

# The state is calling the tune: ‘Should the Civil Society Applause for Funding?’

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## Context of Civil Society Engagements in Mongolia

The International assessments tell us that countries of the world have been [backsliding](#) from democracy for the past 25 years, concurrently lacking competencies to address key challenges that exasperate an inequality, spike corruption and stiffen a bureaucracy. But who is in charge of strengthening the democracy?

Often times we see replicated narratives about how much an independent civil society and media are needed to build a stronger government to protect the democracy as a fourth governance pillar. The democracy in Asia Pacific is becoming an important topic as tensions rise between the countries, intensifying the geopolitical uncertainties, competitions, territorial disputes in the South China Sea and Taiwan Strait, and growing regional arms race.

In light of these multifaceted dynamics, NGOs are being [recognized](#) as independent political actors, instrumental in setting transnational standards and rethinking the state building in multi-alignment.

## Is Mongolia an ‘oasis of democracy’ in Asia?

Former U.S. Secretary of State John Kerry once [described](#) Mongolia as an ‘oasis of democracy’ during his visit to Ulaanbaatar in 2016. His high-profile visit was part of the Obama administration’s ‘pivot to Asia’ aimed at straightening ties with the democratic partners in the Asia Pacific region. While the term is attributed to John Kerry, many other U.S. officials started to use this language to support Mongolia’s

'third neighbor' policy that aims at strengthening a diplomatic and economic relations with non-neighboring countries.

During John Kerry's visit, [Mongolia's democracy score](#) was 59 out of 100. Today, this score has dropped down by 20 points. Mongolia presents an intriguing subject of inquiry by the International community for the reasons that it is sandwiched between two autocratic world powers. Scholars offered both acknowledgement but also a skepticism on the democracy discourses of Mongolia for reasons that it is on a vulnerable yet strong democratic path.

But Mongolian democracy that was once demystified as an 'electoral democracy' has declined, placing it in a 'grey zone' between electoral democracy and autocracy for about 2 years in a row. According to [Variety of Democracy 2025](#) data, six countries in South and Central Asia are autocratizing, including Mongolia. The complexity of the challenges surrounding the building of a democratic state can be attributed to several factors: quid-pro-quo appointments at almost all levels of public office, a weak implementation of well-penned legislations, a lack of transparency, control, accountability, and consultative discussions which are all well-defined in laws. But the greatest factor that has played the ill-balance of the government, private sector and civil society was to ensure stages of development of the civil society and its enabling environment that is a combination of laws, rules and implementation as well as the government and social attitudes that support and promote the work of civil society. A linkage between the civil society and state is a broader topic to pay attention to in Mongolia.

Despite many challenges, Mongolia is a relatively stable democracy within the region. It is amongst the world's top [25 percent](#) in Elected Government and Freedom of Movement. A lot of it is due to a mostly women led-strong civil society in Mongolia that enabled local actors to ensure collaborative actions that increases the impact and mitigation of risks of reprisals for standing up to individuals or organizations.

## Understanding Civil Society in Mongolia

According to the definitions from international organizations and the domestic law interpretation, civil society organizations fall under the 'not-for-profit sector'. Mongolia, however, has yet to define its 'not-for-profit sector' in its Constitution nor in applicable laws. Absence of a proper definition leads to tremendous complications during evaluations from international organizations and assessments including the Financial Actions Task Force's ('FATF') Mutual Evaluation on which, further discussion will be elaborated later on.

The Civil Code of Mongolia states in Article 33.3 that 'The not-for-profit legal entities shall be established as a union, association or corporation'. Although, this clause has not defined what can be referred to as a 'not-for-profit sector', it certainly outlined but also limited the types of organizations that can be established within this sector.

Accordingly, civil society organizations in Mongolia are registered as unions or associations in the 'not-for-profit' sector.

The 1992 [Constitution of Mongolia](#) guarantees fundamental rights and freedoms, including a freedom of voice, expression, association and assembly, and press. The key law on civil society is the Law on Non-Governmental Organizations ('[Law on NGOs](#)') regulating establishment, operation, activities and dissolution of NGOs, adopted 29 years ago, in 1997. The Law on NGOs prohibits illegal restriction of one's rights, discrimination against association in CSOs, and constraining of civic liberty. Other laws ensuring principal rights to people and civil society organizations such as the [Law on Regulation of Protests and Demonstrations](#) (1994) regulates civic movements and demonstrations, the [Law on Legal Status of Human Rights Defenders](#) (2021) is on protection of human rights defenders, the [Law on Public Hearing](#) (2015) is on public consultations on decision-making processes, and the [Law on Legislations](#) (2015) ensures mandatory researches and deliberative consultations prior to administrative decisions. The Government is drafting the [Law on Whistleblowers' Protection](#) which is expected to be discussed by parliament during 2026 spring session after a delay of about 7 years.

Civil society organizations can work on any field without any restrictions. Mongolia does not ban any civil society organizations or call any organization as an 'extremist' and, allows anyone to establish and register a CSO, including on LGBTQI rights, rights of minorities, and even on political different views. Studies found less burdens in establishing and registration of civil society organizations in Mongolia compared to other countries. But, dissolving an organization can be burdensome, requiring different government offices' inspections and confirmations, involving the tax, state registration and court order implementation authorities altogether. Thus, CSOs leave an organization inactive once it has achieved purposes defined in their Charters. According to the state registration authority, there are 24882 CSOs defined as non-governmental organizations, foundations, unions, or associations have been registered but almost 12,000 of them are inactive but have not been deregistered. Accordingly, their activity and financial reporting compliance remains mandatory but non-compliant.

Laws and regulations freely allow anyone to establish a CSO yet, once it is established, unique challenges are faced in certain aspects of their operation that could lead to the independence of the entire sector.

## **Failed Reforms or Unsuccessful Efforts**

Mongolia has had heavy legislative reforms in the past, since the adoption of the democratic Constitution in 1992. But laws related to CSOs have not been revised to close loopholes or make contextual changes but have been modified many times to reflect changes made in other laws.

When examining the 860 [effective laws](#) of Mongolia from the open data for all legislations, 144 laws can be found that encompass regulations on some aspects touching the CSOs. The Constitution refers to the CSOs as the 'public organizations' but this term is used in only 4 out of 144 laws, while terms 'not-for-profit organization' or 'non-profit organization' are used in 15 laws, the term 'non-governmental organization' is used in 140 laws and terms 'civil society' or 'civil society organization' are used in 6 different laws. While some laws used 2 or more different terms simultaneously for CSO without definitions, others used just 1 term exclusively. This fact illustrates that CSOs in Mongolia are referred by 5 different terms in laws: 'public organization', 'not-for-profit organization', 'non-profit organization', 'civil society' or 'civil society organization' but, aside from the vague definition of the 'non-governmental organization', other definitions cease to exist nor are they concurrently referred to explain if other definitions and a definition 'non-governmental organization' are the same or relevant. Still, new legislations unremittingly and unsystematically use these different terminologies for the CSOs, without definitions, explanations or reference, with an 'expectation' that all be considered as the same.

144 laws that contain regulations on CSOs have 514 relevant clauses regulating their activities. At first glance, this gives an impression that the country does consider the importance of the civil society, ensuring their engagement in laws. However, if you look deeper, out of 514 clauses, 20 clauses impose some sort of restrictions on CSOs, 235 clauses impose liabilities and 279 clauses have ensured many rights to CSOs. Aside from restrictive and liability clauses, 279 clauses that give rights to CSOs stated mere proclamations such as "CSOs shall collaborate", 'the state shall promote CSOs', 'CSOs shall provide feedbacks and comments', or 'CSOs shall monitor', with unclear procedures on operation, selection, oversight, outcome of such collaborations and accountabilities from CSOs and the government as well as the public officials involved.

These 144 laws require CSOs to be in 41 different compositions, established under the state ministries or agencies. However, these compositions are referred by 32 different names such as the Consultative Council; National Council; Civil Society Council; Committee; Sub-Council; Ad-Hoc Council; Board; Working Group; Task Force; Commission; Committee, etc. Although, these bodies are established as compositions of ministries or agencies with alleged 'oversight' or 'consultative' purposes, election and criteria of CSOs for such bodies as well as their accountabilities and work transparency do not exist in laws or procedures. Such symbolic, non-transparent, ambiguous clauses often create incapable and affiliated CSOs as their activities, spending and outcome of cooperation are unclear.

Despite these paradoxical ambiguities, the Law on NGOs has achieved its purpose during the transitional period of the country from the socialism to democracy and was able to ensure the key principles for the CSOs –freedom of association, freedom of expression and freedom of assembly which are pillars of a democratic society.

To date, 31518 civil society organizations have been established in Mongolia, 24882 are still registered and those remaining were removed from the registration. Out of total registered CSOs, about 12,500 organizations are inactive. More than 86 percent of CSOs were established to 'to serve the public' and remaining 'to serve its members'. There are 90 international CSOs' branches or rep offices, 1612 funds, 12031 corporations, 546 religious organizations and 157 educational institutes out of which 59 are foreign invested civil society organizations. Although, CSOs operating in 19 different areas including on human rights protection, democracy, education, rights of marginalized groups, culture, science and research, health, gender, environment, etc., their activities are registered under a single code by the state registration authority due to a government's lack of technical capacity.

## Registered and Unregistered Civil Engagements

CSOs are one of the key pillars of a strong and participatory democracy and an efficient process to influence in policy and decision-making. Studies demonstrate that prior to technological development, art and culture (33.42%), painting (41.88%), video (18.72%), and civil society organizations (8.07%) were the main factors to engage and motivate people in civic activities while this trend has been shifted to be more inclined towards cyber association and assembly, engagements, participation as well as a freedom of expressions. There are civil society development stages where people associated voluntarily and organically, based on their views and beliefs, but it can create a legal entity such as NGOs, funds, associations, or unions if their purpose requires a long-term, sustainable activities and policy changes.

Hypothetically, the registration is a primary source of information based on which we must assess and improve the effective regulations, policies, and decisions pertinent to the civil society to create a favorable environment and strengthen their status. This includes interfacing with different databases for the purpose of classifying their activities to measure contributions within each sector; taxation adjustments such as tax exemptions or concessions for public activities; source of funding such as foreign or domestic, grants or donations, state or other funding; procurement; beneficial ownership and conflict of interest. The registration is still unproductive as a result of the state's inability regardless of spending a substantial amount in IT and human resources.

Although, the registration of any type of CSOs is legally allowed, unregistered CSOs are not regulated nor disallowed in Mongolia but also are unrecognized by both the public and the government. Such arrangement is formed voluntarily, either online or in physical form, with or without membership, operates on a non-profit basis, and not registered as a legal entity. Nonetheless, according to the major protests and rallies against the government in Mongolia that were organized since the COVID-19,

the most active and impactful ones were organized online, using the common platforms such as the Facebook and X (formerly Twitter).

In contrast, the 2019 constitutional crisis and 2024 parliament election promotions both used social platforms extensively. A network of fake Pages supporting political leaders' fake engagement stood out not just because of its volume, but because of an apparent innovation in how politicians acquired it. Thousands of fake likes and re-posts on Facebook and X came from fake or compromised user accounts. The population of Mongolia is just over 3 million with almost 2 million active Facebook users. It has now been announced by the regulators that 40 percent of the Facebook accounts are fakes. Such a high figure almost doubles the spread of 'fake news'. Facebook and X never investigated or took actions on fake accounts, which were making fake reactions to support politicians. The government's spokesperson's posts reached a record high fake likes and re-posts during the 2024 parliament election, leaving various speculations to analysts and media on origination and funding sources for troll farms.

With the intension to regulate some of related issues, on 18<sup>th</sup> of January 2023, the Mongolian parliament passed a '[Law on Protection of Human Rights on Cyber Space](#)' that allowed the state to regulate social media accounts and contents which later was vetoed by the President of Mongolia. Within a little over 48 hours after the draft proposal was submitted by the Minister of Digital Development and Communication to parliament, the law was passed giving no space and time for the public to get acquainted with the draft. Rationale behind initiating this law may have been different however this was considered as an attempt to restrict both registered and unregistered civic spaces and increase a state control over their free speech online.

In order to protect a civic space, there is a need to legally guarantee the right to freedom of association in the digital environment, enabling both registered and unregistered associations to be established to protect the rights of the public, their members, and specific groups of citizens which currently is missing.

On the other hand, laws need to be assessed every 5 years since its implementation pursuant to the Law on Legislations and need to be amended and revised based on a study and human rights' impact assessments. This procedure is missing not only for the Law on NGOs but also for all other laws.

## **Global Attempts to Narrow Civil Spaces has not Avoided Mongolia**

Mongolia made a transition to the free market and democracy in late 1989 from the socialist regime, where country was mostly overpowered by Russia in political and economic decisions. During the transition, the state has not fully privatized its properties and, a substantial amount remained with the state. The key management nomination and appointment at state-owned enterprises, together with the public

offices' have left the power to those who are in political control. As one of the results, selective tendering and procurement of government, mostly on studies and services by NGOs have become more susceptible, based on public officials' discretions.

As due diligence processes are missing and NGOs' beneficial ownerships are not verified by the government upon procurement for works and services, politicians backed NGOs started to fuel research and analysis in all sectors, often times inadequately developed. This has become a reason for some politicians and the Ministry of Justice and Home Affairs to [prematurely assume](#) that NGOs are vulnerable to corruption and conflict of interest.

Another attempt to shrink the civic space was initiated by the government between 2019 to 2023. The Ministry of Justice and Home Affairs started working on 3 separate laws on civic space under the title of 'a revision to the Law on NGOs'. These revisions [from 2021](#) left the Law on NGOs unrecognizable as the main contextual revision was intended with aims to shrink the civil space and increase the state oversight on CSOs' activities. The Government decided to drop 1 draft (draft Law on Not-for-Profit Sector) and continued with 2 laws (draft Law on Unions and draft Law on Associations) after protests from CSOs. The drafts were similar to replicas of post-socialist countries' legislations to shrink the civic space, name-shaming the CSOs as 'foreign agents' that are supposedly funded and promoted 'western ideologies'. According to drafts, CSOs were required to report the funding sources to the state and receive funding directly from the state council, established with objectives to select and distribute funds for civic activities.

The government's intention to abolish the term 'non-governmental organization' from all laws during the revision of the Law on NGOs and replace with the terms 'union' or 'association' was a rather disturbing detail to be noted as the International donor and grant-issuing organizations support only non-governmental organizations. UN Charter, Article 71 states that 'The Economic and Social Council may make suitable arrangements for consultation with non-governmental organizations which are concerned with matters within its competence...'. Furthermore, other international development organizations implement projects with and provide consistent support, grants or donations to 'non-governmental organizations' but assist 'not-for-profit organizations' with one-time support under a specific conditions and criteria for a specific purpose only. Therefore, upon abolishing this terminology, CSOs might have been left out without foreign funding or support.

Upon development of the justification for developing the draft Law on Associations and the draft Law on Unions to abolish the effective Law on NGOs, the Ministry of Justice and Home Affairs mentioned '...the research revealed that the registration of CSOs and their information are inadequate, lack of the state and public oversight on CSOs' activities as well as on their funding cause an incentive for CSOs to cover their activities to carry out economic activities, get involved in political actions, get pressured by foreign culture, trends and violent intentions, launder money, promote corruption, conflict of interest and other illegal activities and participate in funding

such criminal activities...'. Thus, all CSOs operating in the not-for-profit sector was deemed to have a high-risk promoting and funding corruption, conflict of interest and other criminal activities.

Although, upon weighty [protests and actions](#) against the draft laws by the civil society, drafts were suspended indefinitely, but CSOs remain appalling for their safety and security to be impartial from the state.

## Did FATF Recommended Shrinking the Civic Space?

Another justification for revising the Law on NGOs has [stated](#) that '...The revised Law on Non-Governmental Organizations were developed...in line with ensuring the implementation of the Financial Actions Task Force ('FATF')'s Recommendation 8...'. Publicly politicians and the ministry claimed that the FATF insisted such changes and if the government does comply, the country would be removed from the 'FATF's grey list' that identifies Mongolia has strategic deficiencies in anti-money laundering and counter terrorism financing frameworks.

Mongolia underwent the FATF Mutual Evaluations in 2011 and 2016. The predicate crimes were named in the report are: a) corruption; b) fraud; c) tax evasion and d) environmental crimes. Out of these predicate crimes, the government involved all CSOs in the 'corruption' and identified high-risk associated to money laundering and terrorism financing. As a member of a Asia Pacific Group ('APG') of the FATF, Mongolia is obliged to comply with FATF 40 Recommendations but failed each time during the assessment and [fall](#) under the 'grey list' in 2013 and 2019 as having strategic deficiencies in compliance of implementation of anti-money laundering and counter terrorism financing rules.

FATF does not define a 'non-governmental organization' however, in the context of risk-based measures, it has defined a 'not-for-profit organization' ('NPOs) in its Recommendation 8 which includes the non-governmental organization. FATF defines the 'not-for-profit organization' as a person, arrangement or entity that primarily engages in raising or distributing funds for charitable, religious, cultural, educational, social, or fraternal purposes, or for the carrying out of other types of 'good works'. Within the context of not-for-profit organizations, government needs to de-risk those NPOs and undertake enhanced measures identified as vulnerable to terrorism threats as [defined](#) in the Best Practice on Combating the Abuse of Not-For-Profit Organizations (Recommendation 8).

Since countries worldwide attempted to use FATF Recommendation 8 as a tool to shrink the civil society organizations, FATF developed a revised Recommendation in 2022 emphasizing that a) each country must develop their National Risk Assessment and based on the risk-based approach, countries must identify which NPOs are vulnerable to terrorist financing abuse, rather than applying regulations to the entire sector; b) take focused measures such as rules should be tailored to the specific risks

identified, ensuring they are proportional and not overly burdensome; and c) protect legitimate activities to prevent abuse (such as posing as legitimate, exploiting as conduits, or concealing fund diversion) without stifling the vital work of legal entities.

Mongolia has developed a National Risk Assessment on Money-laundering and Terrorism Financing in 2016, National Risk Assessment on Terrorism Financing and Proliferation of weapons of mass Destruction in 2018. Both documents assessed the risk of NGOs as to be the highest: the risk of NGOs vulnerable to terrorism financing at 62.5 percent and money laundering risk at 62 percent. But the reason and justification for such high-risk rating was not available anywhere. Moreover, Mongolia has basically listed all sectors identified in the FATF's 40 Recommendations as high-risk sectors. After the evaluation of Recommendation 8 by APG as 'Partially Compliant', the government used their National Risk Assessments evaluation of NGOs and attempted to shrink CSOs by automatically considering it as high-risk sector. However, the 2021 National Risk Assessment on Money-laundering and Terrorism Financing de-risked the NPO sector in general reducing the risk of NGOs as to be in low level: the risk of NGOs vulnerable to terrorism financing at 28 percent and money laundering risk is medium at 46 percent due to consideration of religious organizations and funds' basic vulnerabilities. Not long after the latter National Risk Assessment, Mongolia has become the first country in Asia Pacific to meet the requirements of the FATF's Recommendation 8 on NPOs with the 'Largely Compliant' status.

Although terrorism financing and money laundering risks and vulnerabilities are low for CSOs, other vulnerabilities still persist in relation to predicate crimes such as misuse of CSOs' funds, weak registration, deficiencies in monitoring, reporting and transparency systems, as well as weak legislative environment and fragile internal control.

## **Scarcity of Funding for the Civil Society**

Although fundamental rights and freedoms, including a freedom of voice, expression, association and assembly, and press are ensured in different laws of Mongolia, CSOs do not exercise specific policy supports. The Law on NGOs states that it is mandatory to spend the funding for the purposes to implement its Charter activities and, may be funded from a) membership fees and donations, b) donations from a third party, c) income generated from its economic activities and, d) loan, inheritance or state funding to implement projects. According to 2005 research, 59.5 percent of all NGOs have been funded by international organizations, 27.9 percent from private sector funders, and 12.6 percent funded by the income generated from their activities while in 2020, 28.9 percent were funded by the income generated from their activities, 18.6 percent from donations, 25.8 percent from foreign grants and remaining 26.8 percent from state funding. The statistics show that state funding has significantly increased.

The income and funding of the CSOs need to be diverse from multiple sources for the purposes to be stable and impartial from few funding sources. But perhaps the most significant challenge facing CSOs in Mongolia is a lack of core funding both from the external and internal funders. Most NGOs depend on grants from international donors or funding organizations to keep their operation running. Often times they have to make best endeavors to match funders' criteria rather than aiming at their own objectives and capacity building. Tight budget creates a domino effect of challenges to attract and retain capable human resources and hire mostly young, unqualified, inexperienced staff. Although foreign funds' efficiency is most likely audited by themselves, a quality of donor-funded projects is also questionable by many after all these years of spending.

The only policy support for the CSOs is defined in the [Law on Income Tax of Legal Entities](#). According to the law, a tax deduction for CSOs is allowed from the income spending for the purposes of exercising Charter-defined activities of NGOs. CSOs' income is mostly immaterial considering the economic activities of the public and private sector companies.

The government envisioned some other policy support to CSOs through the Law on Income Tax of Legal Entities, allowing companies to fund the public good activities. According to the 2024 changes, the law permitted income tax deduction equals to maximum 1 percent of total income of a legal entity that spent on social good works. Supposedly, this concession aimed at supporting active NGOs and their works by ensuring multiple source of funding on public good activities. But instead, companies started to setting up NGOs or transferred their fund to their affiliated NGOs to enjoy the tax exemptions. Majority of funding are spent on non-specific donation projects without any returns. State-owned enterprises' tax exemptions were spent on purchasing companies or funding government major projects under the title 'for public good'. A study to the Law on Income Tax of Legal Entities lacked a substantial research to study and analyze CSOs' environment and provide a support to their development. Moreover, the government lacked an awareness, during this legal change, to promote the social enterprise projects' funding that could strengthen the sector by boosting an awareness on distinctive understanding of the charity work, social impact deeds, voluntary works and civil society activities which are completely intertwined in laws and understanding without definitions.

Furthermore, NGOs increasingly contracting with the state to provide certain services and generating income from their activities. This makes a conclusion that NGOs are diverting from their purposes and working for the profit.

As of the external, foreign funding, upon the U.S. government's withdrawal from 66 international organizations, the already scarce funding to NGOs of Mongolia have faced more threats to their survival. Not only U.S. government funding and grants, but EU and other donors' funding also declined. Maintaining routine, day-to-day expenses is already difficult for CSOs and is not acceptable to be funded by foreign

donors and grant providers. Majority of CSOs are led by women over the age of 45 and having more than 15 people for staff is considered rare. Only 6% of CSOs with staff of over 15 people. While CSOs actively run Facebook pages, less than 11 percent maintain their official websites due to their lack of funding.

According to researches, a concerning fact has ascertained that the government-funded NGOs have increased at the same divergence as foreign funding has decreased in Mongolia since the COVID-19 pandemic. The state budget has increased 6 times over the past decade and, government organizations have increased their funding for the procurement, tendering and direct contracting for works, goods and services with NGOs for studies and services leaving no choice for CSOs to tightly work with the government while shifting their objectives to be in line with the government activities.

As the international funding severely lessened while government funding became accessible, even the most vocal CSOs steadily shifting to rely on the government's funds. It may become apprehensive to criticize the government and deliver constructive judgements from CSOs when their survival now hinges entirely on government.

Similarly, in procurement of the government service providers and tendering CSOs for the research, analysis and tasks based on contracts are opaque, selection is dubious without validation of efficiencies of previous tasks and verification of beneficial owners, and neglecting due diligence processes. Most of the services under 20,000,000 tuggrugs (roughly US\$5,600) is procured directly without tendering processes, based on public officials' discretions.

In addition to the above relapsing, when the government organizes public consultations, selective NGOs with a 'good' standing or a history of amicable collaboration with the state is involved in the process though it is mandatory to publicly announce about the consultation and call all CSOs and compulsory engaging the key sectoral CSOs, including the professional unions. Selected NGOs for the discussion are predominantly affiliated NGOs or those who supporting the state ideas without any confrontations.

To date, since the adoption of the democratic Constitution of Mongolia in 1992, total of 43 laws have been adopted in an 'expedited manner' but 30 laws have been adopted within the last 5 years. Using an 'expedited process' clause of the [Law on Parliament Procedures](#) (annulled in May 2024), the government started to load parliament with laws without prior studies, non-transparently, and neglecting the civil society and public consultations and oversight under the title 'to ensure the national economic security'. This process has violated the civic space as well as legitimate rights to receive the information on policy and decisions. The accountability for pushing such processes was not assumed by anyone from the government and the law which was used was annulled. The aftermaths of 'expedited

laws' are visible today. For example, laws that have been adopted in an expedited manner limit the ability of law enforcement organizations to implement the statute of limitation clauses related to the Politically Exposed Persons ('PEPs') in corruption cases. Moreover, appointing State Representatives at SOEs, using an ineffective [Law on Issuing Rights to the Government of the People's Republic of Mongolia](#) was another misuse of the process.

This process of adopting laws without studies and public consultations surely negatively affected the international assessments such as the Rule of Law Index, the Democracy Index and the Corruption Perception Index ('CPI'), where Mongolia is failing significantly since 2015. Mongolia's ranking of the CPI has dropped by 8 points and 52 ranks in the last decade.

## Accountability of Civil Society Organizations

CSOs are an important part of the societal development to protect rights and interests of social groups, assist in resolving social pressing issues, seek for positive consequences, prevent from human rights infringements, carry out an effective oversight to the government activities and provide constructive recommendations to ensure human rights and policy supports on the implementation and perfection of legislations. Since CSOs are one of principal actors in bringing international best experiences, approaches and know-hows to the country, it is important for them to be predisposed to demand changes from the government.

Pursuant to the Law on NGOs and [Law on Accounting](#), CSOs must submit their activity reports to the state registration authority and financial reports to the Ministry of Finance and tax reports to the taxation authority. Statistic shows that only 1.9 to 2.1 percent CSOs are reporting their activity reports to the state registration authority, 32 percent of CSOs file their financial reports to the Ministry of Finance and around 50 percent file their reports to the tax authority. Activity reports of CSOs are merely on an introduction level and lacking necessary information required pursuant to the clause 53 of the Law on NGOs.

Out of 22,882 CSOs in Mongolia, 50.2 percent are inactive. Still, the number of filing both financial and activity reports is insufficient by CSOs making them negligent towards their fiduciary duties. Such a low indicator leaves no space to praise CSOs for their accountability. Funds' activity reports must be open to public and NGOs must make their report transparent only if it says in the Charter. However, less than 11 percent of all CSOs maintain their official websites due to their lack of funding, it is oppressive to demand compliance to be transparent.

Furthermore, donors and grant providers request financial reports from CSOs upon their request of funding. One of the reasons why CSOs cannot receive funds from big

donors is also due to their inability to provide reports that meet their requirements and their language barriers to communicate with donors.

## What should CSOs do now?

**Civil Society Development Policy is required.** Sectoral policies contain certain aspects of CSOs' development separately but the sector does not have an exclusive policy. Because of missing the key Civil Society Development Policy, support and development of the sector has become uncultivated efforts deviating from the standards on overall governance and development of all sectors. But, this time, the Policy should be aimed at rather bigger challenges of the CSOs to ensure and effectively collaborate in strengthening a democratic governance and sustainable development of the country. CSOs continuously requested the government to refine the applicable laws to CSOs and adopt a Civil Society Development Policy. As the key development policy is missing, the CSOs are in a static position: not expanding, lacking the ability to strengthen its human resource as well as the financial capacities.

The state policy on CSOs must define development actions both in terms of regulations as well as independence and financial sources. This was assessed as 'risky' by the National Risk Assessments of Mongolia. Based on Civil Society Week in 2026, a Civil Society Consortium, comprised of more than 3000 NGOs has developed [an appeal](#) to the President of Mongolia U.Khurelsukh to adopt a Civil Society Development Policy as a last hope.

**Joint platform for CSOs should be created by the government.** Since the care funding for financial and human resource capacity is weak for CSOs to maintain individual websites and CSOs lack transparency and accountability in terms of transparency of activity reports and filing financial reports, the government need to create a platform for the CSOs to report and post news and events on civic space which may include a corner for their activity reports until further policy actions can be identified for the development of the sector and support CSOs to develop their own reporting mechanism.

**Policy support and resource capacity are required.** Policy changes aimed at promoting social-impact projects of CSOs by allowing the income of companies to fund the socially accountable projects through CSOs is required, rather than exempting taxes of economic activities of companies. However, knowledge and studies on social-impact projects are also inadequate in Mongolia further demanding a need for capable human resources to conduct quality studies to assess the current situation of CSOs, protect and defend the civic space in line with international standards including the FATF and by preserving the title 'non-governmental organization'.

**Assessment of laws is required.** The Civil Code definition of the not-for-profit sector need to be reviewed for consistency and compliance with international standards. The Civil Code has never been assessed pursuant to the Law on Legislations which must be done every 5 years. Furthermore, changes occurred in the society and economy of the country must be adopted into the laws upon assessment, including into the Law on NGOs and other sectoral legislations ensuring the independence and integrity of CSOs. Accordingly, different terminologies used for the CSOs need to be aligned consistently and CSOs' involvement in the government consultative bodies such as the Council and Committee, must be assessed and refined to be precise, effective, transparent, and with criteria.

Furthermore, the Civil Code of Mongolia includes a 'corporation' under the not-for-profit legal entities, together with the union and association. However, corporations carry out economic activities on a day-to-day basis, generating profit making businesses not intended for the public good. This business usually carries out lending businesses with a high commission and high interest rate. In fact, there is not a single corporation that carries out a not-for-profit activity in Mongolia but still, it remained as a not-for-profit organization for the reasons beyond comprehension of ordinary citizens who do not receive returns from this lucrative business. Even the legislative drafts proposed by the government to revise the Law on NGOs have not differentiated the government funds such as the sovereign wealth fund, future heritage fund, investment fund, social welfare fund, retirement fund, and health fund established for different purposes for an investment and return, from the not-for-profit sector's foundation established and run by CSOs.

**A sophisticated registration and statistics are crucial.** Although, all CSOs are registered, the registration is deficient to be used in assessment and further development planning. CSOs' activities must be segregated and registered separately for the purpose of refining assessments and enhancing rules for the tax and other concessions.

The development of a society was always based on collaboration. By collaborating, positive changes occur in the society and reach an elevated standard of wellbeing of communities. While some doors have closed for the international support, many challenges have been created within the closed borders, tapping new logistics. CSOs increasingly look for a cross-sector collaboration but lack the support from the government. However, when countries look inward to focus on domestic threats, much of it must be inclined towards preserving the civic space. Mongolia is not a single country facing democratic backsliding. But it certainly is the one without a development policy for the key sector that helps maintaining and preserving the democracy.

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