



POSITION PAPER

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THE AMERICAN CHAMBER OF COMMERCE IN
MONGOLIA /AMCHAM/

INVESTMENT CLIMATE SCORECARD



Strategic Assessment: BRIDGING THE IMPLEMENTATION GAP



Data integrated from the U.S. Department of State's 2025 Mongolia Investment Climate Statement (ICS), Asian Development Bank (ADB), the World Bank Mongolia Economic Update 2025, Transparency International's CPI Index, and direct feedback from our member companies.

The American Chamber of Commerce in Mongolia (AmCham) is pleased to present the **AmCham Investment Climate Scorecard 2026** (AmCham Scorecard) to provide a transparent diagnostic of Mongolia's current business environment.

While we acknowledge the government's efforts to digitize market entry and company registration through government agencies, such as the Investment and Trade Agency (ITA), our findings indicate that structural implementation gaps continue to dampen investor confidence. Currently, Mongolia holds an investment score of **2.5 / 5.0**, signaling a **high-risk environment**, where legal and fiscal uncertainty outweigh official access.

Our members have identified three critical areas requiring urgent policy attention:

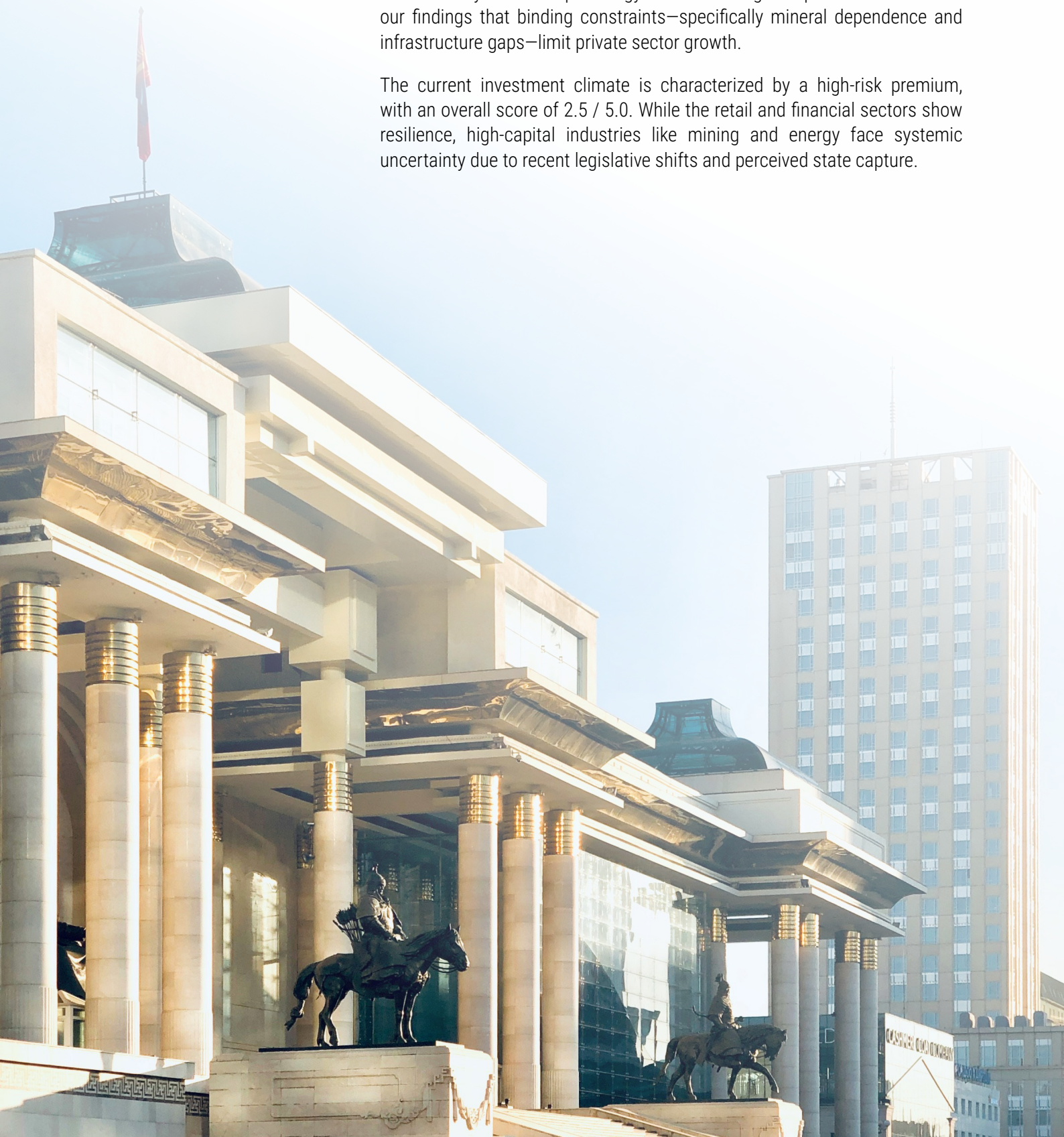
- **Judicial and Tax Predictability:** The unfair practice of tax appeals, including "forced escrow". Long delays in reaching court judgments and ineffective dispute resolution.
- **Contract Sanctity:** Recent legislative shifts, such as the 2024 Law on the Sovereign Wealth Fund (SWF), have created serious concerns regarding the stability of existing mining and energy concessions. It has also heightened fears of state-mandated stakes in private mining projects.
- **SOE Neutrality:** A level playing field is essential; perceived favoritism toward state-linked firms crowds out private sector innovation.

AmCham Mongolia remains a committed partner in the government's mission to make Mongolia a regionally competitive investment destination. We believe that by implementing the targeted reforms outlined in the Scorecard, particularly regarding tax appeal fairness and contract sanctity, Mongolia could elevate its status to **Conditionally Competitive (3.7 / 5.0)** by the end of this legislative cycle.

1. EXECUTIVE SUMMARY: THE IMPLEMENTATION GAP

Mongolia remains formally open to investment, yet significant structural risks define the practical landscape. While few de jure barriers exist, uneven enforcement remains the primary deterrent; officials frequently contradict established laws, and judicial processes can stagnate for years. ADB's 2025-2028 Country Partnership Strategy identifies Mongolia's potential and mirrors our findings that binding constraints—specifically mineral dependence and infrastructure gaps—limit private sector growth.

The current investment climate is characterized by a high-risk premium, with an overall score of 2.5 / 5.0. While the retail and financial sectors show resilience, high-capital industries like mining and energy face systemic uncertainty due to recent legislative shifts and perceived state capture.






2. STRATEGIC RISK DIMENSIONS

Our framework weights criteria based on their impact on long-term capital commitment.

Dimension	Score	Critical Insights
Dispute Resolution (35%)	2.2	The weakest link: Courts are slow, and enforcement is unpredictable according to the U.S. ICS notes.
Transparency (40%)	2.6	High levels of corruption and SOE favoritism: SOE dominance crowds out private investment and requires urgent neutrality reforms.
Regulatory Burden (25%)	2.7	Enforcement is often arbitrary and fragmented: While entry is digitized, local inspectors apply rules unevenly. Post-entry aftercare and consistency are lacking.

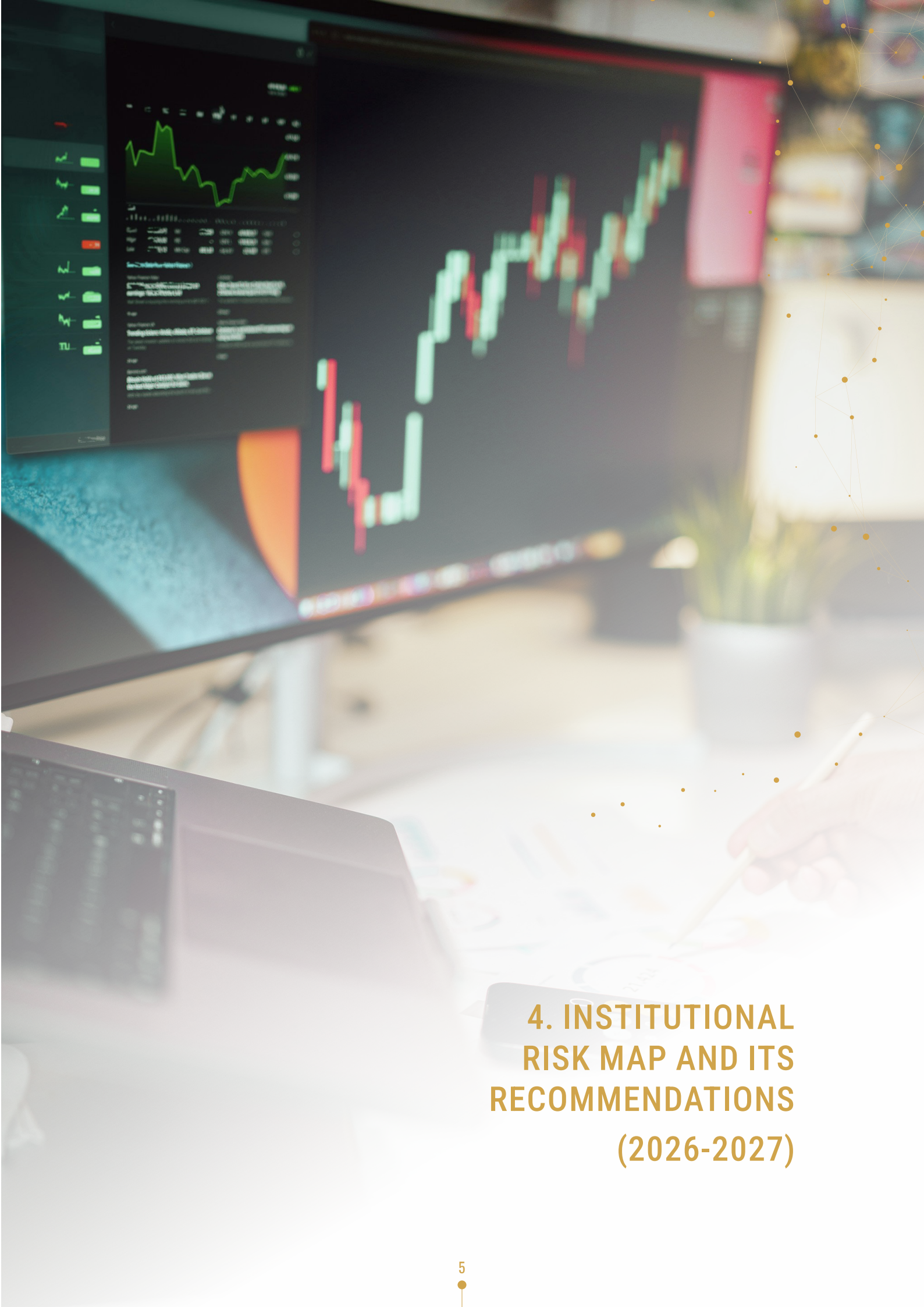




3. SECTORAL HEAT MAP

Investment signals vary significantly across Mongolia’s economy, with a clear divide between consumer-facing services and heavy industry.

Sector	Score	Investment Signal
Mining & Energy	1.8	High-risk: There is systemic uncertainty regarding the state’s mandate to take stakes in private projects. Significant expropriation risk following the SWF Law, which allows the state to mandate 34 to 50 percent ownership in strategic deposits, with free carried interest. There is high contract uncertainty. Regulatory bodies have been known to unilaterally renegotiate Power Purchase Agreements (PPAs).
Agriculture	3.1	Potential: High export demand (cashmere/meat), but limited by logistics bottlenecks, as stated by the ADB.
Banking & ICT	3.3	Growth: Benefiting from advanced digital infrastructure and fintech adoption.
Retail & Fast-moving Consumer Goods	3.3	Strong: Resilient consumer demand and lower exposure to SOE interference.



4. INSTITUTIONAL RISK MAP AND ITS RECOMMENDATIONS (2026-2027)



Our scoring reflects the performance of key agencies tasked with managing the investment climate. There is an urgent need to set specific KPIs for Mongolia's gatekeeper institutions to bridge the implementation gap.

- **GENERAL TAX AUTHORITY (CURRENT SCORE 1.3):** Ranked as the top concern due to “confiscatory” assessments and the forced escrow of disputed taxes before an appeal can be heard. Despite the 2025 tax reform efforts, it remains the primary concern for 2026 as well.
 - » **Recommendation to reach a target score of 2.5 in 2027:** Pivot from coercive collection to a compliance support model. The immediate priority is the elimination of forced escrow. This aligns with the recommendations provided by our Legal and Mining committees.

- **MINISTRY OF INDUSTRY & MINERAL RESOURCES (CURRENT SCORE 1.7):** High discretion over strategic deposits creates unclear revenue terms and systemic uncertainty.
 - » **Recommendation to reach a target score of 3.0 in 2027:** Address the strategic deposit ambiguity created by the SWF Law. The Ministry should issue a formal regulatory stability decree that clarifies the state's 34 to 50 percent ownership mandate as non-retroactive for existing licenses. Additionally, the Ministry must transition to becoming a facilitator by adopting international reporting standards for all SOEs under its jurisdiction.

- **INVESTMENT & TRADE AGENCY (CURRENT SCORE 3.2):** Successful digitizers; however, they still lack the “aftercare” mandate to protect investors from post-entry regulatory harassment.
 - » **Recommendation to reach a target score of 4.0 in 2027:** Transition from a registration one-stop shop to a proactive investor ombudsman. The ITA has a statutory mandate to mediate and resolve disputes between foreign investors and other state agencies (e.g., local governors or tax inspectors) before reaching litigation.

- **BANK OF MONGOLIA (CURRENT SCORE 3.8):** A “green” performer; the ADB and IMF credit the Bank of Mongolia with maintaining a credible monetary policy and stable banking reforms.
 - » **Recommendation to reach a target score of 4.3 in 2027:** Policies should be implemented in a coordinated manner to support the development of the banking and financial sector, rather than being limited to inflation targeting. It is also necessary to revise and improve the provisions in the Banking Law that are hindering investment.



5. THE REFORM ROADMAP: PATH TO 3.7 (COMPETITIVE)

To transition Mongolia from a high-risk to a conditionally competitive market, AmCham Mongolia proposes the following benchmarks. Each reform is calibrated to provide a measurable point gain on the AmCham Scorecard:

- 1. Integrated Licensing/Permitting (+0.2 Gain):** Centralizing all secondary and local-level licenses into a single online trackable portal to reduce bureaucratic “red tape” and to stop inspector-level corruption.
- 2. Enforce Competitive Neutrality (+0.3 Gain):** Reforming SOEs, ensuring they are subject to the same tax, regulatory, and governance standards as the private sector. ADB diagnostics recommend that SOEs be subject to the same bankruptcy and transparency laws as private firms.
- 3. Guarantee Contract Sanctity (+0.3 Gain):** Restoring trust following the SWF Law by guaranteeing that “strategic” reclassifications are not retroactive.
- 4. Reform Tax Appeals (+0.4 Gain):** Eliminating the forced escrow of disputed taxes practice to ensure fair adjudication. Reforming the judicial practice is necessary to allow for fair and efficient judicial reviews. Resolving tax and judicial issues yields the largest gains, since investment deterrents are mainly due to the risk of seizure and litigation.

AMCHAM NOTE: While the government has launched symbolic “one-stop shops”, these tools lose efficacy without a fundamental shift toward the rule of law in the courts and tax offices.

6. PRIMARY SOURCES

Metric	Scorecard Fact	Official Source
Legal Enforcement	Inconsistent/Arbitrary	U.S. State Dept (2025): Substantial and unpredictable regulatory burdens where officials ignore actual statutes.
SOE Neutrality	Crowding out the private sector	ADB CPS (2025-2028): SOEs limit competition and private sector participation.
Tax Appeals	Coercive/Forced escrow	AmCham/U.S. State Dept: Direct expropriation risk via tax assessments.
Sovereign Wealth Fund Impact	High uncertainty for mining	World Bank/U.S. State Dept: 34 to 50 percent state take impacts 16+ projects.

The AmCham Scorecard is fundamentally based on information sourced from credible multilateral and governmental entities.

● **A. ASIAN DEVELOPMENT BANK (ADB)**

Primary Source: [Mongolia: Country Partnership Strategy \(2025–2028\)](#)

- » **SOEs:** The ADB recommends “reducing state presence in key sectors” to build an “enabling environment for private sector growth”.
- » **Economic Status:** Confirms Mongolia’s elevation to “upper-middle-income” status in 2024 but warns of “binding constraints” related to mineral dependence.
- » **Institutional Support:** Confirms the Bank of Mongolia’s successful implementation of international standards and macro-stabilization.

● **B. U.S. DEPARTMENT OF STATE**

Primary Source: [2025 Mongolia Investment Climate Statement](#)

- » **Dispute Resolution:** Long delays in reaching court judgments and ineffective dispute resolution (a key basis for the Dispute Resolution score of 2.2).
- » **Sovereign Wealth Fund Law 2024:** Documents the “expropriation risk” perceived by investors regarding the mandate for state ownership in strategic deposits.
- » **Tax Authority:** Cites long delays and arbitrary enforcement by the General Tax Authority as a major deterrent. Also notes substantial and unpredictable regulatory burdens where officials ignore actual statutes.

● **C. WORLD BANK GROUP**

Primary Source: [Mongolia Economic Update, May 2025: Building Resilience Amid Risks](#)

- » **Fiscal Policy:** Warns against “quasi-fiscal operations” and off-budget transfers through SOEs that risk destabilizing the economy.
- » **Growth Forecast:** Projects 6.3 percent growth for 2025, driven by the Oyu Tolgoi underground expansion, but identifies “global trade policy uncertainty” as a high risk to investor sentiment.

● **D. TRANSPARENCY INTERNATIONAL**

Primary Source: [Corruption Perceptions Index \(CPI\) 2025](#)

- » **Transparency:** Confirms Mongolia’s score of 31/100, placing it in the bottom tier of global transparency rankings, which correlates with the Scorecard’s Transparency score of 2.6.

AMCHAM NOTE: While Mongolia has a strong theoretical framework, multilateral diagnostics confirm a persistent gap between policy and practice.