



## COOPERATIVES IN MONGOLIA

Members of Yak Saikhan Khishig Cooperative promoting their dairy products during the Yak festival in Alag-Erdene soum PC: Yak Sarlagiin Saikhan Khishig Cooperative

### Contribution of cooperatives to Mongolia's economy

- 4,468 cooperatives in Mongolia
- 234,633 members in cooperatives

(Figures as of 2021)

First established in 1920s, cooperatives in Mongolia have come a long way from being state-controlled and managed enterprises for decades to being promoted as community-owned enterprises in recent years. The democratic reforms in Mongolia in 1990s have had a positive influence on cooperatives with active encouragement for community ownership and strengthening of cooperative operations and management. The government of Mongolia recognises the role of cooperatives towards the achievement of Sustainable Development Goals (SDGs), thus ushering a new era for cooperatives where national and international linkages are being forged in favour of cooperative development.

### Types of cooperatives

Cooperatives in Mongolia are present in diverse sectors including consumer, agricultural, services, savings and credit, etc.



(Figures as of 2019)

### Did you know?

- The cooperative sector in Mongolia completed its 100th year in 2022!
- Mongolia National Cooperative Alliance (MNCA) is the apex organisation representing cooperatives in Mongolia.
- Credit and savings cooperatives are regulated by Financial Regulatory Commission, and all other cooperatives are regulated by the Ministry of Food, Agriculture and Light Industry.
- The Government of Mongolia hosted the United Nations (UN) and experts in cooperatives in 2011 to prepare and plan for the International Year of Cooperatives 2012 . The meeting focused on the agenda, "Cooperatives in Social Development: Beyond 2012".
- The permanent representative of Mongolia to the UN made an intervention in 2015 in favour of cooperatives during the Inter-Governmental Panel on the Means of Implementation and Partnership to Deliver the Post 2015 Development Agenda.
- ICA has two members from Mongolia. The members with their year of affiliation are: MNCA (2011) and National Association of Mongolian Agricultural Cooperatives (NAMAC, 2009).

### Geographical presence of cooperatives

Cooperatives are present in all 21 provinces.



## Evolution of the cooperative sector

### → 1920-1990

- Cooperatives were introduced in Mongolia by the Mongolian People's Revolutionary Party in 1920s for a state-guided economy.
- Between 1920 and 1940, forced collectivisation of livestock herders and farmers was practiced and communes were formed that were state controlled and managed.
- Post 1940s, the New Turn Policy for socio-economic reforms allowed farmers and livestock herders to have private control over their cooperatives. At this time, voluntary small-scale producers' cooperatives and consumer cooperatives were also encouraged.
- New set of economic reforms were introduced in 1980s during which cooperatives were developed to increase social mobility of people.
- In mid 1980s, voluntary labour associations, auxiliary farms, and contracts between state farms and agricultural cooperatives were encouraged by the government. Individual and family-based cooperatives witnessed a growth during this period.

### → 1991-2000

- Post 1990 with the Democratic Union Coalition coming to power, state-controlled cooperatives were dissolved and private industries were encouraged.
- In 1991, the Association of Private Herders Co-operative (APHC) was formed by herders who reclaimed their livestock from the State during the democratic revolution in 1990.
- In 1992, NAMAC was formed to develop management and human resources, strengthen and promote agricultural cooperatives.
- During this period, other sector-wise cooperative federations were also formed, namely the Central Union of Mongolian Consumer Co-operatives (CUMCC), the Central Union of Mongolian Industrial Co-operatives (CUMIC), Union of Mongolian Production and Service Co-operatives (UMPSC).

### → Post 2000

- The Mongolian Confederation of Credit Unions (MOCCU) was formed in 2007.
- The National Programme for Cooperative Development (2009-2017) was launched to provide knowledge and trainings to cooperatives and support NGO activities for the promotion of cooperatives. In addition, the government also launched subsidies and loans to support the development of cooperatives.
- In 2019, the Mongolian Cooperative Training and Information Centre (MCTIC) merged with MNCA to strengthen MNCA's role as the national organisation representing cooperatives.
- The National Program for Cooperative Development (2019-2024) was approved in 2019. As part of this program, a Development Ladder Assessment tool would be used to monitor all registered cooperatives.
- A new branding for cooperative agricultural products 'Agri-Coop' was launched in 2019 by NAMAC. An 'Agri-Coop' store was launched in 2022.
- In 2021, revisions in the Cooperative Law of Mongolia were made which added detailed explanations, descriptions and further regulations in favour of cooperatives. The law provided that the Soum Fund for supporting local small and medium enterprises through soft loans will be transformed into a Cooperative Development Fund.
- The Government of Mongolia declared 2022 as the Year of Cooperative Promotion.

## Laws on cooperatives

- Credit and savings cooperatives are regulated under the Credit and Savings Cooperative Law of Mongolia, 2011.
- All other cooperatives (agriculture, consumer, etc.) are regulated under the Cooperative Law of Mongolia, 1995 (last revised in 2021). The law establishes democracy (and common ownership as the basis for which) as an indivisible part of the meaning of cooperatives, in the specific framework law on and for cooperatives.
- The Civil, Commercial and Family Law of Mongolia, 1994 describes cooperatives as a non-profit entity, separate from a private business entity. The law establishes cooperatives' non-profit character in a general framework of laws of social and commercial institutions.

### Key highlights

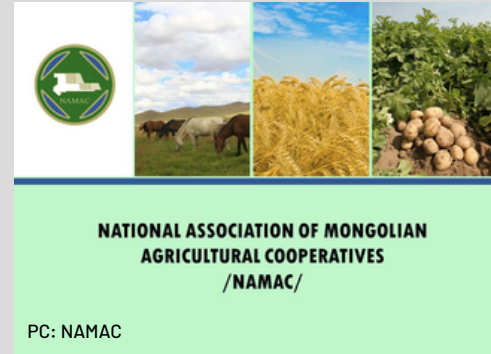
- The share capital is made of members' contribution and no minimum capital is required to form cooperatives unlike private business entities.
- In credit and savings cooperatives, only members can transact business with the cooperative while in all other cooperatives, non-members are allowed to engage with cooperatives.
- The minimum membership criteria to form a credit and savings primary cooperative is twenty and for all other primary cooperatives is nine. A secondary cooperative can be formed by cooperatives and any other legal entity as members, provided that 51% of the membership is held by cooperatives.
- The minimum age for membership is 18 years.
- In the revised law, the sales revenue is exempt from value added tax. As cooperative is an agent, no tax is imposed on its products.
- The revised law has a new definition of reserve funds to ensure they are not considered risk funds by regulators.
- The revised law makes it compulsory for all cooperatives to join national or province-level federations so that the government can support all cooperatives particularly for rural development and maintain data, which otherwise becomes difficult.

## Cooperative landscape of Mongolia

Cooperatives in Mongolia are committed to achieving SDGs and have been working towards improving socio-economic conditions of rural and poor people in Mongolia.

### National Association Of Mongolian Agricultural Cooperatives (NAMAC)

Established in 1967 and re-organised in 1992, NAMAC is a self-funded non-profit organisation that provides training and support to strengthen agricultural cooperatives and promote rural development. It has 729 member cooperatives representing 200,000 individual members. NAMAC operates through 22 branches in all provinces of Mongolia. It represents its members at national and international level, and serves them by providing training courses, agricultural advocacy, consultancy services, and linkages with national and international projects and programs. NAMAC represents the interests of its members at ICA, International Land Coalition (ILC), the International Cooperative Agricultural Organisation (ICAO), Asian Farmers Association for the Sustainable Rural Development (AFA), and Asian Farmers Group Cooperation (AFGC).



### Mongolia Sustainable Cashmere Union (MSCU)

Established in 2017, MSCU is a union of 11 cooperatives covering 540 families that are engaged in cashmere goat and yak breeding. MSCU supports cooperatives by managing marketing and export of products (cashmere and yak down) which prevents breeders from middlemen and ensures fair returns to them. MSCU helps breeders procure sustainability certification for their products which encourages sustainable breeding practices among them as well as meet market expectations.

### Suun Dalai Tsaltsal Dairy Cooperative (SDTDC)

Organised as a producers group in 2009, SDTDC was established as a cooperative in 2013. The 20 member team of SDTDC comprising of 16 cooperative members and four employees is engaged in collecting, processing and selling raw milk. Raw milk collected by cooperative members is processed into dairy products, sold in shops and schools in Ulaanbaatar. Women members of SDTDC participated in a training program organised by ICA-AP and Ministry of Agriculture, Forestry and Fisheries (MAFF) Japan. Following the training, they developed an action plan to improve dairy product quality, ensure sanitation control, create added value for dairy products, and expand sales opportunities which they have successfully implemented. According to SDTDC members, forming a cooperative has enabled them to participate in trainings, develop the capacity of the cooperative and improve sales and revenue.







- NAMAC is the National Implementation Agency for a joint programme of the Asia-Pacific Farmers' Programme and Farmers Organization for Asia 2020–2025, funded by the International Fund for Agricultural Development (IFAD) and European Union (EU).
- Between 2021–2023, NAMAC and World Wide Fund for Nature (WWF) implemented a project together to strengthen 13 cooperatives by providing individual coaching services.
- In 2020, NAMAC and ILO implemented a one-year joint project on 'Extending Social Protection to Herders with Enhanced Shock Responsiveness' to extend health and social insurance to herders. It was implemented through six cooperatives in Zavkhan aimag involving 60 herders.
- In 2020, the Ministry of Food, Agriculture and Light Industry Mongolia joined hands with Ministry of Fisheries, Animal Husbandry and Dairying India for a joint dairy development program to promote cooperation among dairy cooperatives in Mongolia and India.
- In 2019, UN piloted a blockchain technology program with cooperatives and herder communities in Mongolia for creating sustainable market value-chain for cashmere.
- In 2019, MCTIC implemented the INVEST Co-op Mongolia project with Cooperative Development Foundation of Canada to support herders, women and youth through trainings on business development, agriculture best practices and gender quality, among others.
- In 2019, MCTIC implemented the Empowered-People Improved Livelihoods project for cooperatives with People in Need Mongolia for local economic development, improved access to finance and building knowledge on the Development Ladder Assessment monitoring tool.
- In 2018, Mongolian Mission to the UN and Committee for the Promotion and Advancement of Cooperatives (COPAC) co-organised an event at UN High-Level Political Forum on cooperatives and their role in reducing poverty.
- In 2016, government of Mongolia co-organised a side event on 'Realising women's economic empowerment in rural areas through cooperatives and micro-enterprises' at the 60th UN Commission on the Status of Women.
- In 2016, NAMAC and International Labour Organisation (ILO) partnered to implement the My.Coop training toolkit for agricultural cooperatives in Mongolia.

## Engagement with ICA-AP

- Cooperators and government officials from Mongolia have actively participated in international programs of the ICA. These include, the ICA-AP-MAFF trainings, Global Youth Forum (2020), Cooperative Development Meeting (2017), Workshop on Capacity Building and Case Studies for Poverty Alleviation through Cooperatives (2018), and East-Asian Sub-Regional Cooperative Development Meeting (2017), among others.
- ICA-AP led a fact-finding mission on the development of cooperatives in Mongolia in 2009 which resulted in NAMAC joining ICA as its member.

## What are cooperatives?

Cooperatives are autonomous associations of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly owned and democratically-controlled enterprise.

## Cooperative values

Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

## Cooperative principles

The seven cooperative principles are guidelines by which cooperatives put their values into practice.

1. Voluntary and Open Membership
2. Democratic Member Control
3. Member Economic Participation
4. Autonomy and Independence
5. Education, Training, and Information
6. Cooperation among Cooperatives
7. Concern for Community

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## About International Cooperative Alliance Asia and Pacific

ICA-AP is one of four regional offices of the ICA. Established in 1960 in New Delhi, India, it unites, promotes, and develops cooperatives in the region. ICA-AP's 112 members from 31 countries spans a variety of sectors, including agriculture, credit and banking, consumer, education, fisheries, forestry, housing, and insurance.

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