



Position paper: Improving the business environment by addressing red tape in public services in Mongolia

Mongolian National Chamber of Commerce and Industry

Introduction

Reducing bureaucracy in public services is a crucial step towards creating a favourable business environment. Businesses operating in Mongolia frequently encounter bureaucratic challenges when obtaining permits, registrations and official references from government agencies. These challenges include multiple approval stages, duplicative requirements, unclear regulations and lengthy processing times. Such bureaucratic inefficiencies increase the cost of doing business, erode trust, act as a deterrence to compliance, and negatively impact economic growth and the competitiveness of the private sector.

The Mongolian National Chamber of Commerce and Industry (MNCCI) is committed to protecting business interests, strengthening public-private cooperation, and fostering a competitive and favourable business environment. In collaboration with the ILO, the MNCCI conducted the Red tape Index Survey in 2024. The study, which surveyed 975 business across Mongolia, including small and micro enterprises, identified key obstacles and challenges that businesses face in relation to public services.

This document presents the key findings of the study and proposes policy recommendations aimed at reducing bureaucracy and increasing the efficiency of public services. One of the major challenges of doing business in Mongolia is the complex, slow and redundant government service processes, along with a lack of transparency in information and an unstable policy environment. According to the 2024 Redtape Index Survey, the bureaucratic burden of public services related to business operations was rated at 2.85, showing slight improvement from the 2021 survey, but still failing to return to the pre-pandemic ratings seen in 2018.

Problem statement

- ▶ **Decreased accessibility and clarity of information:** Business owners struggle to obtain complete and accurate information regarding laws and regulations, making it difficult to understand and comply with legal requirements.
- ▶ **Insufficient business involvement:** There are inadequate opportunities for the private sector to provide input on the development of relevant laws and policies and to support the Government in monitoring and evaluation of their implementation. This leads to outcomes that constrain the potential for the private sector to contribute to socio-economic development.
- ▶ **Redundant procedures and time inefficiencies:** On average, businesses spend 12 days obtaining a single government service. Additionally, 65 per cent of surveyed enterprises reported having to submit the same information to multiple government agencies repeatedly. No business can afford this, least of all small businesses, which represent the majority of enterprises in Mongolia.
- ▶ **Encouraging informality:** Micro and small businesses face limited access to public services, higher bureaucratic barriers and more regulatory pressure compared to larger enterprises, while also having the least capacity to comply. The greater the red tape, the less the incentive to play by the rules.

These regulatory inefficiencies hinder investment, reduce business competitiveness and drive many enterprises to operate outside the formal system. Furthermore, this negatively impacts economic growth, limits tax revenues and erodes trust between the Government and the private sector.

Chamber position statement

The Mongolian National Chamber of Commerce and Industry (MNCCI) asserts that reducing bureaucratic barriers in public services, optimizing regulatory frameworks and significantly enhancing private sector participation in the policymaking process are critical steps towards creating the conditions needed for the private sector to contribute towards socio-economic development objectives.

Findings from the 2024 Redtape Index Survey indicate that multi-layered government service procedures, a lack of transparency in public information and inconsistent enforcement of regulations pose significant challenges to business operations. These issues hinder investment, reduce efficiency and ultimately undermine national competitiveness.

In light of these findings, the MNCCI calls for immediate and practical actions in the following three priority areas:

1. Establishing unified, clear and coordinated government service regulations

It is imperative to eliminate the redundancy of submitting identical documents to multiple government agencies by integrating government information databases, standardizing service requirements and streamlining procedural workflows. According to the survey, 65 per cent of businesses are required to repeatedly submit the same information, and it takes an average of 12 days to obtain a single government service.

2. Increasing business involvement in the policymaking process

A systematic and institutionalized mechanism must be established to ensure the active participation of businesses in the formulation and implementation of laws and regulations. Such engagement is essential to create practical, high-quality policies, build trust between the Government and the private sector, and increase the effectiveness of public policy.

3. Implementing targeted measures to reduce bureaucratic burdens on micro and small enterprises

The survey highlights that micro and small businesses face the most significant barriers in accessing public services, which inhibits their growth and ability to transition into the formal economy. Addressing these challenges is fundamental to promoting economic inclusivity and expanding the formal business sector.

Recommendations

The MNCCI puts forward the following recommendations aimed at reducing bureaucracy in public services and improving the conditions for doing business:

1. Increase transparency and clarity of information.

- Establish a mechanism to incorporate the real opinions of business owners in the policymaking process.
- Create a centralized digital database for information on updated laws, regulations and compliance requirements.
- Organize regular open discussions and meetings to communicate policy changes to the public in a clear and understandable manner.

2. Reduce document requirements and government service processing times.

- Create conditions for businesses and individuals to easily access public services and increase the availability of one-stop-shop services.
- Allow government agencies to share information provided by businesses once, if authorized, to reduce the need for multiple submissions.
- Ensure that government agencies provide services according to unified standards and conduct joint evaluations between the Government and the private sector to reduce unnecessary, redundant documentation.

3. Expand and develop e-governance.

- Improve the accessibility and user-friendliness of platforms such as E-Mongolia and E-Business.
- Digitize services such as special permits, tax reporting and registration updates to the greatest extent possible, and simplify the processes.

4. Increase the quality and accountability of public services.

- Establish a unified system to monitor the performance of government employees, and create a framework for holding them accountable.
- Implement regular training and capacity-building programmes for government service providers, raising awareness about the importance of services, ethics and improving skills.
- Introduce a random selection mechanism for members of evaluation committees to ensure transparency and fairness and to prevent conflicts of interest in government procurement processes.

5. Support official business operations.

- Implement special tax exemptions and incentive programmes for micro and small businesses.
- Establish a mechanism to resolve disputes related to inspections and fines in an impartial and fair manner.

Conclusion

Reducing bureaucracy in public services is a crucial step for enhancing the competitiveness of business owners in Mongolia, attracting investment and supporting economic growth. The joint study by the MNCCI and the ILO has identified the main challenges faced by entrepreneurs and developed practical recommendations to address them.

The MNCCI calls on the Parliament, the Government and relevant agencies to make tangible changes in key areas such as transparency in public services, digitalization, optimizing regulations, increasing business participation and providing targeted support for micro and small businesses.

The MNCCI is fully ready to collaborate with the Government, the private sector and international partners to implement these changes. The MNCCI is committed to taking a leading role in ensuring that the business community's voice is heard at the policymaking level.