's business registration process is reasonably clear on paper. Foreign and domestic enterprises must register with the [State Registration Office](#). Mongolian registrants can obtain required forms online and submit them digitally, according to the State Registration Office. However, foreign businesses report that they cannot submit documents digitally and must submit paper documents. While the State Registration Office aims at a two-day turnaround for the review and approval process, investors report bureaucratic discretion – most often low- to mid-level officials making up regulations

and statutes without legal basis – often adds weeks or even months to the process and state that following the actual laws and regulations would yield a consistent, streamlined process. Once approved by the State Registration Office, a company must register with the [General Tax Authority](#). Upon hiring its first employees, a company must register with the [Social Insurance Agency](#).

The ease of opening a business does not apply to closing a business, however. Foreign investors and legal contacts report the onerous bureaucratic and judicial process of disestablishment typically takes no less than 18 to 24 months.

## **Outward Investment**

While the Mongolian Government neither promotes nor incentivizes outward investment, it does not generally restrict domestic investors from investing abroad, although politically exposed persons and their families may undergo additional scrutiny or may even be barred from investment abroad.

## **Section 2. Investment and Taxation Treaties**

Mongolia and the United States have no bilateral tax or free-trade agreements but do [have a bilateral investment treaty](#) (BIT). UNCTAD publishes a [list of Mongolia's 36 BITs that are in force](#). The Economic Partnership Agreement between Japan and Mongolia entered into force in 2016. Mongolia has also ratified the Asia-Pacific Trade Agreement (APTA). Mongolia and the Republic of Korea officially initiated free trade agreement negotiations in 2023, which continued in 2024 with no formal agreement reached. Mongolia and the Eurasian Economic Union signed an interim trade agreement in June 2025.

## **Section 3. Legal Regime**

### **Transparency of the Regulatory System**

The Law on Legislation sets out who may draft and submit legislation; the format of these bills; the respective roles of the Mongolian Parliament, government, and president; and the procedures for obtaining and employing public comment on pending legislation. The Law on

Legislation states that law initiators – members of Parliament, the president of Mongolia, or cabinet ministers – must fulfill these criteria:

- provide a clear process for developing and justifying the need for draft legislation;
- set out methodologies for estimating costs to the government related to a bill's implementation;
- evaluate the impact of the legislation on the public; and
- conduct public outreach before submitting bills to Parliament.

Initiators must post draft legislation for public comment and publish reports evaluating costs and impacts on the [Parliament of Mongolia's projects](#) at least 30 days before submitting bills to Parliament. Posts must explicitly state the time for public comment and review. Initiators must solicit comments in writing, organize public meetings, seek comments through social media, and carry out public surveys. No more than 30 days after the public comment period ends, initiators must prepare a matrix of all comments, including those used to revise the bill as well as those not used, which must be posted on Parliament's official website. After a law's passage, Parliament must monitor and evaluate its implementation and impacts.

Ministries and agencies have not fully fulfilled these statutory requirements, according to businesses. However, investors report that Parliament itself is posting most relevant draft legislation [on its D-Parliament website](#), where public comment is possible. Members of Parliament, and in some instances government ministries, sometimes but not consistently post draft legislation on the D-Parliament platform prior to formal introduction to Parliament.

While General Administrative Law Article 6 aligns Mongolia's regulatory drafting process with Transparency Agreement obligations, investors report the government is not generally enforcing it. Under the Transparency Agreement, originators of regulations must seek public comment by posting draft regulations in a single journal of national circulation, designated as [LegallInfo](#). Drafters must record, report, and respond to significant public comments. The Ministry of Justice and Home Affairs must certify each regulatory drafting process complies with the General Administrative Law before a regulation enters force. After approval, the

statutorily responsible government agency monitors implementation and impacts. Domestic and foreign businesses state that the government seldom fulfills Mongolia’s statutory requirements for drafting, approving, and promulgating regulations.

Most foreign businesses follow international accounting standards but note that while accounting, legal and regulatory procedures are generally available, if not always clearly drafted, government implementation of rules and procedures often lacks transparency; and in many cases departs from the text of the relevant statutes and regulations.

Businesses note that the government often fails to use transparent policies and effective laws to foster market-based competition and seldom establishes “clear rules of the game”; however, they also note that these chronic failures affect domestic as well as foreign businesses.

Legal experts report that regulatory enforcement mechanisms are generally specified in law or related regulations and available online or directly from the relevant ministries but claim regulatory enforcement is opaque and inconsistent across the universe of regulatory actions. Oversight of regulatory activities has generally been left to each respective ministry’s dispute resolution council, but these councils, according to business contacts, have largely ground to a collective halt, forcing investors to resort to the Administrative Court to act as a de facto oversight mechanism against improper regulatory actions. Beyond the court system, Parliament has broad oversight responsibilities for ministerial implementation of statutes and related regulations, but Parliament is just beginning to develop expertise and resources to properly conduct oversight.

Businesses also note unpredictable, nontransparent regulatory burdens at the local—province and county—levels. They note inconsistent application of regulations and statutes among central, provincial, and municipal jurisdictions and a lack of expertise among local inspectors. Regional tax, health, and safety inspectors are cited as particularly problematic. The [Economic Policy and Competitiveness Research Center](#) of Mongolia ranks local regulatory burdens annually.

Mongolia’s so-called Glass Budget Law requires all levels of government to publicly post proposed and actual budget expenditures, and the law, according to businesses and

transparency experts, has generally been followed. However, Parliament has broad discretion to waive these transparency requirements for emergencies and for budgetary bills.

## **International Regulatory Considerations**

Mongolia had generally eschewed regional economic blocs but has joined the Eurasian Economic Union in 2025 on an interim basis; and acceded to the Asia-Pacific Trade Agreement (APTA) in 2021. Also, Mongolia often:

- seeks to adapt European standards and norms in such areas as construction materials, food, and environmental regulations;
- looks to U.S. standards in the hydrocarbon sector; and
- adopts a combination of Australian and Canadian standards and norms in the mining sector.

Mongolia also tends to employ World Organization for Animal Health standards for its animal health regulations. Mongolia, a member of the WTO, asserts it will notify the WTO Committee on Technical Barriers to Trade (TBT) of all draft technical regulations.

## **Legal System and Judicial Independence**

Under Mongolia's hybrid civil law-common law system, trial judges may use prior rulings to adjudicate similar cases but are not required to follow legal precedent as such. Mongolian laws, and even their implementing regulations, often lack the specificity needed for consistent judicial and prosecutorial interpretation and application. Most cases, criminal and civil, begin at the district court level in urban settings or at the provincial court level in rural Mongolia. Participants have the right to appeal their district and provincial court decisions to the Ulaanbaatar Capital City Court and from there to the Supreme Court of Mongolia. All courts may rule on matters of fact as well as matters of law at any point in the judicial process.

In 2021, Parliament revised the Law of the Judiciary to bring it into line with the 2019 constitution. This law limits the powers of the government, Parliament, and the president to influence the selection and removal of judges; and vests the Judicial Disciplinary Council with



responsibility for disciplining jurists, except in matters involving criminal acts. Investors agree these reforms have helped to somewhat restore judicial independence.

Mongolia has specialized laws for contracts but no dedicated courts for commercial activities. Contractual disputes are usually adjudicated through the Civil Court division of the district court system. Criminal Courts adjudicate crime cases brought by the General Prosecutor's Office. Disputants may appeal to the City Court of Ulaanbaatar and ultimately to the Supreme Court of Mongolia. Mongolia has several specialized administrative courts adjudicating cases brought by citizens, foreign residents, and businesses against official administrative acts. Mongolia's Constitutional Court, the Tsets, rules on constitutional issues. The General Executive Agency for Court Decisions enforces judgments and orders. Investors and legal sector experts say that the Administrative Court is procedurally competent, fair, and consistent but that the Civil Courts deliver highly inconsistent judgments. Overall, investors have argued that the courts will favor domestic interests over foreign interests, particularly when a Mongolian business is involved in a dispute against a foreign investor or foreign company. Regarding state-owned enterprises (SOE), domestic and foreign investors perceive the courts fail to hold SOEs to the same legal standards as private companies, because of pressure from Parliament and the government to "go easy" on companies supplying more revenue to the state than private sector entities. To our knowledge, no foreign plaintiff has ever prevailed against an SOE in Mongolia's courts. Mongolia-based legal experts claim foreign investors and exporters may experience preemptive and non-transparent court treatment up to outright discrimination from judges. Most investors and legal experts advise using legal, non-judicial dispute resolution mechanisms when confronting Mongolian SOEs.

Investors state that judges frequently avoid controversial decisions in business disputes, preferring to delay judgment for as long as possible—sometimes years. If a decision is made, businesses often face long delays enforcing court orders. In some instances, cases have taken so long—sometimes exceeding four years—that by the time an enforcement is executed, the counterparty has liquidated assets and vanished. Investors note similarly long delays with respect to inspection agencies, such as the [General Tax Authority](#), as well as with other agencies, especially those related to mineral licenses and health matters.

## Laws and Regulations on Foreign Direct Investment

The 2013 Investment Law sets the general statutory and regulatory frame for all investors in Mongolia. Under the law, foreign investors may access the same investment opportunities as Mongolian citizens and receive the same protections as domestic investors. Investment domicile, not investor nationality, determines if an investment is foreign or domestic. The law was intended to provide a more stable tax environment and offers tax and other incentives for investors and authorizes a single point of registration, the [State Registration Office](#), for all investors. The law offers qualifying companies transferable tax-stabilization certificates valid for up to 27 years. Affected taxes may include the corporate-income tax, excise taxes, customs duties, value-added tax, and royalties; however, because current tax law has not been amended to be consistent with the Investment Law, these tax incentives cannot be implemented.

Investors cite several primary national-treatment issues with respect to investment rules. First, foreign investors must invest a minimum of \$100,000 to establish a venture; in contrast, Mongolian investors face no investment minimums. Second, legal experts and investors note that while the Investment Law seems to allow foreign investors the right to sell, collateralize, or transfer use rights for a given resource (land, water, minerals, metals, etc.), the Constitution and the Land Law specifically bar transfer, collateralizing, or outright sale of those rights. These steps are available only to those with ownership or land possession rights, which are limited to Mongolian nationals or majority-Mongolian owned entities. In 2024, Parliament revoked a clause in the Law on Investment that laid out a legal mechanism for foreign and domestic investors to obtain land possession and use rights, aspects of which were legally inconsistent with restrictions on foreign land possession rights laid out in the Constitution and Law on Land. Foreign investors report these limitations effectively limit inbound investment, discouraging foreign direct investment into any sector involving use rights.

The Ministry of Economy and Development manages the [Investment and Trade Agency of Mongolia](#), a “One-Stop-Shop for Investors,” which provides investor services on visas, taxation, social insurance, notarization, and business registration.

## Competition and Antitrust Laws

The Agency for Fair Competition and Consumer Protection of Mongolia reviews domestic transactions for competition-related concerns. For a description of the Agency go to [AFCCP](#).

The Agency for Fair Competition and Consumer Protection launched no 2024 competition cases affecting U.S. FDI. U.S. investors generally find the AFCCP applies its norms and procedures transparently, although they remain concerned the agency favors local economic interests over foreign interests. AFCCP decisions may be appealed to the courts.

## Expropriation and Compensation

State entities at all levels may confiscate or modify land-use rights for purposes of economic development, national security, historical preservation, or environmental protection.

Mongolia's Constitution recognizes private real-property rights and derivative rights, and Mongolian law specifically bars the government from expropriating assets without payment of adequate, market-based compensation. Investors express little disagreement with such takings in principle but state that lack of clear lines of authority among the central, provincial, and municipal governments has led to loss of property and use rights in practice. For example, the Minerals Law provides no clear division of local, regional, and national jurisdictions for issuances of land-use permits and special-use rights. Faced with unclear lines of authority and frequent differences in practices and interpretation of rules and regulations by different levels of government, investors may find themselves unable to fully exercise legally conferred rights.

Some expropriation cases involve court expropriations after third-party criminal trials at which investors are compelled to appear as "civil defendants" – but are not allowed to fully participate in the proceedings. In these cases, government officials are convicted of corruption, and the court then orders the civil defendant to surrender a license or property, or pay a tax penalty or fine, for having received an alleged favor from the criminal defendant with no judicial proceedings to determine if property or licenses were obtained illegally.

Businesses claim the tax dispute settlement process has become a form of indirect expropriation. Amendments to the Tax Law in 2020 allowed tax officials to require disputants

to place the entire disputed tax assessment in escrow as a precondition for disputing the tax assessments, which businesses claim encourages officials to issue excessive, punitive tax assessments that make contesting the assessment prohibitively expensive and confiscatory. As many businesses cannot put the entire disputed amount into escrow as per the law, they are forced to settle what many have called "extortionate" demands. Investors also report that the Tax Authority often vitiates its own settlements and issues new assessments on the same disputes, using its system to extract additional tax revenue from companies. Businesses also claim that government and state-owned enterprise regulatory and technical decisions related to power purchase agreements and other contractual obligations have become a form of indirect expropriation.

Mongolia passed in 2024 a package of laws aimed at reestablishing its sovereign wealth funds by, among other steps, limiting each private sector owner to no more than 34 percent of mining assets designated by Parliament as strategic deposits and to turn over no less than 34 percent to the state without compensation. These requirements, which investors consider expropriatory, potentially affect up to 16 strategic deposits; and, according to legal experts, there is no limitation on Parliament designating other projects as strategic deposits at any point in the project's lifecycle.

Finally, in 2016, the Government of Mongolia is alleged to have expropriated a copper mining asset without offering the claimant any compensation at the time of expropriation and without due process, according to the claimant and legal experts. As of 2025, the government provided a partial cash settlement, while the claimant pursues international arbitration to recover the balance remaining and alleged lost revenues.

## **Dispute Settlement**

### ***ICSID Convention and New York Convention***

Mongolia ratified the Washington Convention and joined the International Centre for Settlement of Investment Disputes (ICSID) in 1991 and the New York Convention in 1994. It has accepted international arbitration in several disputes. Mongolian law allows for domestic enforcement of awards under the ICSID and New York Conventions.

### ***Investor-State Dispute Settlement***

Under the 1997 U.S.-Mongolia Bilateral Investment Treaty, both countries agree to respect international legal standards for state-facilitated property expropriation and compensation in matters involving nationals of either country.

In disputes involving the government, investors claim some government officials and politicians interfere in administrative and judicial dispute resolution processes. Foreign investors describe three general categories of alleged interference. First, in disputes between private parties before judicial tribunals, investors warn that Mongolian private parties may exploit contacts in the government, the judiciary, law enforcement, the media, or the prosecutor's office to coerce foreign private parties to accede to demands. Second, in disputes between investors and the Mongolian government directly, the government may claim a sovereign right to intervene in the business venture, often because the Mongolian government itself operates or seeks to operate a competing state-owned enterprise (SOE); because officials have undisclosed business interests; or from ignorance of the relevant statutes and regulations. Third are disputes with Mongolian tax officials or prosecutors allegedly levying highly inflated, statutorily deficient tax assessments against a foreign entity and demanding immediate payment on threat of civil or criminal prosecution. Investors report local courts recognize and enforce court decisions—but significant problems exist with enforcement. The thinly staffed General Executive Agency for Court Decisions (GEACD) implements civil and criminal court orders. Its employees, often living in the jurisdictions in which they work, are subject to pressure from friends and professional acquaintances. A complicated chain-of-command and opportunities for conflicts of interest weaken GEACD's resolve to execute court judgments on behalf of foreign and domestic investors.

Mongolia has been plaintiff and defendant in several past and ongoing international arbitration suits over the expropriation of private sector mining rights or the imposition of excessive tax assessments. Whenever the government has lost arbitration claims, it has satisfied every judgment after some negotiation with foreign investors.

As of 2025, only one U.S.-based investor has initiated an arbitration suit against the

Government of Mongolia, while another U.S. investor reports that GEACD officials have refused to enforce a properly registered foreign arbitral decision. U.S. investors have reported no extrajudicial actions against their interests.

Although in abeyance for several years, 2024 saw the government resurrect:

- summary travel bans,
- pre-trial incarceration,
- freezing of accounts,
- investigations,
- fines, and
- suspension of permits and operating licenses

as tools of coercion in disputes over property the state seeks to take, generally without regard to rule of law and due process required by Mongolia's statutes and constitution. The state, however, has yet to impose such punitive measures against foreign investors.

### ***International Commercial Arbitration and Foreign Courts***

Mongolia's Arbitration Law, based on the United Nations Commission on International Trade Law (UNCITRAL), provides clear rules and protections for Mongolia-based arbitration. The law does not, however, designate any organization for use by all disputants. Any organization that satisfies the law's specific requirements may provide arbitral services. However, U.S. and other foreign investors do not recommend arbitrating in Mongolia, citing:

- lack of expertise,
- corruption, and
- arbitrators' favoritism for the Mongolian counterparties.

The Arbitration Law limits the role of Mongolia's courts in the arbitration process. Parties have the right to appeal only once to Mongolia's Court of Civil Appeals (CCA). This Court may only

reject an arbitration judgment for “serious” procedural failings or variance from official public policies.

Local courts will recognize both foreign and domestic arbitral awards and order the General Executive Agency for Court Decisions to enforce them, although collection may be allegedly slowed or even sabotaged. General Executive Agency for Court Decisions (GEACD) officers, often living in the jurisdictions in which they work, are subject to pressure from friends and professional acquaintances. A complicated chain-of-command and opportunities for conflicts of interest weaken this agency’s resolve to execute court judgments on behalf of foreign and domestic investors.

### **Bankruptcy/Insolvency Regulations**

Bankruptcy law treats bankruptcy as a civil matter requiring judicial adjudication. Mongolia allows foreign and domestic creditors, equity shareholders, and holders of other financial contracts to register mortgages and other debt instruments backed by real estate, structures, and other immovable collateral (some mining and exploration licenses, intellectual property rights, and other use rights); and movable property (cars, equipment, livestock, receivables, and other items of value). Although investors may securitize movable and immovable assets, local law firms hold that the bankruptcy process remains too vague, onerous, and time-consuming for practical use. Reporting that foreclosure and bankruptcy proceedings usually require no less than 18 months, with 36 months not uncommon, legal advisors state that a lengthy appeals process, perceived corruption, and government interference may create years of delay. Moreover, while in court, creditors face suspended interest payments and limited access to the asset.

## **Section 4. Industrial Policies**

### **Investment Incentives**

The government generally offers the same tax preferences to foreign and domestic investors; and occasionally waives tariffs for imports of essential fuel and food products or for imports in such targeted sectors as agriculture or energy. Exemptions may apply to Mongolia’s 5-percent

import duty and 10-percent value-added tax (VAT). The government may offer traditional and green energy sector investments such incentives as feed-in tariffs, discounts on electricity rates, or tax incentives. The government may also extend tax credits on a case-by-case basis to investments in such sectors as minerals processing, agriculture, and infrastructure. Under the Investment Law, foreign-invested companies, properly registered and paying taxes in Mongolia, qualify as domestic Mongolian entities for investment incentive packages that, among other benefits, offer tax stabilization for up to 27 years. However, because current tax law, which has not been amended to be consistent with the Investment Law, these tax incentives have not been implemented. While in theory the government can issue guarantees or jointly finance foreign direct investment projects, it seldom does so in practice.

### **Foreign Trade Zones/Free Ports/Trade Facilitation**

The Mongolian government has had a free-trade zone program since 2004. Two free-trade zones are along the Trans-Mongolian Highway and Railroad:

- the northern Mongolia-Russia border town of Altanbulag; and
- the southern Mongolia-China border town of Zamiin-Uud.

Both free-trade zones are relatively inactive, requiring development. To that end, the Government of Mongolia, in concert with the Chinese government, has been installing road and energy infrastructure in the Zamiin-Uud free trade zone to encourage commercial and light manufacturing and food processing businesses to establish operations at the border. A third free-trade zone is located at the port-of-entry of Tsagaannuur in the far western province of Bayan-Olgii bordering Russia. Mongolian officials are also developing a Special Economic Zone at and adjacent to the New Ulaanbaatar International Airport (Chinggis Khaan International Airport) that will have some of the characteristics of existing free-trade zones but may also offer a broader range of yet-to-be-determined incentives to promote the development of a satellite city to support economic and commercial activities related to aviation and other logistics development.



## Performance and Data Localization Requirements

Mongolia does not generally require foreign investors to use local goods, services, or equity, or to engage in import substitution. Neither foreign nor domestic businesses need to export a certain percentage of output or use foreign exchange to cover exports. The government applies the same geographical restrictions to foreign and domestic investors, involving border security, environmental concerns, and local-use rights. The government does not impose onerous or discriminatory visa, residence, or work permit requirements on U.S. investors—although foreign and domestic firms must meet certain industry-specific, local-hire requirements.

The Mongolian government strongly encourages but does not legally compel domestic sourcing of inputs, especially for firms engaged in natural-resource extraction. The Minerals Law states that holders of exploration and mining licenses should preferentially supply extracted minerals at market prices to Mongolian processing facilities and should procure goods and services and hire subcontractors from business entities registered in Mongolia, as well as sell these outputs on the recently established Mongolian mining products commodities exchanges. Although facing no legal requirement to source locally, investors occasionally report that central, provincial, or municipal governments will delay permitting and licensing until domestic and foreign enterprises make some effort to source locally. Hiring Mongolians is often a *de facto* necessity because the government sometimes issues work visas for foreign employees only if employers have attempted to hire domestically. These requirements do not apply to members of boards of directors or senior management.

Despite pressure to source locally, foreign investors generally set their own export and production targets without concern for government-imposed quotas or requirements. Mongolia does not require (but often encourages) technology transfers. The government generally imposes no offset requirements for major procurements. Investors, not the government, generally decide on technology, intellectual property, and finance as they see fit. Except for an unenforced provision of the Minerals Law requiring mining companies to list 10 percent of the shares of the Mongolian-registered mining company on the Mongolian Stock Exchange, foreign-invested businesses are not required to sell shares into the Mongolian

market. Equity stakes are generally at the discretion of investors, Mongolian or foreign. In cases where investments may have national economic, political, security, or social impacts, the government has, without a clear statutory basis, restricted the type of financing foreign investors may use, their choice of partners, or to whom they sell shares or equity stakes.

The government generally requires neither data localization nor compels IT providers to turn over source code or provide surveillance access, except for criminal investigations. Businesses may freely transmit customer or other business-related data abroad, with the written consent of the client, a requirement also applicable to local data transfers and sharing. However, financial data, subject to data localization requirements, cannot be transmitted abroad but must be stored on local servers.

## **Section 5. Protection of Property Rights**

### **Real Property**

The Mongolian Constitution provides that “the State shall recognize any forms of public and private properties.” Statute limits real-estate ownership to adult citizens (18+ years old) of Mongolia, and only in municipalities. Mongolian companies of any type are not allowed to own real estate, however. Civil law allows private Mongolian citizens or government agencies to assume property ownership or use rights if the current owner or holder of use rights does not use that property or those rights. In the case of use rights, revocation and assumption is almost always written into the formal agreements covering the rights. Squatters may, under certain circumstances, claim effective property ownership of unused structures.

Foreign investors may own permanent physical structures and obtain use rights to land and resources but may not own real estate. Land ownership does not convey ownership of, or necessarily access to, surface or subsurface resource rights, which remain with the state. Outside municipalities, the state owns the land and resources in perpetuity and may lease those resources to public and private entities.

Ownership of a structure may vest the owner with control over the use rights of the land upon which the structure sits. In 2024, Parliament revoked a clause in the Law on Investment that

laid out a legal mechanism for foreign and domestic investors to obtain land possession and use rights, aspects of which were legally inconsistent with restrictions on foreign land possession rights laid out in the Constitution and 2002 Law on Land. Following this amendment, the process for foreign and domestic investors to obtain use rights is now governed by the Law on Land. Foreign investors cannot obtain possession rights, which allow use rights related to the possession right to be collateralized, transferred, or sold; and so, foreigners can only use the resource under their use right. Some businesses report workarounds to this restriction involving foreign-owned entities registered as Mongolian entities. However, they remain concerned whether these solutions would survive strict government or judicial review – anecdotal reports suggest they may not survive. Mongolian law is ambiguous as to the definition of a domestic versus foreign corporate entity for these purposes.

Although Mongolia has a well-established registry for immovable property – structures and real estate – it lacks a central register for use rights. Consequently, investors, particularly those investing in rural Mongolia, have no easy way to learn who might have conflicting rights. Complicating matters, Mongolia’s civil-law system is still developing a formal process for apportioning multiple use rights on adjacent lands or adjudicating disputes arising from conflicting use rights. As of 2025, the Mongolian government has no accurate figure for land with clear titles and does not appear to be making a consistent, defined effort to identify property owners and register land titles.

Creditors may seize and dispose of property offered as collateral, although this process is often subject to lengthy legal delays. Debt instruments backed by real estate, fixed structures, and other immovable collateral may be registered with the Immoveable Property Office of the [State Registration Office](#). Movable property (cars, equipment, livestock, receivables, and other items of value) may also be registered with the State Registration Office as collateral. Investors report that the movable-property registration system, while generally reliable, has occasional technical capacity issues.

While Mongolia is party to the 2001 Cape Town Convention on Mobile Equipment (CTC) and the Protocol on Matters Specific to Aircraft Equipment (Aircraft Protocol), the U.S. Embassy in Mongolia has not been approached about any disputes under the CTC.

## Intellectual Property

Film, television, and digital content from the United States enjoy strong copyright protection in Mongolia. Mongolia's Internet Service Providers (ISPs) will quickly block access to internet addresses of offending sites once listed by the [Intellectual Property Office of Mongolia](#).

However, use of pirated software by Mongolian government ministries, home-use consumers, and businesses is rampant. Patent protection for pharmaceutical and medical device importers and for industrial technology and processes is virtually non-existent, with trademark law generally the only recourse for rightsholders. While enforcement agencies will seize trademark-infringing drugs, simply removing the infringing trademark still allows the importer to bring in the patent-infringing drug. Medical devices encounter similar problems. Trademark infringement also includes stores distributing counterfeit apparel and fake spare parts for heavy equipment. However, the Intellectual Property Office of Mongolia has not focused on these areas because rightsholders seldom file complaints.

Mongolia passed no new IPR related laws in 2024 and has no bills pending as the writing of this report. However, the Intellectual Property Office of Mongolia has begun to consider the implications of artificial intelligence on the statutory treatment of IPR, which may lead to new IPR laws or amendments to existing legislation.

IPR violations below \$14,350 are subject to administrative enforcement; those above \$14,350 are subject to criminal enforcement. Enforcement agencies do pursue criminal and civil intellectual property (IP) cases, suggesting a willingness by Mongolian courts, prosecutors, administrative investigators, and police to attack the problem. 2024 saw police initiate an investigation and eventually seize pirated apparel, and the case is pending before a local district court. There is no central registry for seizures of pirated goods but goods that are seized have been incinerated or crushed.

Mongolia is neither listed on the U.S. Trade Representative's Special 301 Report nor its notorious market report.

For additional information about national laws and points of contact at local IP offices, please see [WIPO's country profiles](#).

## Section 6. Financial Sector

### Capital Markets and Portfolio Investment

Mongolia has few restrictions on capital flows and has respected IMF Article VIII by not restricting international payments and transfers. Credit is available on local market terms to foreign investors in a variety of forms. However, capital markets are underdeveloped, with little ability to trade futures or derivatives on traditional markets. The state-owned [Mongolian Stock Exchange](#) is the primary venue for domestic capital and portfolio investments, but an over-the-counter (OTC) market for corporate debt, launched in late 2021, continues to grow. Mongolia has also established commodity exchanges for agricultural and mining products. While investors have been cautiously optimistic about these innovations, they have observed that Parliament and the government need to amend a raft of, or introduce entirely new, enabling legislation, as well as clarify how the private sector is to use the new exchanges. Only companies with 5 percent or more of state ownership are required to use the commodities exchanges, and the Government of Mongolia has officially stated that its primary aim for its exchange is to promote trading transparency rather than commercial transactions. Consequently, state-owned and state-invested mining companies have told the U.S. Embassy that the exchanges are not as effective a sales venue as selling on the spot market or with long-term contracts. The government has signaled some willingness to modify the mandate to sell only through the exchange. Fintech companies began promoting investments using digital tokens and other virtual assets, but the market collapsed following passage of the 2022 Virtual Asset Law and has not since recovered.

### Money and Banking System

Mongolia's four largest commercial banks – Khan, Trade and Development Bank (TDB), Xac, and Golomt – are majority owned by combinations of Mongolian and foreign private investors, and international financial institutions and collectively hold 79.87 percent of all banking assets, or about 57 trillion MNT, or about \$16.5 billion (as of December 2024). Mongolia's non-performing loans averaged 5.1 percent in December 2024, compared with 7.4 percent in December 2023. The Bank of Mongolia, Mongolia's central bank, regulates banking operations.

Three of Mongolia's systemically important banks established correspondent banking relations with the Bank of New York Mellon in 2024. Foreigners may establish domestic accounts so long as they can prove lawful residence in Mongolia. The 2021 Law on Banking limits ownership of a single bank or a combination of banks to no more than 20 percent for a beneficial owner and their related parties, including family members, as certified by the Bank of Mongolia. Banks' beneficial owners had until December 31, 2023, to comply with this divestment requirement. However, public and private banking sector interlocutors observe no regulatory action has been taken against banks for failing to meet this requirement as of April 2025, and regulators have sought to extend the time limit to divest. In addition, Mongolia's four systemically important commercial banks – Khan, TDB, Xac, and Golomt – and the state-owned State Bank have listed themselves on the Mongolian Stock Exchange by June 30, 2023. Public listing and associated regulatory requirements may improve bank governance by creating accountability to a broader group of shareholders.

Observers, including the IMF, have noted that while the banking sector is broadly stable, and banking liquidity has strengthened, banking sector macroprudential supervision and regulatory implementation remain less adequate than international best practice. The authorities continue to allow insolvent smaller banks to operate despite being functionally insolvent. Investors contemplating investing into Mongolia's banking sector should carefully factor in the additional systemic risk associated with these regulatory concerns.

The 2023 Law on Specialized Investment Banking created a new mechanism for foreign financial institutions to establish operations in Mongolia short of formally applying for a retail banking license. However, the law imposes certain profit repatriation limitations and restricts the scope of permitted services, which do not include taking retail deposits.

## **Foreign Exchange and Remittances**

### ***Foreign Exchange***

The government employs a liberal foreign exchange regime; its national currency, the tugrik (denoted as MNT), is fully convertible into an array of international currencies. Foreign and domestic businesses report no problems converting or transferring funds aside from occasional,

market-driven shortages of foreign currencies, usually U.S. dollars. The government and central bank generally allow market forces to determine currency rates and related fluctuations; however, occasionally the central bank has intervened in the foreign exchange market, particularly when facing depreciation pressure. Central bank foreign exchange market intervention is published transparently.

Mongolia's Currency Law requires domestic transactions to use MNT, unless exempted by the Bank of Mongolia. Regulation prohibits listing of wholesale or retail prices in any way – including as an internal accounting practice – that effectively denominates or otherwise indexes prices to currencies other than MNT. Hedging mechanisms available elsewhere to mitigate exchange risk are generally unavailable given the small size of the market. Letters of credit in a variety of currencies are available for trade facilitation. The government sometimes pays for goods and services with promissory notes that cannot be directly exchanged for other currencies.

### ***Remittance Policies***

Businesses report no chronic, government-induced delays remitting investment returns or receiving inbound funds, although challenges with correspondent-banking relationships sometimes slow remittances. Most transfers are completed within a few days to a week; however, occasional currency shortages, most often of U.S. dollars, may cause commercial banks and the central bank to limit transfers temporarily. Remittances sent abroad are subject to a 20-percent withholding tax to cover potential tax liabilities.

### **Sovereign Wealth Funds**

On April 19, 2024, Mongolia's Parliament approved the Sovereign Wealth Fund Law and related amendments to the relevant tax and company statutes, all of which came into force May 10, 2024. This law, according to Mongolia-based legal experts, has created a system comprised of three diversified funds, which largely but not exclusively merge the benefits of subsoil resources to make efficient investments and equitably distribute fund proceeds to current and future Mongolian citizens:

- The Future Heritage Fund collects and invests assets in international financial instruments to increase the value of proceeds from subsoil resources and would be funded from residual minerals royalty payments and investment returns.
- The second fund, the Savings Fund, would underwrite investments in public health, education, and housing; and would be funded from dividend payments from state-owned entities (SOEs) and entities with state-ownership participation (ESOPs) in the minerals extraction and processing industry and infrastructure sector.
- The third fund, the Development Fund, supports implementation of development projects and programs included in Mongolia's long- and medium-term development policy plans and is funded from the integrated budget, when this budget has a surplus of 50 percent of increased revenue from price increases of the main types of minerals and metals (primarily coal, copper, gold, iron) reflected in the integrated budget.

The Bank of Mongolia will hold the respective funds, but they will be managed by quasi-independent state-owned management entities. Mongolia has signaled that it will follow the Santiago Principles of good practices for transparency and accountability and has restarted the process to join the Santiago group suspended since 2015.

While expressing support for sovereign funds in principle, investors and business contacts take exception to how the Sovereign Wealth Fund Law was passed and how it is to be funded. Passage of the law, according to the business community, was completely lacking in transparency. The bill was introduced into Parliament, with stakeholders given less than a week to comment and review it. Commentators are also concerned about how the funds, particularly the Savings Fund, are to be funded. To ensure a revenue stream, Parliament has imposed ownership limits on private sector ownership of mining assets designated as strategic deposits by Parliament; and has ordered private holders, unless other agreements with the government are in force, to turn over a non-compensated share of the resource of no less than 34 percent and reduce their holdings to no more than 34 percent by May 2025. These statutes also order affected companies to pay retroactive dividends to the government from the start of the project, even if the government had passed on any equity stake at the time of mining operations were initiated. These requirements, which investors believe are expropriatory,



potentially affect up to 16 strategic deposits; and, according to legal experts, there is no limitation on Parliament designating other projects as strategic deposits at any point in the project life, exposing any and all mining operations to open-ended, uncompensated state expropriation.

## Section 7. State-owned Enterprises

Mongolia has state-owned enterprises (SOEs) in the banking and finance, energy production and distribution, mining, and transport sectors. The Ministry of Finance manages the State Bank of Mongolia and the Mongolian Stock Exchange, and the SOE Erdenes Mongol holds most of the government's mining assets. A subsidiary of Erdenes Mongol, coking coal miner Erdenes Tavan Tolgoi, owns two railroad lines, which are managed by the Ministry of Roads and Transport manages the Mongolian Railway Authority division. In April 2025, the government created a holding entity for 44 SOEs primarily involved with energy production and distribution and some logistics entities, including the state-owned air carrier MIAT. The [Government Agency for Policy Coordination on State Property](#) assists Erdenes Mongol and Erchis with administrative functions and manages SOEs not otherwise controlled by the two holding entities but does not provide a complete, official list of SOEs. State Property Agency representatives have publicly said their SOE count does not include *aimag* (provincial) and *soum* (county) level locally owned enterprises (LOEs), which number in the hundreds. Mongolian SOEs have no investments in the United States.

Investors are concerned SOEs crowd out more efficient private-sector investment. Investors can compete with SOEs, but an opaque regulatory framework limits competition. Businesses have observed that government regulators favor SOEs, such as streamlining processes for environmental permits and ignoring health and safety issues at SOEs. Private sector businesses state that SOEs competing in the domestic market often engage in discriminatory treatment in their purchase and sale of goods or services. Private sector mining companies also report that the government of Mongolia provides preferential access to ports and state-managed shipping infrastructure to Mongolian SOEs' minerals exports.

Mongolian SOEs do not adhere to the OECD Corporate Governance Guidelines for SOEs.

Although legally required to follow the same international best practices on corporate governance used by private companies, SOEs tend to follow these rules only when seeking international investment and financing. Many international best practices are not institutionalized in Mongolian law, and SOEs tend to follow existing Mongolian rules. At the same time, foreign-invested firms follow the international rules, causing inconsistencies in corporate governance, management, disclosure, minority-shareholder rights, and finance.

## **Privatization Program**

The government perennially floats additional partial privatization of such state-held assets as:

- the Mongolian Stock Exchange,
- the national air carrier MIAT,
- the Mongol Post Office, and
- mining assets

but it has not identified how, when, or even if it will do such sales of shares or equity in 2025.

## **Section 8. Corruption**

Investors acknowledge endemic corruption has led some to curtail additional investments or to exit Mongolia entirely. Widespread public perceptions of high-level government corruption at state-owned mines generated large, sustained public protests in 2022, which led to a series of parliamentary hearings about corruption affecting state-owned finance and mining assets in 2023. SOE executives, private investors, several members of Parliament, and senior government officials have been implicated, and investigations continue. Several cases have been adjudicated with disgorgement of funds, fines, and prison sentences for some of the accused. However, despite these actions, public and private sector contacts remain disappointed with the outcomes, noting that while the hearings exposed billions of dollars of alleged corruption, few were brought to trial and those few received minor fines and prison sentences, in nontransparent trials. There remains a widely held opinion that the government simply used the hearings to embarrass political rivals rather than as part of a sincere commitment to root out corruption.

Responding to multiple, high-profile corruption cases, Parliament in 2023 amended the law to prohibit high-ranking officials and close associates from:

- benefiting from government-funded programs, scholarships, concessional loans, and grants; and
- holding management positions in public service entities or executive management positions in state-owned companies while in office.

Although Mongolian law penalizes corrupt officials, the government does not always implement the law effectively or evenhandedly. Private enterprises report instances where officials and political operatives demand bribes to transfer-use rights, settle disputes, clear customs, ease tax obligations, act on applications, obtain permits, and complete registrations. NGOs and private businesses report judicial corruption and the presence of third-party influence. Factors contributing to corruption include conflicts of interest, lack of transparency, limited access to information, an underfunded civil-service system, low salaries, and limited government control of key institutions.

Mongolia does not require companies to establish internal codes of conduct that, among other things, prohibit bribery of public officials. U.S. and other foreign businesses have reported that they accept the need for and have adopted internal controls, ethics, and compliance programs to detect and prevent bribery of government officials. See also the U.S. Department of State's [2024 Mongolia Report on Human Rights](#).

Mongolia's Anticorruption Law provides criminal penalties for corruption by officials, but the government does not always implement the law effectively. Some officials have engaged in corrupt practices with impunity. The criminal code contains liability provisions for corruption and corruption-related offenses for public servants and government officials. For example, the code dictates that those sentenced for corruption may not work in public service for a specified period. Related laws on offshore investments bar officials, politically exposed persons, and their families from investing abroad. The [Independent Authority Against Corruption of Mongolia](#) has primary responsibility for investigating corruption, assisted at times by the National Police Agency's Organized Crime Division. Mongolia has signed and ratified the United

Nations Convention Against Corruption (UNCAC).

## Resources to Report Corruption

- [Independent Agency Against Corruption \(IAAC\)](#)

District 5, Seoul Street 41

Ulaanbaatar, Mongolia 14250

**Telephone:** +976-7011-0251; +976-11-311919

- [Transparency International Mongolia](#)

Batbayar Ochirbat, Executive Director

Office 803, 8th floor, Dalai Tower, UNESCO Street,

Sukhbaatar District – Khoroo 1, Ulaanbaatar 14230

**Telephone:** +976-7012-0012

## Section 9. Political and Security Environment

Mongolia's political and security environment is peaceful and stable. Crime is low in the capital Ulaanbaatar but fluctuates seasonally. Street-level petty theft and assault occasionally occur, while more complex financial and fraud-based crimes are rising. U.S. investors are generally welcomed by the Mongolian people; however, in small numbers and in specific areas, anti-foreign sentiment fueled by fringe nationalist groups occurs. These sentiments do not focus on U.S. investors exclusively and are subject to current events. Resource sector investors have reported in 2024 that disputes between those with legal rights over local resources and rural residents have led to protests, disrupting operations, damaging equipment, and, in rare cases, violence. The [Department of State's Mongolia Travel Advisory](#) provides additional information on current Mongolia travel conditions.

## Section 10. Labor Policies and Practices

The National Statistics Office of Mongolia reports official unemployment through 2024 averaged 5.3 percent or 75,385 of Mongolia's 1.42-million-person labor force. However, this figure only includes those who officially register for unemployment benefits. Women

accounted for 45.2 percent (646,173) of the total labor force, with women's unemployment at 4.9 percent. Mongolia has 8,025 foreign workers from 104 countries officially registered with the Ministry of Labor and Social Welfare, concentrated in the following sectors:

- mining and quarrying (28 percent),
- education (15.1 percent),
- wholesale and retail trade and repair of motor vehicles and motorcycles (14.2 percent), and
- construction (9.9 percent).

Unskilled labor is abundant, but chronic shortages persist in most professional categories requiring advanced degrees or vocational training, including all types of engineers and professional tradespeople in:

- construction,
- mining, and
- services.

Foreign-invested companies address shortages by providing in-country training, increasing salaries and benefits to retain employees, or hiring expatriate workers with expertise unavailable in Mongolia.

Mongolia's 2021 Revised Labor Law formalized most practices described below that had been customary between employer and employee or implemented through regulatory fiat. It also creates a system for employers using long shifts for their crews, mostly in the resource extraction sectors. The Law stipulates that work and resting shifts must be equal—for example, 14 days on must be balanced by 14 days off—and that overtime must be limited. Employers report these new rules effectively require them to hire more employees to achieve the same staffing levels under old rules and with more administrative burdens. As Mongolia faces chronic shortages of skilled employees, employers have found the Law has led to rising costs as headcounts rise while productivity per worker decreases, threatening the commercial viability

of those businesses with limited capacity to absorb or pass on these additional costs.

The Law retains the requirement that companies employ Mongolian workers in all labor categories where the Ministry of Labor and Social Protection determines a Mongolian can perform the task as well as a foreigner. This provision primarily applies to unskilled labor categories. Investors can locate and hire workers without hiring agencies, if hiring practices follow the Law. If employers want to hire expatriate laborers and cannot obtain a waiver from the Ministry of Labor and Social Protection for that employee, the employer can pay a monthly waiver fee. Depending on a project's importance, the Ministry of Labor and Social Protection can exempt employers from 50 percent of the waiver fees per worker. However, employers report difficulty in obtaining waivers. The State Department's [2023 Mongolia Report on Human Rights](#) provides additional details. Because Mongolia's winters limit operations in infrastructure development, construction, and mining, employers tend to use a higher degree of temporary contract labor than companies operating year-round. The Law allows employers and employees to use short-term contracts; however, such contracts are limited to work lasting less than six months and comprising less than 30 percent of an entity's labor force.

The Law allows most workers to form or join independent unions and professional organizations and protects rights to strike; but denies these rights to foreign workers, certain public servants, and workers without formal employment contracts. However, all groups have the right to organize. The law protects the right to participate in trade union activities without retaliation, and the government has protected this right in practice. The Law provides for reinstatement of workers fired for union activity, but this provision is not always enforced. Some employees occasionally face obstacles to forming or joining unions, and some employers have taken steps to weaken existing unions. For example, some employers prohibit participation in union activities during working hours or refuse to conclude collective bargaining agreements in contracts.

The Law allows employers to fire or lay off workers for cause. Depending on the circumstances, however, severance may be required, and workers may seek judicial review of their dismissal. Under the Law, retirement is no longer a legal justification for firing an employee, and mass redundancy layoffs require 90-days' notice. Employers and legal experts report that Mongolia's

courts usually support employee claims, especially if the plaintiff or defendant is a foreign business. The severance laws require employers to pay laid off workers one month of the contracted salary, but fired workers receive no severance. Laid off or fired workers are entitled to three months of unemployment insurance from the Social Insurance Agency.

The Law on Collective Bargaining regulates relations among employers, employees, trade unions, and the government. Wages and other conditions of employment are set between employers (whether public or private) and employees, with trade union input in some cases. Laws protecting the rights to collective bargaining and freedom of association are generally enforced. The Mongolian Confederation of Trade Unions represents most workers in the resource extraction and construction-related sectors in collective bargaining activities but not government and agricultural sector employees. The Confederation of Trade Unions also mediates specific grievances through government-sanctioned Tripartite Labor Dispute Settlement Committees. Tripartite Labor Dispute Settlement Committees resolve most disputes between workers and management and consist of:

- representatives of the Confederation of Trade Unions,
- employers, and
- the government.

Cases not resolved by these Committees may go to court.

The International Labor Organization (ILO) monitors and reports on labor issues in Mongolia. In September 2024, the revised Child Protection Law came into force, enhancing child protection services, case management protocols, interagency coordination, and child protection mechanisms across various sectors, as well as allocated funding for child protection services. The ILO remains concerned about child-labor practices and variations between Mongolian law and international labor standards – specifically Mongolia's minimum age for work provisions do not meet international standards since they do not provide penalties for violations. Authorities report employers often require minors to work more than weekly permitted hours, paying them less than the minimum wage. The ILO provides [detailed reporting on Mongolian compliance with its conventions](#).

The Ministry of Labor and Social Protection enforces all labor regulations, but its inspection division is understaffed. Additionally, although the revised Labor Law authorizes unannounced labor inspections that can result in penalties, confusion remains among inspectors as to whether unannounced inspections are permitted, which impedes the enforcement of labor laws.

## **Section 11. U.S. International Development Finance Corporation (DFC) and Other Investment Insurance or Development Finance Programs**

DFC, formerly OPIC, offers loans, grants, equity investment, and political risk insurance to U.S. investors active in most sectors of the Mongolian economy, with priority sectors being:

- finance,
- infrastructure, and
- energy.

The Export-Import Bank of the United States offers programs in Mongolia for short-, medium-, and long-term transactions in the public sector and for short- and medium-term transactions in the private sector. Mongolia is also a member of the [Multilateral Investment Guarantee Agency \(MIGA\)](#). Countries that have provided investment and trade financing in Mongolia include:

- South Korea,
- Canada,
- the Russian Federation,
- Japan,
- China,
- Poland,
- Hungary, and
- Austria.



In addition, the [European Bank for Reconstruction and Development \(EBRD/Mongolia\)](#) and [International Finance Corporation \(IFC/Mongolia\)](#) also support Mongolia-based investments.

## **Section 12. Contact for More Information**

The Economic and Commercial Section

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Telephone: +976-7007-6001

[Contact Us](#)