



UNITED
NATIONS
MONGOLIA



COMMON COUNTRY ANALYSIS MONGOLIA 2022 UPDATE



December
2022



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EXECUTIVE SUMMARY

CHAPTER

1





The comprehensive Common Country Analysis (CCA) of Mongolia, prepared recently in 2021¹ and supported the preparation of the United Nations Sustainable Development Cooperation Framework (UNSDCF) 2023 – 2027 of Mongolia in 2022, provides an extensive macro-level analysis, whose analysis and substance remain relevant. The 2022 update of the CCA focuses on analysis of new development and progress in 2022 as well as those issued not covered in the CCA 2021, thus stands as a complement to the CCA 2021. The 2022 update provides analysis on national developments and their implications, including:

1 Impact of Russian Federation-Ukraine conflict and the Covid-19 pandemic

Findings from the in-depth analysis suggest that global imminent recession, price (food and energy), cost of finance, and exchange rate depreciation are impacting Mongolia's households and businesses, and on quality of nutrition for pregnant and breastfeeding women. In particular, cross-border trade restrictions with China and the repercussions of the war in Ukraine have been impacting businesses and households, especially vulnerable groups, including rural/herder and women-headed households. This increased vulnerability could well hamper the implementation of Mongolia's 'New Revival Policy', as well as achievement of SDGs.

2 Economic and financial development

Despite the on-going impact of the COVID-19 pandemic and the war in Ukraine, Mongolian economy fared relatively well in 2022. The total trade turnover reached USD 21.2 billion, of which exports were USD 12.5 billion, resulting in trade balance of USD 3.9 billion surplus. High inflation has remained throughout the year, putting much burden on lives of households. Depreciation of MNT against the United States Dollar (USD) has also continued. Foreign reserve turned into an increase after significant decrease in the first 8 months. The Government managed external debt well by paying off its first sovereign bond - Chinggis bond – on time and succeeded in issuing a new 5-year USD 650 million bond at relatively favorable terms. The Government also managed to keep the government budget in surplus.

3 Challenges and opportunities in energy

While Mongolia's demand for energy has been steadily increasing, it currently does not have sufficient generation capacity to meet its needs, resulting in its import. Coal remains as the dominant source of energy, contributing to CO2 emissions and negative environmental impacts significantly. Mongolia's domestic renewable energy resources mostly remain untapped; its regulatory framework needs strengthening for better cost recovery and attracting private sector participation. Continued focus on coal, especially at the expense of other more productive areas of the economy, has the potential to undermine long-term economic development and jeopardize low-carbon development. It should be noted that the current challenges could serve as a unique opportunity for a complete turnaround in energy development as an accelerated energy transition can set the country on a more stable and resilient sustainable development pathway over the long run.

4 Political development

Mongolia witnessed a series of peaceful demonstrations by citizens in 2022. Demonstration in April, led by youth, sought the Government to be more accountable for challenges faced by citizens, including high inflation and unemployment. Ignited by the case of a large amount of state revenue evasion by illegally selling coals in the Tavan Tolgoi, the demonstration in December started with request by public for disclosure of the case and the names of those involved in the coal theft case, followed by the resignation of the government, the dissolution of parliament, and a number of other demands.

¹ <https://mongolia.un.org/index.php/en/174973-common-country-analysis-2021-mongolia>



The demonstration in December clearly revealed a governance and transparency concern in running the Government.

5 New government policies

The Government initiated and implemented several government policies towards the end of 2021 and in 2022. Main policies include the New Revival Policy - a post-pandemic recovery effort for offsetting the economic contraction from impact of the COVID-19 pandemic, the Regional Development Targeted Program to facilitate development of provinces, digitalization, the National Food Security Program to achieve self-sufficiency in foods, educational transformation through national consultations, and reform of healthcare financing system for its sustainability.

6 Government institutional changes

The Ministry of Economy and Development (MED) and the Ministry of Digital Development and Communications (MDDC) were established in January 2022 as two new ministries. In September 2022, the Cabinet decided reorganization of some national committees and national councils. In this connection, a total of 22 national committees and councils were abolished, six were combined, and thirteen were given to the sectoral ministries responsible for managing them. The Government established the Department for Education in 2022.

New and revised legislations

7

In January 2022, 16 new laws, including the revised Labour Law, officially entered into force. In accordance with the Digital Nations strategy, five laws, including the Law on Information Transparency were approved by Parliament in 2021. In May 2022, more than 30 legal acts were adopted in accordance with these laws, which went into effect. The Parliament passed a law on 14 April 2022 to prevent price increases and shortages of essential commodities brought in by the global crisis and mitigate their effects.

8 Development in gender equality and status of women

A persistent patriarchal culture still remains as a challenge in better representation of women in government. Among 21 ministers in the Cabinet, only three are women, while only one of 21 provinces has a female governor. Female politicians are exposed to more harsh and unfair judgement and openly

discriminated against and abused on social media. 2022 witnessed a few initiatives and efforts for gender equality, including the Government's adoption of the cross-sectoral strategic plan for promoting gender equality for a ten-years of period (2022-2031), the "KHUN" party's "KHUN 50/50" policy to ensure a better gender ratio of all its candidates at all levels in upcoming elections, and attempt for revision of the Law on Elections to advocate for the inclusion of the increased 35-40% women candidate quota.

9 Participation in international treaties

Mongolia recently joined two United Nations treaties on trade digitalization, the UN Convention on the Use of Electronic Communications in International Contracts in 2020 and the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific in 2022. Mongolia became a Party to the Vienna Convention and Montreal Protocol on Substances that Deplete the Ozone Layer in 1996, and has ratified all related amendment, including most recently the Kigali Amendment to the Montreal Protocol in July 2022. Mongolia has also been a party to UN treaties on crime and corruption - the United Nations Convention against Transnational Organized Crime and the United Nations Convention Against Corruption.

10 Progress in achieving SDGs

Mongolia ranked 109th out of 163 countries with the SDGs score of 63.5, which is 2.4 per cent below the East and South Asia regional average. Calculations made by the ESCAP shows regress in goal 1, while meeting goals 11, 13, 16 and 17 according to a set timeline. A recent study on SDG indicator data gap analysis in Mongolia reveals that data is available for 154 indicators (readily available for 109 indicators and partially available for 45 indicators). Data is missing for more than one third (78 indicators) of the total number of indicators. The National SDG Indicator Framework of Mongolia is drafted but yet to be finalized and approved.

11 Other SDGs-related developments

In August 2022, Mongolia's National Committee for Sustainable Development (NCSDD) endorsed the draft Integrated national financing strategy (INFS), a key vehicle for mobilizing, aligning, and leveraging resources for SDGs and Mongolia's sustainable development priorities. However, the INFS Action Plan is yet to be signed by the Minister of Finance and the Minister of



Economic Development and thus implementation has not begun. Mongolia also developed the ESG Reporting Guidelines, which provides an overview of global sustainability reporting frameworks and an eight-step outline of how to build the capacity to report on sustainability. Furthermore, Mongolia will prepare its 2nd Voluntary National Review (VNR) for 2023 and present its outcome at the High-level Political Forum on Sustainable Development 2023.

The conclusion briefly highlights points to which Mongolia should pay attention in further advancing achievement of the SDGs, including self-sufficiency and diversification in economy, transparent and accountable governance on government operation, and adoption of framework for national SDG targets and indicators, institutional mechanism for stakeholders consultations and taking advantage of available tools and instruments such as the INFS. It also points out a need for the United Nations Country Team (UNCT) Mongolia to take note of developments in 2022, as elaborated in the 2022 CCA update, in implementing the joint work plans (JWPs) of the UNSDCF.





NEW NATIONAL DEVELOPMENTS AND PROGRESS IN ACHIVING THE SDGs

CHAPTER 2



2.1 Impact of Russian Federation-Ukraine conflict and the Covid-19 pandemic

UNRCO, UNDP, UNICEF, UNFPA, and FAO conducted impact analysis of Russian Federation-Ukraine conflict on Mongolia's households and businesses supported by Joint SDG fund Development Emergency Modality. The findings suggest that global imminent recession, price

(food and energy), cost of finance, and exchange rate depreciation are impacting Mongolia's households and businesses.

The war in Ukraine has affected the global economy through two phases.

The first phase included:

- **energy price shocks** (import prices, transportation prices, inflation);
- **food price shocks** (unaffordability, shortages, insecurity);
- **cost of financing** (price distortions, increased financing needs and interest rates); and
- **policy challenges** (tight monetary policy, fiscal subsidies).

These channels of impact in two phases, including global economic growth slowed down and persistent inflation, posed significant challenges for Mongolia and affected its overall socio-economic outcomes.

At the outset of the war in Ukraine, the economy of Mongolia was beginning to recover from the adverse impacts of COVID-19 as bilateral trade with China and Russian Federation had started to return to pre-pandemic levels.

The second phase included:

- **uncertainty** (prolonged war, high economic and financial volatility, fiscal imbalances, capital outflows, limited access to global finance, FDI decline, cryptocurrency speculation);
- **slowdown in demand** (lower exports, high cost of imports, high cost of travel, lower remittances and tourism earnings);
- **exchange rate shock** (strong dollar causing distortion, Forex intervention increasing financial pressure); and
- **cost of debt financing** (dollar-denominated debt is increasing distress for low- and middle-income economies, debt sustainability issues).

Border closures and sanctions related to the global pandemic and war impacted the socioeconomic fabric of society, reducing its resilience to other crises and triggering still deeper socioeconomic, political, and environmental problems. Mongolia bears the cascading impact of economic sanctions on Russian Federation since it depends on imports of Russian Federation petroleum products, energy, food, medicine, and agricultural inputs, further facing inflation in times of recession.



Border closures with China that are related to COVID-19 significantly impacted and still impact value chains in all sectors. Trade through China accounts for approximately 80 per cent of exports and 40 per cent of imports.² The financial sector is impacted by the decrease in FDI, significant outflow of capital, and Society for Worldwide Interbank Financial Telecommunications (SWIFT) sanctions on Russian Federation, thereby impacting the ability of local banks to make payments towards foreign obligations.³ According to the IMF, Mongolia's public debt at 82 per cent of GDP threatens the country's debt sustainability.⁴ Inflation and debt stock impact macroeconomic stability, increasing vulnerabilities of the economy and limiting Mongolia's ability to finance its development – a situation that requires innovative financing solutions.

While direct macro-level impacts on the economy appear few, at micro level many Mongolian businesses are directly impacted by the war in Ukraine. For instance, the fuel, costs for farmers directly importing seeds, fertilizers, machine equipment, and spare parts from Ukraine and Russian Federation rose dramatically. As a result of these costs, the prices of grains and vegetables increased. As well, companies that buy goods and raw materials from Russian Federation and Ukraine faced supply interruptions and payment delays. There is a risk of a decline

in the mining sector's production since Russian Federation suspended export of explosives to other countries, including Mongolia.

An important finding of the analysis of energy price shock is that it has not only impacted the price of fuels, but it is also impacting the price of renewables as the cost of transportation has increased and supply chain disruptions are impacting. Mongolia-China border closures and China's Zero-COVID policy impacted the availability of inputs for renewable energy alternatives for households and businesses. Before pandemic, Mongolians especially herders started adopting renewable energy as a source of power in their moveable housing (traditional Ger) and rural settlements.

The energy production in Mongolia is overly dependent on Russian Federation and Ukrainian suppliers, while the transmission and distribution of energy is dependent on China. The sanctions adopted in response to Russian Federation military attacks in Ukraine have serious consequences for the supply of main and auxiliary equipment and urgently needed spare parts for thermal power plants in Mongolia. There is also an on-going risk of failure in the safe and reliable operation of the energy system due to a lack of regular maintenance.

Cross-border trade restrictions with China and the repercussions of the war in Ukraine are impacting

² World Bank (2022), The Impact of the War in Ukraine on Global Trade and Investment, <https://elibrary.worldbank.org/doi/abs/10.1596/37359>

³ <https://www.swift.com/news-events/news/message-swift-community>

⁴ <https://www.imf.org/en/Publications/CR/Issues/2021/11/29/Mongolia-2021-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-510086>



businesses and households – especially vulnerable groups, including rural/herder and women-headed households. This increased vulnerability could well hamper the implementation of Mongolia’s ‘New Revival Policy,’ approved in December 2021 in the wake of COVID-19. The President of Mongolia recently announced that enhancing food security and domestic food supply are the government’s highest priorities. These high-level objectives, however, face strong headwinds. Moreover, food prices and the cost of health and medical care services have increased significantly, adversely impacting nutrition for children, adolescents, and pregnant women.

The global supply chain disruptions, food and energy price shocks impacted households across Mongolia. When prices rose, vulnerable households were the first to cut essential non-food expenses such as clothing, household appliances, fuel, electricity, and transportation. To this extent, the living conditions of vulnerable households especially single-headed household family members worsened. In particular, children – who already lagged in education during the pandemic – faced further limitations on educational opportunities and intergenerational upward mobility.

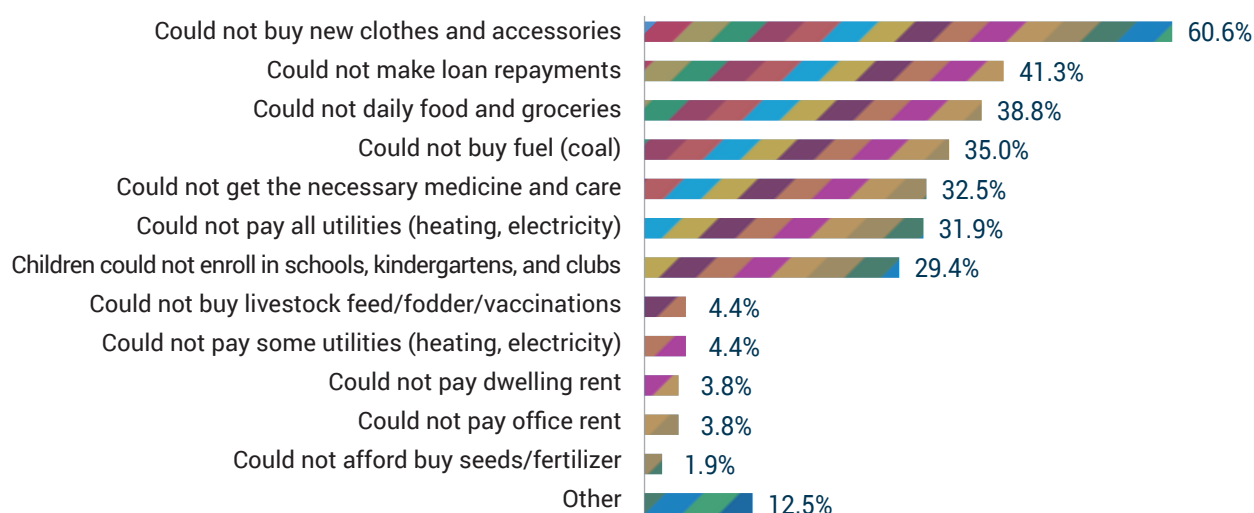
Impact on households

A survey-based impact assessment conducted by Economic Research Institute (ERI), commissioned by UNDP, revealed that the war in Ukraine has

pushed inflationary pressure through rising food and oil prices. According to the survey results, 67 per cent of households reported that their livelihoods had worsened since March 2022. The factors that affect deterioration in household livelihoods include low-income and food and fuel price increases. The household income of vulnerable groups was found to be insufficient. Indeed, 35 per cent of households could not even meet daily needs (Figure 1). Disaggregated by household type, households headed by a single parent with three or more children, households on food stamps, and households with disabled members were affected the most. Income insufficiency for everyday household needs was more commonly observed among female-headed households.

To meet expenditure needs, households started working more or sought new loans from banks and non-bank sources, and reduced their electricity and heat consumption. Initially, households cut expenses on clothing, household items, fuel, electricity, and travel. Vulnerable households also reduced their non-food consumption and consumption of staple foods such as meat, flour, and vegetables. For instance, 44.2 per cent households reduced their food consumption since March 2022. Households that experienced a decline in food consumption reported consuming cheaper or poorer-quality foods and cutting food portions or the frequency of eating per day for both adults and children.

FIGURE 1. Challenges faced due to the decline in household income, by per cent



Source: Rapid assessment of the impact of global crisis on households and businesses by ERI, November 2022



In addition, vulnerable households increasingly borrowed food from stores. The situation, therefore, drove an increase in the risk of malnutrition among vulnerable households.

The poorest households, especially single-parent with three or more children and households with disabled members or members who need special care, have suffered the most as their expenditures decreased. For pregnant women and children in vulnerable households, access to basic nutrients remained challenging.

A related analysis by UNFPA reveals that supplies of iron and folic acid especially to the Mongolian pharmaceutical market have been disrupted, and this situation is likely to escalate due to the stock-outs. Therefore, their prices continue to increase and will likely increase for a while. Based on the rapid assessment findings, about 20,000 pregnant and lactating women have been affected by micronutrient deficiency, especially iron posing the risk of abnormal fetal development. The disruption in micronutrient supply for vulnerable populations, especially folic acid supplements, caused an extremely low supply of them in the Market. The dire situation is likely to escalate due to stockouts. Most Soum, Village and Family Health Centers (63.5 per cent) reported no availability of Multiple Micronutrient Supplements (MMNs) for women or children and 44 per cent of health centers had neither A nor D vitamin stocks.

Impact on businesses

Since February 2022, the operations of small and medium enterprises have faced multiple challenges. The main reason is the lasting adverse effect of the pandemic. Difficulties included supply disruption, a shortage of human resources, and falling sales revenue, etc. In addition, due to the war in Ukraine, transportation through Russian Federation has been delayed. Around 44 per cent of the businesses interviewed reported disruptions in their supply chain since March 2022. In contrast, import and transit transportation from China, the leading trade partner of domestic businesses, has been slow due to its Zero-COVID policy that created difficulties for the manufacturing and trade sectors. Employees who were temporarily or permanently out of work due to strict curfews during the pandemic, especially young women, have been slow to return to work, thereby harming the recovery of such businesses as sewing, trade, and services.

The rapidly rising prices of raw materials hurt the operations of all enterprises. High inflation, on the one hand, increased business costs; on the other hand, reducing household purchasing power shrank market demand. Gasoline prices have increased the costs of businesses in the agricultural sector, remote areas, and those dependent on transportation. Moreover, there were many businesses directly affected by the war in Ukraine. In addition to fuel, the costs to farmers importing seeds, fertilizers, machine equipment, and spare parts from these two countries would increase significantly. As a result, the cost of grains and vegetables would also increase. In addition, companies that purchase goods and raw materials from these countries faced supply interruptions and payment delays affected by the SWIFT ban against Russian Federation banks.

Overall Impact of War in Ukraine

Given the overall performance of foreign trade and gross domestic product in 2022, there are no strong signs that the war directly impacts the economy of Mongolia. The country imports fuel and electricity supply mainly from Russian Federation; the flow has been uninterrupted and there has been no delay in the transfer of related payments. In addition, the export and import of other goods and commodities such as consumer goods are less dependent on Russian Federation.

In terms of policy recommendations, the interconnected nature of the political, economic, social and environmental challenges necessitates a multidimensional and well-coordinated approach to accelerate progress towards the sustainable development. The analysis suggests that in the wake of continued crises, the government shall focus on prevention, and resilience and make equitable economic policies. Agriculture and food industry are at a higher risk hence needs government's intervention to increase food sustainability and availability through enabling environment by leveraging innovation and technology and food import substitution such as through domestic production. For just transition and reducing dependence on energy, government support is critical to mainstream alternative energy rather than individual private efforts. There is need for longer term solution for low-carbon transition in the energy sector that can reduce carbon emission. This can be done by repurposing the energy subsidies in coal sector and welfare policies that provide free energy universally.

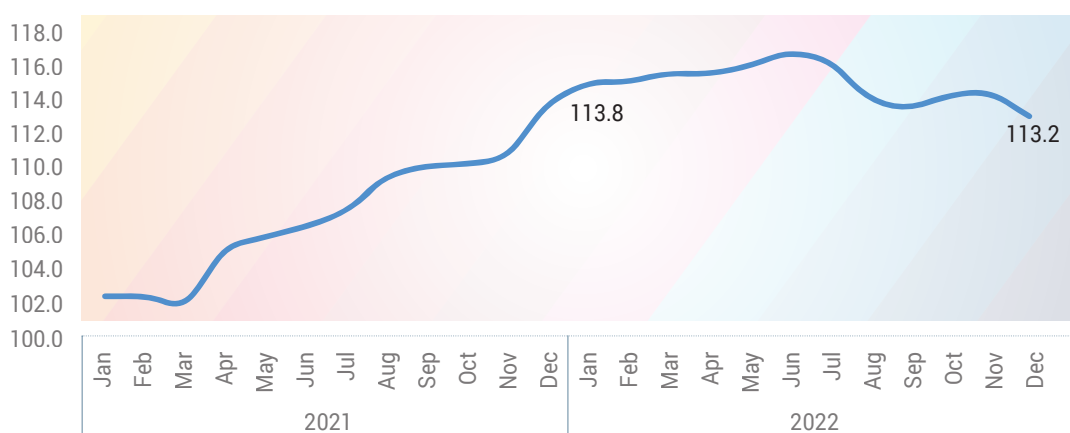
2.2 Economic and financial development

Despite the on-going impact of the COVID-19 pandemic and the war in Ukraine, Mongolian economy fared relatively well in 2022. The 2022 annual GDP of Mongolia grew 4.8%. In 2022, the total trade turnover reached USD 21.2 billion, of which exports were USD 12.5 billion and imports were USD 8.7 billion, resulting in trade balance of USD 3.9 billion surplus. It is a strong growth compared to 2021: the total foreign trade turnover increased by USD 5.2 (32.1%) billion; exports increased by USD 3.3 (35.7%) billion and imports increased by USD 1.9 (27.2%) billion. While a strong recovery of trade is a welcoming development, it delineates a narrow base of the Mongolian economy, heavily depending on export of minerals to limited number of trading partners and calls for an urgent need for economic diversification.

Recovery of Mongolian economy in 2022 is also shown in increase of gross industrial output, which increased by Mongolian Tugrik (MNT) 4.8 trillion (25.7%) from 2021, reaching to MNT 23.3 trillion in 2022.

While overall economic performance of Mongolia improved in 2022, economic life of households faced challenge with high prices, especially for those vulnerable households as pointed out in the findings from the impact analysis of the Russian Federation Ukraine conflict. Inflation, which started sharp increase in 2021, continued staying above 10 per cent throughout 2022, while it has shown a moderate decrease in the later part of 2022 (Figure 2).

FIGURE 2. National Consumer Price Index, by Per cent, by Month



Source: NSO, Monthly Bulletin of Statistics, January 2023)

Throughout 2022, depreciation of MNT against the United States Dollar (USD) has continued. By December 2022, MNT depreciated by 20% since the beginning of the year. On one hand, it makes Mongolian exports cheaper and attractive to international buyers; on the other, it is making imports dearer and have implications for Mongolia's economic recovery plans as the

country relies significantly on import of goods and services and energy supplies. The deterioration in the exchange rate is making the dollar stronger and investment in dollar denominated foreign assets more difficult due to an increase in interest rates. The exchange rate deterioration can impact Mongolia's ability to raise FDI for new investments, refinance its debt, and debt sustainability.



Foreign currency reserve has continued decrease until August 2022 as the Government intervened in the market to defend weakening of MNT. Foreign currency reserve has shown a moderate but

steady increase in last several recent months of 2022, resulting in USD 3.4 billion as of December 2022 (Figure 3). The reserve level is enough only for four to five months' import.

FIGURE 3. Change of exchange rate (MNT to USD) and foreign reserve.



Source: NSO (1212.mn) and Bank of Mongolia

The years 2023-2024 are considered critical years for the government of Mongolia's foreign debt obligations/bond payments. The country needs to make payments on two bonds - USD 500 million for a sovereign Eurobond in May 2023 and USD 500 million for government-guaranteed bond issued by the Development Bank of Mongolia (DBM) in November. The interest expense of foreign securities scheduled to be paid in 2023 is USD 174.8 million. Altogether, in 2023, a total

of MNT 324.1 billion (of which MNT 119.3 billion for interest payments and MNT 204.8 billion for principal payments) will be allocated in the state budget for the repayment of loans lent through foreign loan funds.

In the first week of December 2022, the Bank of Mongolia paid its first sovereign bond the Chinggis bond in full. This shows an improvement in governments debt performance, a move that will



increase its credit rating and ability to likely borrow at a cheaper rate in near future when Mongolia needs to roll over a portion of its debt in 2023-24. Indeed, the Government managed to issue a new 5-year USD 650 million bond at relatively favorable terms, an 8.65-percent interest rate, which is 5.1 percentage points above the 5-year US Treasury yield.

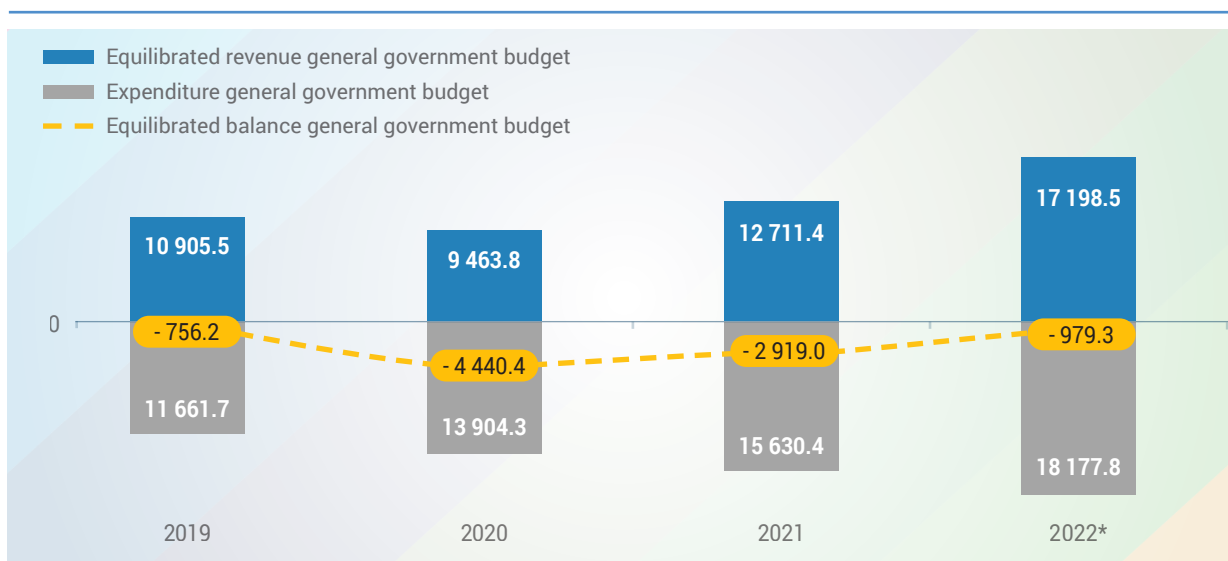
To better manage debt, the government of Mongolia has developed the “Government Debt Management Strategy Document for 2023-2025” having six main goals, which include: 1) improving the social benefits and economic efficiency of projects and programs implemented by the government with foreign loan funds; 2) improving the government’s debt management system and bringing it into line with modern trends to introduce derivative instruments in debt regulation activities in order to prevent market risks in the government’s debt portfolio; 3) supporting the development of the government’s domestic securities market and regularize securities trading; 4) guaranteeing long-term economic goals of Mongolia by guaranteeing government debt for major state strategic projects, supporting private sector companies, and limiting the risk of potential liabilities; 4) improving the transparency of government debt management; and 6) debt regulation measures.

According to preliminary data, the 2022

government budget balance ended with a deficit of MNT 979 billion, significantly reducing deficit from the previous two years, which resulted from a better-than-expected revenue collection. As shown in Figure 4, total revenue reached MNT 17.2 trillion (about 32.5 per cent of the GDP⁵) whereas the total expenditure was MNT 18.2 trillion (34.4 per cent of the GDP) in 2022.

The 2023 budget has been prepared and submitted to parliament in October 2022. In the budget, the revenue of Mongolia’s 2023 consolidated budget is MNT 18.9 trillion or 34.7 per cent of GDP, the total expenditure is MNT 20.5 trillion or 37.6 per cent, and the budget deficit is reduced by MNT 833.7 billion to MNT 1.6 trillion or 2.8 per cent of GDP. In 2023, the total tax revenue is expected to increase by 25.2 per cent from the approved amount in 2022. In 2023 State Budget, the Government will finance MNT 6,317.8 billion (approx. USD 2 billion) in spending through distinctive funds. Almost 92 per cent of this spending is earmarked for the expenditure on Social Insurance, Social Welfare, and Health Insurance Funds, and the remaining 7.8 per cent, or MNT 491.6 billion, for expense on other items. The Support Fund for Vocational Education is estimated to be MNT 85 billion. It is pertinent to mention that vocational education is an important area which can help the workforce in learning new skills or reskilling in order to get back to work in the post pandemic recovery.

FIGURE 4. Government budget balance for 2022



Source: NSO, Monthly Bulletin of Statistics, January 2023

⁵ The 2022 GDP of Mongolia was MNT 52.9 trillion.



The budget sustainability and fiscal and monetary policy coordination remains a big challenge for Mongolia. At a recent seminar organized by the Business Council of Mongolia (BCM), the Bank of Mongolia (BoM) spokesperson publicly revealed that its estimates are not consistent with the Budgetary estimates of the Government as BoM

has prepared its estimates in advance of the government's proposed budget outlay, which is going to pose challenge for monetary and fiscal policy coordination. Lack of coordination can create uncertainty in the economy and may not help with achieving macroeconomic targets.

2.3 Energy challenges and opportunities

The global energy shock has exposed Mongolia's energy vulnerability due to its reliance on import for 90 per cent of oil and 20 per cent of electricity as well as economy's dependence on mineral and mining exports to China, of which 80 per cent is comprised of coal exports.⁶

Mongolia's demand for energy, both electricity and heating has been steadily increasing over the past several years, mainly due to population growth, economic development, and urbanization. However, Mongolia currently does not have sufficient generation capacity to meet its needs, and thus imports electricity from Russian Federation and also some from China. In 2021, total energy usage in the country was 9,775 GWh, of which only 81% was covered by domestic generation, mainly from coal thermal plants. To meet the electricity shortfall, 1,861 GWh or remaining 19% of electricity consumed were imported.

Although the share of renewable energy sources (RES) in Mongolian energy mix has been increasing, coal is still the dominant source of energy. Extensive coal mining activity and availability of cheap coal leads to continued use of coal for energy generation, while contributing to CO₂ emissions and negative environmental impacts. Energy related CO₂ emissions are one of the largest sources of environmental pollution.

In Mongolia, most domestic renewable energy resources remain untapped, mainly due to difficulties in accessing long-term commercial financing by renewable energy developers, as well as weak institutional and technical capacities of

the national grid companies and regulators. In this context, Mongolia's regulatory framework needs strengthening to achieve direct cost recovery and indirect (externality) cost recovery, attract appropriate levels of private sector participation and ultimately move towards a more sustainable and inclusive energy sector development path.

An analysis supported by the UNDP and the UNICEF suggest a need for just energy transition and building energy security and resilience by reappropriating carbon fuel subsidies, regulatory reforms, and introducing international standards for energy efficiency. Mongolia's coal power plants have lived their life and are overly dependent on part supplies from suppliers located in Ukraine and Russian Federation. The war in Ukraine has serious consequences for the supply of main and auxiliary power generation equipment as spare parts for thermal power plants are urgently needed in Mongolia. Additionally, there is a risk of failure in the safe and reliable operation of the energy system due to a lack of regular maintenance of outdated grids and distributions systems.

Continued focus on coal, especially at the expense of other more productive areas of the economy, has the potential to undermine long-term economic development and jeopardize low-carbon development. It should be noted that the current crisis could serve as a unique opportunity for a complete turnaround in energy development as an accelerated energy transition can set the country on a more stable and resilient sustainable development pathway over the long run.

⁶ Statistics is from the National Statistical Office's monthly economic bulletin <https://www2.1212.mn/BookLibrary.aspx?category=005> and the Bank of Mongolia's Statistics <https://stat.mongolbank.mn/?lang=en>



2.4 Political development

2.4.1. Constitutional amendments

In August 2022, the Constitutional Court of Mongolia issued Resolution No. 2 and repealed Clause 2 of Article 39.1 of the Constitution, which stipulates that the prime minister and no more than four members of the Cabinet may concurrently hold positions as MPs. The Constitution of Mongolia specifically forbids any further judicial review of a final decision made by the Constitutional Court. A special session of parliament confirmed the Constitutional Court ruling and formally made adjustments to the Constitution and the Law on Government structure and other laws. The Parliamentary speaker in his remarks expressed concerns about the Constitutional Court ruling but acknowledged that parliament had no right to change or reconsider it.

Based on this constitutional amendment, the Prime Minister reshuffled and made new posts in his cabinet on 30 August 2022, in a bid to revive the country's economy. The reshuffle aimed to intensify the implementation of the New Revival Policy, which covers reforms in ports, energy, industry, green development, and government productivity. The new cabinet, made up of 21 ministers in addition to the Prime Minister, included four general functional ministries and 12 sectoral ministries. In addition to 16 ministers, Cabinet now has a deputy prime minister, and

other 5 ministers including the head of the Cabinet Secretariat, head of the State Committee for Port Revitalization, head of the State Committee for Reducing Traffic Congestion in Ulaanbaatar and head of the State Committee for Physical Education and Sport. There are 17 ministers holding dual posts in Cabinet and Parliament in the cabinet.

Simultaneously, on 29 August 2022, the State Great Khural passed Resolution No.54 providing guidance to the Government of Mongolia on the development of further proposals for the Constitutional amendments planned to be drafted and approved in 2022. The resolution directed that a draft of Constitutional amendments would be to ensure a proper balance between the legislative and executive powers, to redetermine the number of members of Parliament representing the Mongolian people, and to guarantee the advanced electoral system in the Constitution of Mongolia. However, the government has not yet fulfilled this resolution's provisions within the year 2022. According to the President, Speaker, and Prime Minister's messages, it is clear that they will support implementing institutional and legal reforms for the parliamentary democracy. Thus, it is highly likely that the Constitution of Mongolia will be revised in 2023.

2.4.2. Peaceful demonstrations

The year 2022 witnessed significant political developments in Mongolia, which began in April with a youth-led protest. Peaceful youth protests "with no political connection" were staged in Sukhbaatar Square for 5 days in April 2022. These protestors demanded that the government do its main job, and the movement quickly became known as the "Do Your Job!" (Ajlaa khii) protest, while the participants complained about corruption, governmental inefficiency, injustice, debt burden, and inflation. They expressed a list of fifteen demands to the government, including measures to limit inflation, modify tax legislation, properly distribute credit, stimulate industrialization, and limit government powers and expenditures.

The Government responded to the demands of the youth. The Prime Minister appeared at the square and discussed with the demonstrators, stating that some of their demands, such as tax law and elections, are outside the cabinet's competence and should be debated in parliament.

On Sunday 4 December 2022, demonstrations seeking accountability against the alleged embezzlement of a large amount of state revenue by illegally selling coal began at Sukhbaatar Square. A major focus of the demonstration was the revelation of as much as USD 12 billion of possible revenue loss from coal exports to China, the cornerstone of the Mongolian economy.



The demonstrators urged the government to name those responsible officials for at least 385,000 tons of coal unaccounted for between 2013 and 2019. The government said in October 2022 that it had discovered the missing coal after comparing Mongolian export data with import data reported by China, its main buyer. The findings have fueled further resentment over surging living costs and inequality that had already triggered protests earlier this year. On Monday 5 December, demonstrators tried to storm the State Palace. On that day, it was estimated that about 8,000 demonstrators gathered. Since then, daily protests have persisted, but the number of participants has diminished over time.

As there was no obvious leading organization among the demonstrators, they have diverse demands and calls. Initially, the demonstrators demanded the disclosure of the case and the names of those involved in the coal theft case, followed by the resignation of the government, the dissolution of parliament, and a number of other demands. The extraordinary session of Parliament was convened on 5 December evening; after hearing the relevant institutions' reports, it was determined that there was no need to declare a state of emergency.

According to the Prime Minister, law enforcement agencies have run a large-scale inspection to resolve the issue. Currently, a special regime has been formed for the Erdenes Tavan Tolgoi, which holds mining licenses for the Tavan Tolgoi coal deposit, the largest in the country, and other 2 major companies. The Anti-Corruption Agency publicly stated about the ongoing investigation into coal theft. So far, there is evidence that executives at "Erdenes Tavantolgoi" and "Tavantolgoi Railway" have taken bribes and amassed unearned wealth through the awarding of contracts, the illegal crossing of state borders, the issuance of "C" permits for international cargo transportation, and the construction of railway buildings. The Speaker issued an order to constitute a Parliamentary temporary inspection committee on the coal theft case. On 21 December 2022, a parliamentary public hearing over the coal theft was held.

These protests, usually referred to as "youth demonstrations," was highly notable because youth in Mongolia had been the least politically active demographic section historically.



Youth raised their voice at the peaceful protest, 2022. Photo credit: B. Ireedui / Noise Art Media

2.5 New government policies

2.5.1. New Revival Policy

In December 2021, the State Great Khural ratified the New Revival Policy, a post-pandemic recovery effort aimed at offsetting the economic contraction brought about as a result of the COVID-19 pandemic and related nationwide containment measures. The policy aims to stimulate economic stability and growth through increasing foreign and domestic investment, strengthening public-private partnership, and implementing fiscal reforms, also building a foundation for the successful implementation of Vision 2050. By ramping up development efforts in six recovery areas: trade, border and ports, energy, industrialization, urban and rural recovery, green development, and efficient governance, the policy is expected to double Mongolia's GDP per capita, create over 285,000 jobs, and increase labour force participation to 65 per cent by 2025.

The main purpose of the Port Revival Policy lies in increasing the capacity of the country's dry ports, land ports, and airports, and expanding the highway and railway system to improve intraregional competitiveness and facilitate international trade. This outcome is expected to contribute to the Industrial Revival Strategy, which seeks to develop mining and agricultural plants and expand the digital economy for export diversification.

The Energy revival strategy intends to reduce Mongolia's dependency on energy imports

through the development of a high-voltage transmission line and a natural gas pipeline connecting Russian Federation to China through Mongolia. Under this strategy, Mongolia seeks to invest into more sustainable forms of energy, including hydropower, feeding into the Green Growth Strategy, which will promote sustainable development in the country. The State Productivity Revival policy aims to improve governance and increase the state's efficiency through digitalizing services, strengthening anti-corruption efforts and increasing public-private partnership.

The successful implementation of the Port, Energy, and Industrial Revival strategies will serve as a foundation to the Urban and Rural Recovery strategy. In particular, the Urban and Rural Recovery strategy aims to not only accelerate local and regional development through developing aimag centers into independent cities, addressing the root causes of rural to urban migration, and stimulating reverse migration, but also alleviate the burdens induced by rapid urbanization in Ulaanbaatar. In addition, the policy identifies major projects to create local jobs and ramp up industrialization, including four meat processing plants, three power plants, a hydropower plant in Erdeneburen, oil refinery and copper smelting plants, highways and railways, and a natural gas pipeline connecting Russian Federation and China.

2.5.2. Regional development

After Mongolia transitioned to a free market economy, a new regional development policy was developed in the mid-1990s and the work has begun to rationalize the settlement of the population. For this purpose, in 2001, the State Great Khural approved the Concept of Regional Development of Mongolia. The mission of the Concept of Regional Development of Mongolia is defined as "to dismantle the current inappropriate aggregation of population and industry, reduce

the gap between urban and rural development, inequality and imbalance between aimags and regions, and to bring closer the development gap".

Within the framework of implementing the Concept of Regional Development, the State Great Khural and the Government have approved the following policy documents, which to some extent reflect the policies of population, settlement and migration.



These include:

- ▶ Parliament Resolution on Approving the Key Regional Centers, 2003
- ▶ Parliament Resolution on Approving the Medium-Term Regional Development Strategy until 2010, 2003 (expired)
- ▶ Law on Regional Development Management and Regulation, 2003
- ▶ Government Resolution on Approving the Development Programs for Western, Khangai, Central, Eastern and Ulaanbaatar Regions 2006-2015 (expired),
- ▶ Government Resolution on Approving the Master Plan for Urban Development to develop key regional cities by 2020, 2005

In addition to these documents, many aimag and local development policies have been adopted. Mongolia's long-term development policy Vision 2050 and the Government's Action Plan for 2020-2024 all include a full chapter on supporting regional and local development. Regional Development Targeted Program was developed within the Mid-term development policies of the Government of Mongolia, to which United Nations agencies have contributed in line with their respective mandates. The draft targeted program was prepared by the GOM and submitted to the Parliament for approval.

2.5.3. Digitalization

As a landlocked country neighboring Russian Federation and China, Mongolia has limited options to diversify its economy beyond the mining industry. Digital transformation is seen by the Government and the United Nations as one of the critical, potential accelerators for Mongolia to diversify economically and achieve the SDGs. In 2020, a standing committee for Innovation and Digital Policy was established by the Parliament. In 2022, the Ministry of Digital Development and Communications (MDDC) was established by the Government of Mongolia, replacing the Communications and Information Technology Authority (CITA). The Government of Mongolia (GoM) sees the Digital Technology as one of the leading sectors for development to enable the achievement of the SDGs by 2030. In October 2020, the E-Mongolia platform became successfully open to the public. As of 1 September 2022, E-Mongolia platform has completed 15 million public service transactions by 63 government organizations. The platform has now more than 1.5 million active users, which is more than 80% of total adult population in Mongolia. Thanks to the platform, citizens of Mongolia have saved 3,581 hours and MNT 47 billion (approx. USD 14.65 million) in 2021.

The Government of Mongolia is continuously working on improvement of the digital legal environment by passing laws on digital signature, cyber securities, personal data privacy and public information and transparency to contribute to SDGs achievements.

In September 2022, the MDDC and the UNCT in Mongolia organized the first ever Global Digital Dialogue, where over 35 organisations including governments arounds the world, development partners, International Financial Institutions, private sector, civil society joined, and unpacked the different layers of digital transformation and exchanged opportunities, challenges and solutions for implementing digital transformation in a country to help accelerate the Sustainable Development Goals (SDGs).



2.5.4. Food Security

In October 2022, President of Mongolia has initiated the “National Food Security Program” to achieve self-sufficiency in 19 food products out of which 12 are vegetable driven products and 7 are livestock driven products.

Mongolia is severely affected by the number and intensity of extreme events—especially droughts, which are growing, with largest impacts on the poorer population employed in agriculture. At the same time, nutrition security remains out of reach with the co-existence of multiple forms of malnutrition, including obesity. The Mongolian pastoral culture is important to consider in balancing nutritional requirements, health risks, economics, sustainability of food production, including greenhouse gas emissions. While linkages between climate change and food security are increasingly understood, in particular the direct impacts of climate change on crop yields, associated higher food prices, and increased costs of healthy diets resulting in higher levels of malnutrition, other linkages between climate change and nutrition have been barely studied. The linkages between climate change and nutrition is key to developing effective interventions to ensure food security of the population despite adverse climate outcomes.

In order to have a better and more comprehensive understanding a joint study was conducted in 2022 by FAO, UNICEF and IFPRI. The main conclusion of the study include:

- ▶ Mongolia’s projected warming is far above the global average and could exceed 5°C by the end of the century with potentially large impacts on rural livelihoods, diets and nutrition. The country’s traditional diet is a product of environmental constraints that have historically limited fruit and vegetable availability, particularly in rural areas in which diets remain mainly based on red meat, refined wheat flour, dairy products, and potatoes. In urban areas, Mongolia’s rapidly globalized food environment, increasingly sedentary lifestyles, and inadequacies in non-communicable disease prevention policy have led to an obesogenic diet that compounds nutritive

deficiencies of the traditional cuisine and has led to rising rates of cardiometabolic disease. Climate change is expected to worsen existing nutrition-related risks in the country through higher temperatures, increased intensity and frequency of climate extremes, and growing water scarcity and pollution and air pollution. These impacts will further challenge rural livelihoods, grow dependency on food imports, and challenge rural transportation and food storage.

- ▶ Long-term strategies for addressing nutritional deficits in Mongolia will therefore require a multi-pronged approach that improves rural dietary diversity and boosts demand for healthy foods in both urban and rural areas, without exacerbating overweight. Pro-active climate-sensitive production and imports of food, improved storage and transportation to rural areas are important to address climate change impacts on diets and food security. To address the substantial number of climate change-nutrition risks in Mongolia, a series of investments, policies and institutions are proposed.

In the context analysis of the FAO Mongolia Country Framework, it is stated that Mongolia is self-sufficient in meat and potatoes, however, it produces only about two-thirds of its needs for other vegetables, which are imported during the offseason at higher prices. For the government, increased vegetable consumption for better health is a priority. Annual per capita non-potato vegetable consumption rate in 2021 was about 45 percent below the recommended national rate. This suggests growing opportunities for intensification and diversification of domestic vegetable production for import substitution.

Food safety is an emerging issue in Mongolia and a primary concern for national food security and health. During 2020-2021, registered cases of communicable diseases rose by 7.5 percent. Of the 45,232 cases in 2020, 20 per cent were gastrointestinal diseases and 0.6 per cent were zoonotic infections. The focus of food safety concerns is on livestock products, as they comprise 80 per cent of Mongolia’s agricultural production.



2.5.5. Transforming education

Mongolia has welcomed the call to action of “Transforming Education” initiative launched by United Nations Secretary General. The Minister of Education and Science has taken the responsibility as the national convener. During the period of June to July 2022, the Ministry of Education and Science (MoES) has organized 6 national consultations, with the support of UNRCO, UNICEF and UNESCO, participated by 631 individuals representing youth, academic community, private sector, local NGOs, mass media and government. As a result of the national consultations, National Statement of Commitment has been drafted and submitted to the Transforming Education Summit Secretariat

on 15 August 2022, indicating Government’s renewed commitment towards accelerating SDG 4 progress and achievement in Mongolia.

During the Transforming Education Summit (TES) held in New York in September 2022, the MoES, in partnership with UNICEF and UNESCO, has successfully organized the Solutions Day side event on “Reimagining learning through digital transformation and partnership”. Mongolia was acknowledged as one of the champion countries of the “Gateways to Public Digital Learning” initiative launched by UNESCO and UNICEF during the TES.

2.5.6. Reform of healthcare financing system

In 2022, Mongolia’s healthcare financing system shifted from an input-oriented model to an output-oriented performance-based model with support from ADB. The shift resulted in establishment of the mandatory national health insurance scheme, introduction of more efficient payment mechanisms, pooling of the main sources of health-care funding, and establishment of the single-purchaser system for health services⁷. This creates stronger competition among health facilities as clients are now able to choose the facilities where they would like to receive the services.

Yet, as the ADB paper indicates, challenges remain to improve the overall efficiency and effectiveness of Mongolia’s health-care financing system, such as continued underfunding of health care, high out-of-pocket expenditure by households, and insufficient funding allocated for primary health care.



⁷ <https://www.adb.org/publications/health-care-financing-reform-mongolia>



2.7 New and revised legislation

On 1 January 2022, 16 new laws, including the revised Labour Law, the Law on Mongolia's Administration and Territorial Units and Their Management, the 2022 Budget Law, the Law on the Legal Status of Ulaanbaatar City, the Law on Culture, and the Law on Supporting the Cinematic Art, officially entered into force.

With the approval of the new labour law in July 2021, a progress was made to legalize fundamental principles and rights at work including prohibition of forced labour and child labour, non-discrimination such as equal pay for work of equal value and freedom of association and collective bargaining. The law has extended its coverage and has started regulating newly emerging labour relations, such as working in rosters, in distance, on call, platform work, etc. The law also prohibits all types of violence and harassment at work. Result from almost a decade of consultation of tripartite social partners of Mongolia, the new law was better aligned with international labour standards and would regulate newly emerging labour relations. The Parliament approved the Labour Migration Law on 24 December 2021, which prohibits charging the worker for mediation of services except the transportation, training, medical and visa-related fees.

The Parliament passed a law on 14 April 2022 to prevent price increases and shortages of essential commodities brought in by the global crisis and mitigate their effects. This law requires the government to consider its interventions in order to reduce inflation, financial limitations, and the increase in the price of meat, grain, and oil products. It requests that the Bank of Mongolia to reduce foreign exchange risks by granting meat, grain, and oil importers preferential access to credit. The Bank of Mongolia is also planning to expand gold purchases and restrict the export of precious metals and foreign banknotes as part of its efforts to control the exchange rate.

In accordance with the Digital Nations strategy, five laws, including the Law on Information Transparency, the Law on Protection of Personal Data, the Law on e-Signature, the Law on Virtual Asset Service Providers, and the Law on Cybersecurity, were approved by Parliament in 2021. On 1 May 2022, more than 30 legal acts were adopted in accordance with these laws,

which went into effect. The approval of these legal acts has given Mongolia the legal framework it needed to successfully transition to a digital society and keep up with the Fourth Industrial Revolution. For example, the Law on Cybersecurity aims at strengthening the systems and legal framework for cybersecurity operations and introducing new regulations on accessibility and use of information from the cyberspace. The new law also governs the coordination among actors in cybersecurity and in the cyberspace, thus influencing the support that the United Nations provides on this issue. The General Authority for State Registration (GASR) has been offering free electronic signatures to citizens in accordance with the Law on e-Signature in order to set up the framework for citizens to access public and banking services online.

The Law on Information Transparency regulates 68 kinds of information across five categories, while the Law on Protection of Personal Data specifies terminology like "personal privacy," "sensitive information," and "genetic and biometric information" in accordance with international best practices. Additionally, it controls how sensitive personal and biometric data are gathered, processed, and used for analysis and historical and scientific research. These rules govern the location and specifications for audio and video recording equipment as well as pertinent restrictions and bans. Additionally, it calls for the National Human Rights Commission of Mongolia (NHRCM) to keep an oversight on how the law is being applied, paying particular attention to the security of personal data, making the necessary requests, and formulating recommendations for government organizations.

The Law on Virtual Asset Service Providers establishes a framework for a financial service provider's exemption from VAT, tax income from sales and services, and imposes fines on those who break the law. According to the Law on Cybersecurity, all government agencies must undertake risk assessments of legal entities' cyber security, provide specific hardware and software, run digital analysis labs, and examine projects and programmes that will be carried out with the aid of loans and grants.

2.8 Development in gender equality and situation of women

The newly formed Cabinet in 2022 has 21 ministers, but only three of them are women, namely the Minister of Foreign affairs and the Minister of Culture, who are continuing to serve in their ministerial positions, and the new Minister of Ports. Mongolia has 21 provinces, and only one has a female governor. Former Head of the Prime Minister's Office has been elected as the governor of Khovd province, making her the first-ever female governor. Since the administrative changes in 1931, it was the first case that a woman has been appointed as the governor of the province. There has been an increase of women in senior management positions in the civil service now at 21% compared to 8.3% in 2016.

Despite some positive progress, the persistent patriarchal culture still remains as a challenge. Two female ministerial officials departed from their positions in 2022, including the Minister of Labor and Social Protection who was removed due to some remarks she made at an event and the Deputy Minister of Digital Development and Communications who resigned after her statement in an international event. Female politicians are exposed to more harsh and unfair judgement and openly discriminated against and abused on social media.

In 2022, the Government has recognized the importance of cross-sectoral coordination and collaboration towards implementation of the laws, policies and programmes in gender-sensitive manners as well as monitoring their practical impacts from gender mainstreaming perspectives. In this connection, the Government adopted the cross-sectoral strategic plan for promoting gender equality for a ten-years of period (2022-2031).

In November 2022, the "KHUN" party, made its "KHUN 50/50" policy to ensure equal gender ratio of all its candidates at all levels in upcoming elections. The ruling party MPP also announced that it was developing a draft policy for gender equality for the first time among Mongolian

political parties and called on other parties to join this initiative. With UNDP's technical support, a total of 12 political parties (3 with seats in the parliament) conducted gender self-assessments in 2022 to understand the extent to which their political parties have established internal gender equality mechanisms, whose score was between 40-59%, indicating that implementation of the mechanisms was not prioritized. Work is ongoing for the revision of the Law on Elections to advocate for the inclusion of the increased 35-40% women candidate quota to make the electoral system fair and just for women, which is expected to be submitted to the parliament by June 2023.

The Special Rapporteur on violence against women, its causes and consequences conducted an official visit to Mongolia from 29 November to 8 December 2021, at the invitation of the Government. The main objective of the visit was to assess the situation of gender-based violence (GBV) against women in the country, as well as the laws, policies and services to prevent and combat it, in order to provide recommendations to strengthen the efforts and fully implement the international obligations of Mongolia relating to violence against women and women's human rights. The Rapporteur released a report⁸ on her mission to Mongolia with several recommendations to guide the actions of the Government of Mongolia towards strengthening its response to GBV, including 1) harmonizing national legislation relating to gender-based violence with the international human rights treaties and principles such as the Law on Combating Domestic Violence (LCDV), the criminal code and the law on combating trafficking in persons, 2) devising legislation that effectively tackles the issues of workplace harassment, online violence and obstetric violence, 3) taking a woman-centred approach in designing and implementing policies that are aimed at preventing and responding to gender-based violence against women, 4) expanding opportunities for protecting victims of gender-based violence, etc.

⁸ <https://eur02.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.ecoi.net%2Fen%2Ffile%2Flocal%2F2073536%2FG2232356.pdf&data=05%7C01%7Csuvd.bold%40un.org%7C525946d07726443d350608db3a492adf%7C0f9e35db544f4f60bdcc5ea416e6dc70%7C0%7C638167858137933011%7CUnknown%7CTWFpbGZsb3d8eyJWljoImC4wLjAwMDAilCJQljoiv2luMzIiLCJBTil6lk1haWwiLCJX-VCI6Mn0%3D%7C3000%7C%7C%7C&sdata=Ny%2B3PQq42CY9zVYfs69Fvd2e9EC6XMLcYvQYGGGrK45Y%3D&reserved=0> www.ecoi.net



2.9 Participation in international treaties

Mongolia recently joined two United Nations treaties on digital trade facilitation to improve trade efficiency through digitalization. Mongolia joined the Convention on the Use of Electronic Communications in International Contracts (Electronic Communications Convention)⁹ in December 2020. The Electronic Communications Convention aims at facilitating the use of electronic communications in international trade by assuring that contracts concluded and other communications exchanged electronically are as valid and enforceable as their traditional paper-based equivalents. While Mongolia is a party to the Convention, more awareness raising and capacity building on its implication should be provided to relevant national stakeholders, so that it can be fully utilized by them. At the same time, the current Electronic Signature Law of Mongolia may contradict the principles of the Convention, in particular technological neutrality. The Convention is relevant to achievement of SDGs 8, 9 and 17.

Mongolia also joined the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific (CPTA)¹⁰ by acceding to it on 27 July 2022. The CPTA is a United Nations Treaty for accelerating the implementation of digital trade facilitation measures for trade and development. By joining the CPTA, Mongolia has a political commitment for moving towards digitalization of trade procedures domestically and across borders. Mongolia would have more opportunity for technical assistance and capacity building in

trade digitalization. The Mongolian government should take advantage of the CPTA by actively participating in its implementation. At the same time, the United Nations Mongolia should provide support to Mongolia in improving its readiness for CPTA implementation, in cooperation with development partners. The CPTA is relevant to achievement of SDGs 8, 9 and 17.

Mongolia as a Party to the Vienna Convention¹¹ and the Montreal Protocol on Substances that Deplete the Ozone Layer¹² has ratified all amendment to the Montreal Protocol, including most recently the Kigali Amendment to the Montreal Protocol¹³ in July 2022. The country is thus now compliant with its obligations under the Montreal Protocol and is on target to achieve a full Hydrochlorofluorocarbons phase-out by 2030.

Mongolia acceded the United Nations Convention against Transnational Organized Crime (UNTOC)¹⁴ and its three Protocols in 2008, and it recently underwent the review mechanism for its implementation, which started in November 2021. Mongolia has also signed and ratified the United Nations Convention Against Corruption (UNCAC)¹⁵.

⁹ https://uncitral.un.org/en/texts/ecommerce/conventions/electronic_communications

¹⁰ <https://www.unescap.org/projects/cpta>

¹¹ <https://ozone.unep.org/treaties/vienna-convention>

¹² <https://ozone.unep.org/treaties/montreal-protocol>

¹³ <https://www.unep.org/ozonaction/resources/factsheet/kigali-amendment-montreal-protocol-hfc-phase-down>

¹⁴ <https://www.unodc.org/unodc/en/organized-crime/intro/UNTOC.html>

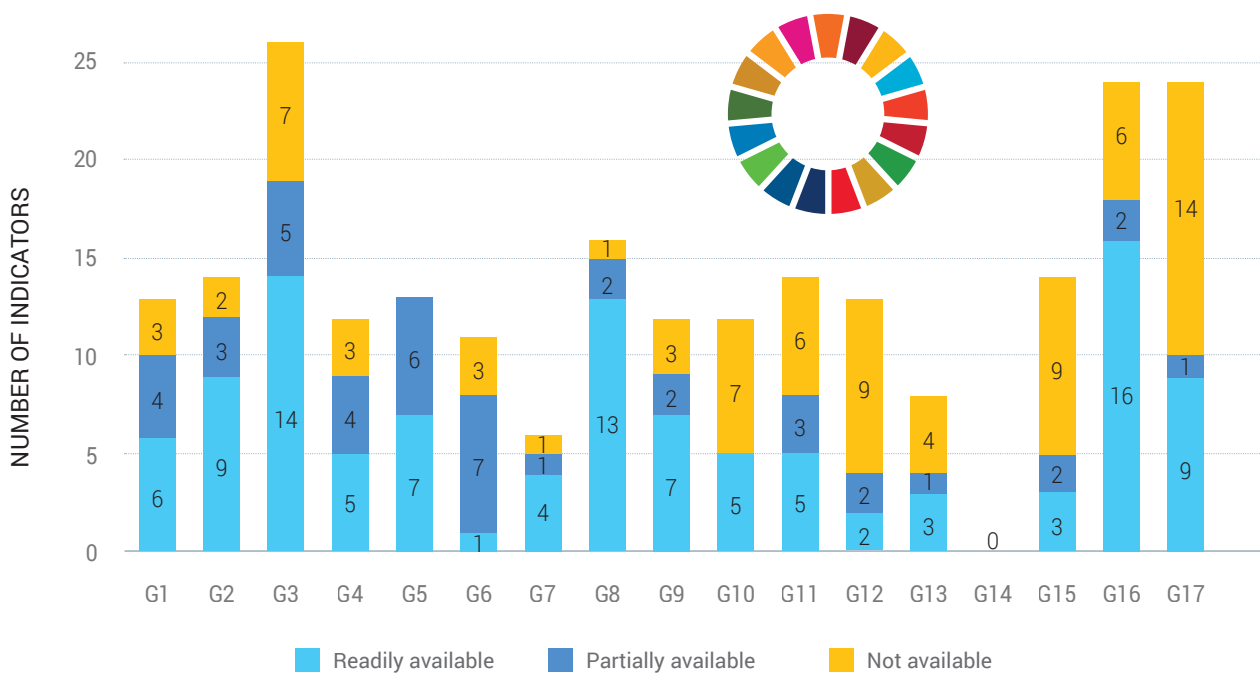
¹⁵ <https://www.unodc.org/unodc/en/treaties/CAC/>



UNRCO and the National Statistics Office (NSO) of Mongolia conducted a study on SDG indicator data gap analysis in 2022 by comparing the global SDG indicators with that of Mongolia and assessing data availability, disaggregation level, data source, methodology availability and time series data. According to the findings of the study, data is available for 154 indicators (readily

available for 109 indicators and partially available for 45 indicators). Data is missing for more than one third (78 indicators) of the total number of indicators. However, the missing data can be made available immediately for 33 indicators, while data can be made available after some time for 22 indicators and after having discussion for 21 indicators (Figure 6).

FIGURE 6. Data availability for indicators by goals



2.11 Other SDGs-related developments

2.11.1. Development of integrated national financing strategy

Mongolia as a forerunner in Asia and Pacific region has developed an INFS by July 2022 with financial support from United Nations under the Joint SDG fund and technical lead from the UNDP. Mongolia's National Committee for Sustainable Development (NCSDD) in its August 2022 meeting endorsed the draft Integrated national financing strategy (INFS), a key vehicle for mobilizing, aligning and leveraging resources for SDGs and Mongolia's sustainable development priorities. The INFS allows to leverage financial resources from both public and private sectors to achieve SDGS within the realm of Mongolia's development

vision; it seeks to limit duplication among existing policies and strategies. The INFS, developed for the timeframe of 2022-2025, is expected to bring systemic reforms beyond this timeframe; such systemic reforms are also expected to be embedded into subsequent revisions of the INFS and new sectoral strategies. The INFS aims to contribute to facilitating the implementation of the SDG-aligned medium-term development plan, "Five-Year Development guidelines for 2021-2025", within the framework of Mongolia's Vision 2050 and strengthening of its monitoring and review, governance and coordination mechanisms.

2.11.2. Environment Social and Governance (ESG) Reporting

In early 2022, UNDP and International Finance Corporation (IFC) supported the Financial Regulatory Commission (FRC) of the Government of the Mongolia to develop the Environment Social and Governance (ESG) Reporting Guidelines. The reporting guidelines for Mongolian companies provides an overview of global sustainability

reporting frameworks and trends, followed by an eight-step outline of how listed companies and other issuers can build the capacity to report on sustainability. The reporting guidelines also include a list of indicators that companies can select from to fulfill their sustainability disclosure requirements.

2.11.3. Update on Leave No One Behind (LNOB)

The 2021 CCA of Mongolia conducted a comprehensive LNOB analysis, whose findings remain valid. Findings from the in-depth analysis on impact of Russian Federation-Ukraine conflict and the Covid-19 pandemic suggests that their impact has been stronger for certain vulnerable groups. Pregnant and breastfeeding women were found to suffer from higher prevalence of anemia in the province of Bayan-Ölgii against the control groups in Dundgovi province, and selected districts of Ulaanbaatar. Across the 79 Soums, 44 per cent

of the health centres assessed had no vitamin A and D stocks, which are essential nutrition supplements for children and women, including MMN. Nearly 52 per cent of centres had MMNs for either women or children, but only 36.5 per cent had MMNs for both. Furthermore, it was found that income insufficiency for household daily needs is more commonly observed among female-headed households rather than male-headed households. Such impact on vulnerable groups has an implication of hampering achievement of SDGs.

2.11.4 Leveraging the voluntary national review of Mongolia in 2023

Mongolia prepared its first Voluntary National Review (VNR) in 2019 and presented it at the High-level Political Forum on Sustainable Development 2019. The VNR is a national follow up and review process of implementing the 2030 Agenda. Mongolia will prepare its 2nd VNR for 2023 and present its outcome at the High-level Political Forum on Sustainable Development 2023, which will carry out an in-depth review of Goals 6 on clean water and sanitation, 7 on affordable and clean

energy, 9 on industry, innovation and infrastructure, 11 on sustainable cities and communities, and 17 on partnerships for the Goals. The UNCT Mongolia has started supporting the Government of Mongolia in preparing its 2nd VNR in 2022, including collecting and analyzing data and twinning with other countries. The 2nd VNR would cover an LNOB analysis, which will provide an input for an LNOB update for the 2023 CCA update.



CONCLUSION

CHAPTER

3





Mongolia, despite the impact of COVID-19 pandemic and war in Ukraine, managed to achieve economic growth of 4.8 per cent compared to 2021, control the external debts and keep the government budget in a moderate deficit in 2022. However, economic growth heavily depended on contribution from the mining sector, further highlighting an urgent need for economic diversification. At the same time, continuous volatility of external economic environment demands better management of debts as well as fiscal and monetary policies, while harnessing inflation. Improving self-sufficiency in food and energy also remains as a priority.

On political side, a series of demonstrations illustrated an urgent need for improving governance, transparency and accountability in operation of the Government. While the Government has initiated several policies and new legislation to advance in social and economic fronts, they will only bring intended benefits when they are implemented transparently based on an accountable governance system.

On achievement of SDGs, Mongolia did not made overall progress except for Goal 1. There is also data gap to fix in SDG indicators for their improved estimation. Furthermore, the draft of National SDG Indicator Framework of Mongolia has yet to be finalized and approved by the Government. The Government should put in place and/or operationalize institutional

mechanisms for stakeholders consultation in achieving SDGs; as the NCSO was terminated in 2022, another government level mechanism has to be established urgently; the parliamentary level mechanism, Multistakeholder Council for Sustainable Development (MCSO), while established, has yet to operationalize itself with specific action plan and work items. At the same time, the instruments prepared for advancing achievement of SDGs, such as the INFS and the ESG Reporting Guidelines, should be implemented widely, which can be highlighted in the 2nd VNR and presented at the High-level Political Forum on Sustainable Development 2023.

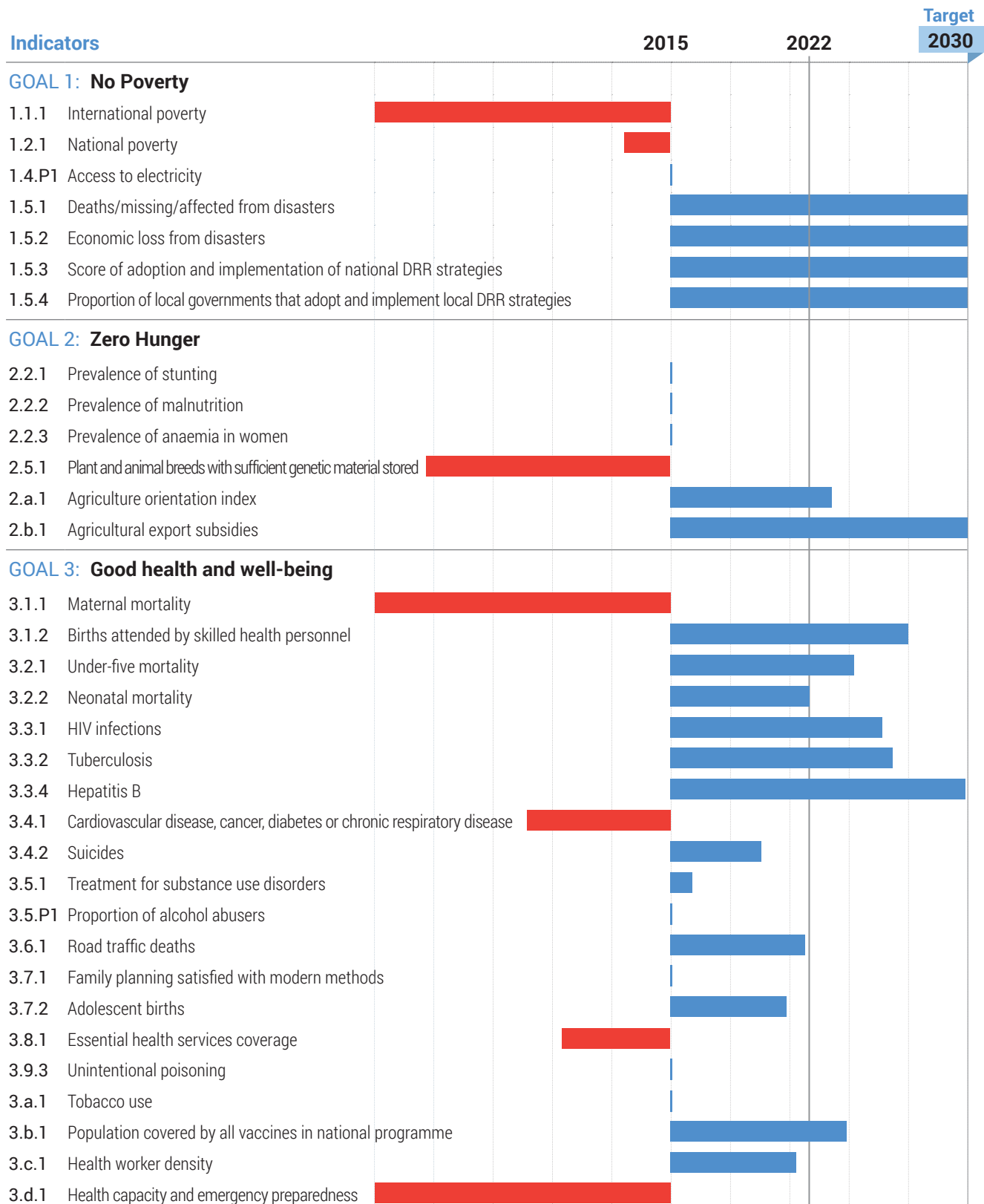
The UNCT prepared the UNSDCF 2023-2027 in 2022 and starts implementing it from 2023. The UNCT, results groups and thematic and programme support groups should take note of major developments identified in the 2022 CCA update, including new government policies such as the New Revival Policy, in implementing the JWPs of the UNSDCF for 2023 and developing the JWPs for 2024. At the same time, while findings of the 2022 CCA update does not identify a need for course correction in implementation of the UNSDCF, the UNCT should guide the inter-agency taskforce for CCA to closely monitor changing country context and new developments and provide updates to the UNCT regularly and timely for its necessary follow-up actions.



ANNEX

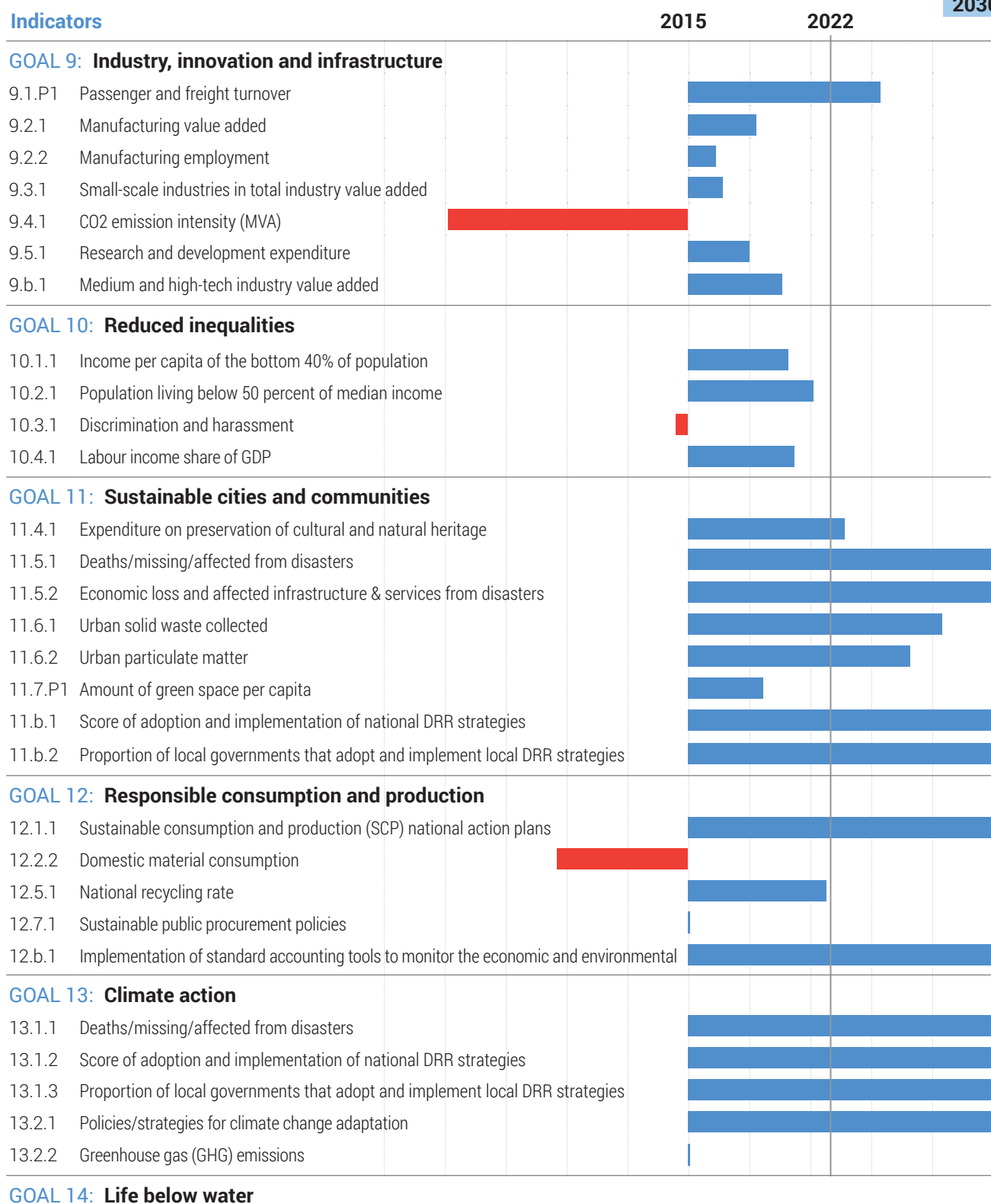


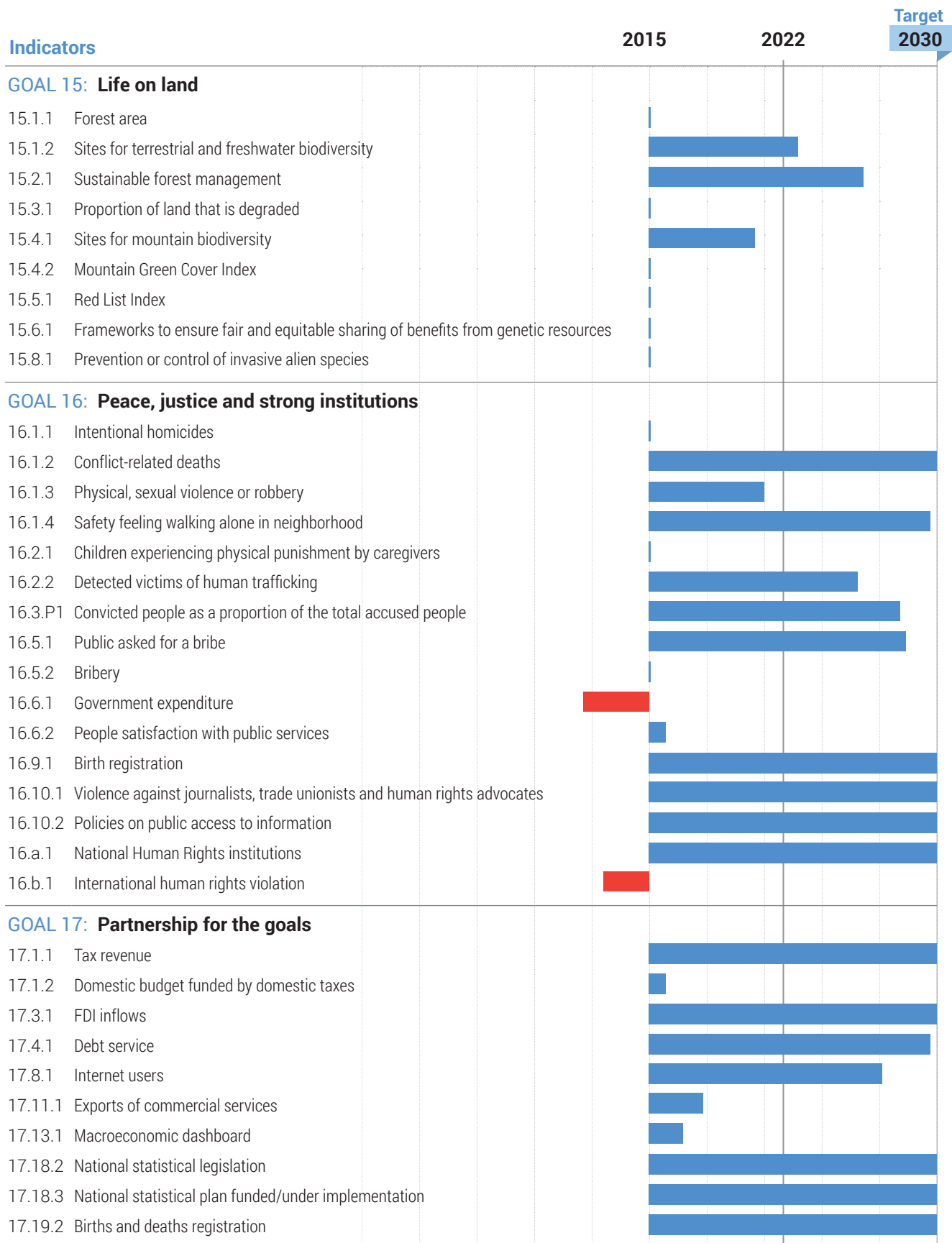
Mongolia's progress in achieving SDGs by indicators





Target
2030







LIST OF ABBREVIATIONS



ADB	Asian Development Bank
AMR	Antimicrobial resistance
BCM	Business Council of Mongolia
BoM	Bank of Mongolia
CCA	Common Country Analysis
CITA	Communications and Information Technology Authority
CPTA	Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific
DBM	Development Bank of Mongolia
ERI	Economic Research Institute
ESG	Environment Social and Governance
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
FRC	Financial Regulatory Commission
GASR	General Authority for State Registration
GBV	Gender-based violence
GDP	Gross Domestic Product
GoM	Government of Mongolia
IFC	International Finance Corporation
IFPRI	International Food Policy Research Institute
ILO	International Labour Organization
IMF	International Monetary Fund
INFS	Integrated National Financing Strategy
LCDV	Law to Combat Domestic Violence
LNOB	Leave No One Behind
MCS	Multistakeholder Council for Sustainable Development
MDDC	Ministry of Digital Development and Communications
MED	Ministry of Economy and Development
MMNs	Multiple Micronutrient Supplements




MNT	Mongolian Tugrik
MoES	Ministry of Education and Science
MOF	Ministry of Finance
MPP	Mongolian People's Party
NCS	National Committee for Sustainable Development
NGO	Non-governmental organization
NHRCM	National Human Rights Commission of Mongolia
NSO	National Statistics Office
RES	Renewable energy sources
SCVL	State Central Veterinary Laboratory
SDGs	Sustainable Development Goals
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TES	Transforming Education Summit
UNCAC	United Nations Convention Against Corruption
UNCT	United Nations Country Team
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
UNRCO	United Nations Resident Coordinator Office
UNSDCF	United Nations Sustainable Development Cooperation Framework
UNTOC	United Nations Convention against Transnational Organized Crime
USD	United States Dollar
VAT	Value-added tax
VNR	Voluntary National Review

COMMON COUNTRY ANALYSIS MONGOLIA

2022 UPDATE

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