

Mongolia Legal Framework Analysis: Highlights

This one-pager aims to provide a brief overview of the most notable features of Mongolia's national cooperative legal framework, based on the work of national legal expert and ICA member input. This analysis exclusively deals with the National Cooperative Law of Mongolia. The Legal Framework established by the National Cooperative Law of Mongolia is found in the following legislations:

1. Cooperative Law of Mongolia, 1995 (last revised in 2011)
2. Credit and Savings Cooperative Law of Mongolia, 2011
3. Civil, Commercial, and Family Law of Mongolia, 1994

Cooperatives in Mongolia are divided into two categories: (1) credit and savings cooperatives, and (2) all other types of cooperatives (example- consumer, production, agriculture, etc.). In Mongolia, cooperatives are categorized as non-profit organizations. As per the Taxation Law of Mongolia, cooperatives are taxed the same as other private for-profit business entities and partnerships. They are unable to perform certain functions, such as, issuing financial instruments like loans, industrial mining and so on.

Cooperative Friendliness: The cooperative legal environment of Mongolia is only limitedly 'friendly' to cooperative development. Some barriers which inhibit cooperative development are mentioned below:

1. Incompatibility of laws, such as cooperative and taxation law.
2. Lack of consistent governing body has made cooperative law hard to understand.
3. General cooperatives are currently regulated by the Ministry of Food, Agriculture and Light Industry. This is only suitable for agricultural cooperatives and hampers the development of other types of cooperatives.
4. Credit and savings cooperatives are regulated in a way that they cannot compete with commercial banks. For example, credit unions cannot advertise their services.

Key recommendations for improvement: Cooperative should be divided into two groups- non-profit social purpose cooperatives which are taxed as non-profits and for-profit economic purpose cooperatives which are taxed like businesses. They should be governed under a ministry with a wider scope, such as the Ministry of Labour. Credit and savings cooperatives should be permitted to function like banks, issue audits and insurance, and advertise their services.

Conclusion: Mongolia National Co-operator's Association (MNCA, ICA member) and Mongolian Co-operative Training and Information Center (MCTIC) are trying to strengthen their institutions to account for the unfavourable legal environment. They want to set clear cooperative standards to create a strong foundation for cooperative development; and be able to gather robust data and statistics for improving the current state of legal environment for cooperatives in Mongolia.