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Research Institute

Policy Brief №6

# Mongolia's Wealth Management:

The Past, the Present, and the Future

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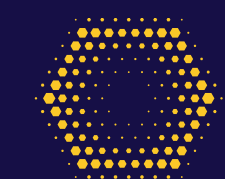
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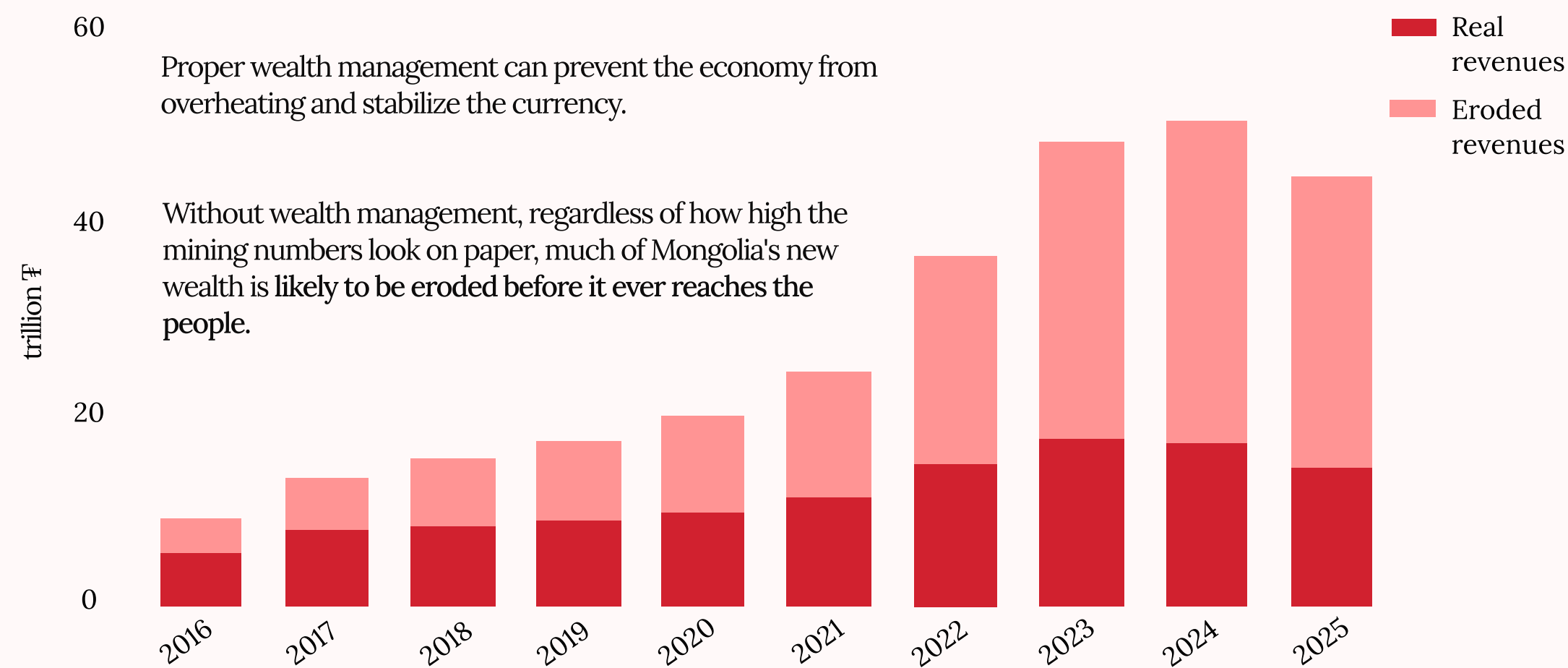
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# 1. Mining Wealth Management Matters Now More Than Ever

## Wealth management may allow Mongolia to capture more value from its mining revenues

Mining revenues increased five-fold in nominal tugrik terms over the last decade. However, after adjusting for inflation, real revenues only doubled.



Note: Author's calculations based on data from the Bank of Mongolia (BoM) and Mongolian Customs Service. World Bank CPI data (2010 = 100) were used for 2016–2024. For 2025, the average of Moody's Analytics H1 2025 CPI estimates was applied. Currency exchange rates were sourced from [exchangerates.org.uk](https://www.exchangerates.org.uk).

## What happens if Mongolia does not get it right?

If Mongolia fails to manage this new era effectively, history suggests that this windfall will once again translate into rapid expenditure expansion and politically motivated transfers. However, in 2026, **the cost of failure is higher than ever.**

- Mongolia faces a rare chance to build lasting wealth. The underground expansion of Oyu Tolgoi has provided a fresh wave of revenues just as coal revenues falter. While copper prices and production remain high, Mongolia must capitalize on this opportunity now to fix past mistakes, anchor its wealth in rule-based management, and build the infrastructure and institutions necessary for a stable, long-term economic growth.

Mongolia's core challenge rests in achieving steady and equitable economic growth. In the last decade, the country's mining revenues effectively surged on paper, with nominal figures reaching record highs. Yet, the actual well-being of the Mongolian people has not fully corresponded to this mining increase.

**Right now**, due to a rare and critical convergence of high copper and coal production alongside favorable global copper prices, **Mongolia may be on the brink of an even more elevated revenue era.** How the country manages this wealth to bring forth stable, long-term economic growth is thus the defining question for Mongolia at this very moment.

## Successful wealth management is imperative now

### 1. A finite window of elevated revenues

The Oyu Tolgoi ramp-up is projected to deliver peak copper production from the late 2020s to around 2040, coinciding with a period in which global demand for copper, driven by energy transition, AI, and supply-constraints, may remain structurally strong.

- This creates a temporary window for Mongolia to **generate** substantial mining wealth, which it must manage wisely. Moreover, Mongolia needs wealth management now to **control** for the potentially destabilizing effects of such windfall revenues.

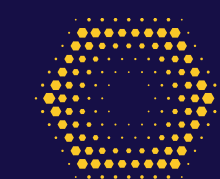
### 2. Mongolia's reality has changed

Unlike during the 2011 commodity boom, when institutional capacity, workforce skills, and the private sector were insufficiently developed to manage mining wealth effectively, Mongolia in 2026 has made meaningful advances on all fronts, creating stronger conditions to “get it right” this time.

### 3. Prevent persisting inequality from worsening

Mongolia's poverty rates are especially sensitive to the commodity cycle. Rural poverty remains high, where 40% of the population live below the poverty line, making them vulnerable to shocks.

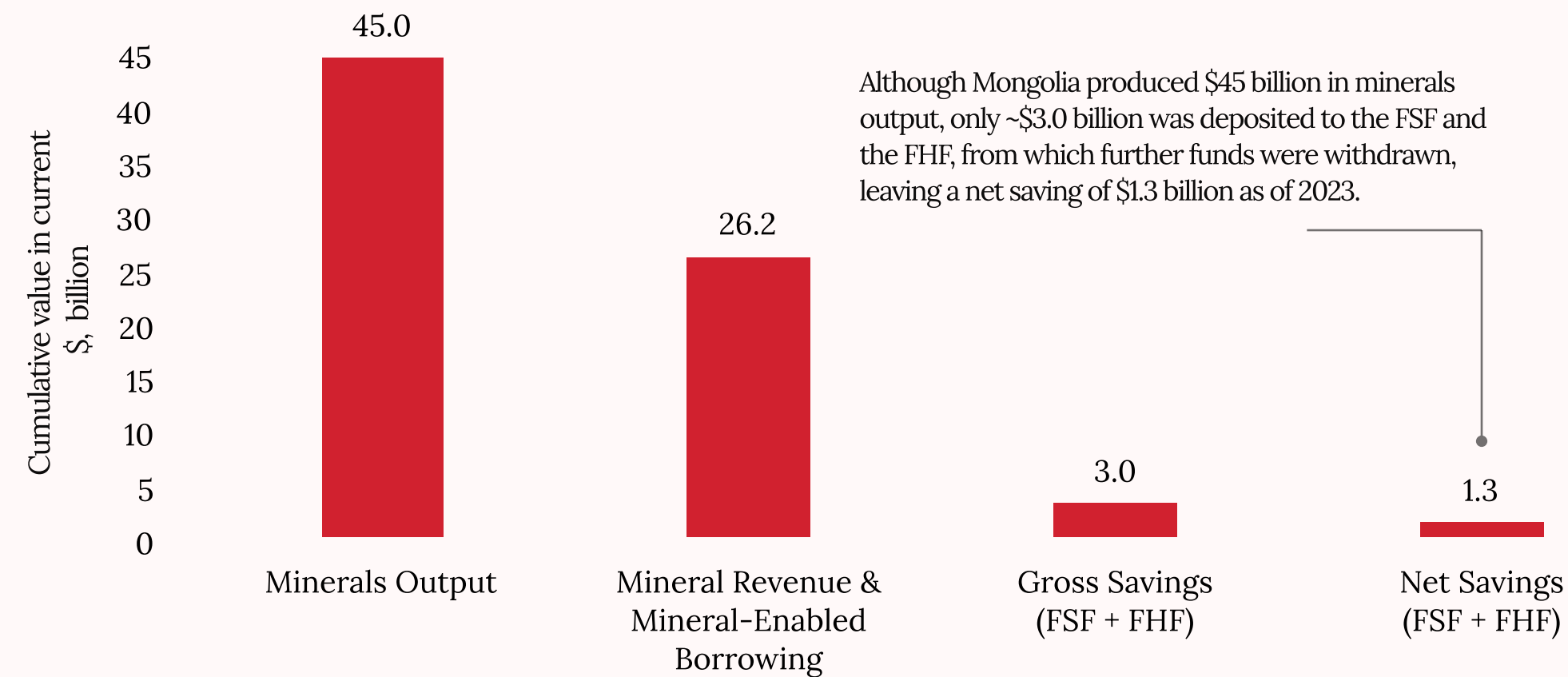
- Without efficient wealth management now, Mongolia risks worsening poverty and inequality.



## 2. 20 Years of Trial and Error

### Mongolia's track record in wealth accumulation has been weak

Between 2004 and 2023, Mongolia's accumulation of mining-sector revenues was limited, reflecting both the modest scale of early revenues and weak saving, investment, and governance mechanisms.



Source: World Bank Group. Mongolia Public Finance Review, June 2025.

Note: World Bank's calculations based on Ministry of Finance (MoF) data. See World Bank's "Note" for more information.

### What mistakes did Mongolia make?

#### 1. Spending tomorrow's money today

Mongolia has historically used its funds to finance short-term expansionary spending, eroding fiscal buffers and leaving the economy vulnerable when commodity prices fell.

#### 2. Circumventing its own rules

Frequent changes to both the fiscal and SWF accumulation and withdrawal rules have undermined credibility and reduced savings.

#### 3. Treating funds as political tools

Funds like the HDF have been used for politically motivated cash handouts rather than disciplined, rule-based wealth management, creating large deficits.

*It could be argued that Mongolia, for the first time, is experiencing truly significant mining revenue flows, driven by increased production volumes rather than merely volatile market prices. This scale of wealth is now large enough to be actively managed and grown. Navigating this transition thus demands a sophisticated wealth management framework to transform these resources into sustainable, long-term growth.*

### Mongolia's evolution of wealth management efforts

Since 2007, Mongolia has experimented with various funds to manage its mining revenues, regardless of the scale of production at the time.

- 2007: Mongolian Development Fund (MDF)
- 2009: Human Development Fund (HDF)
- 2010: Fiscal Stability Fund (FSF)
- 2016: Future Heritage Fund (FHF)
- 2024: Chinggis Khaan SWF

### However, such efforts left a legacy of questionable outcomes

Despite repeated commitments to use mining revenues for development and future generations, Mongolia has historically saved only a small fraction of its mineral wealth through its SWFs. Estimates suggest that well over 95% of mineral revenues were consumed, while long-term savings remained minimal.

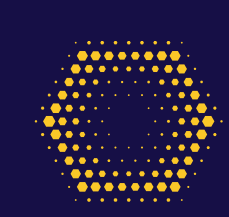
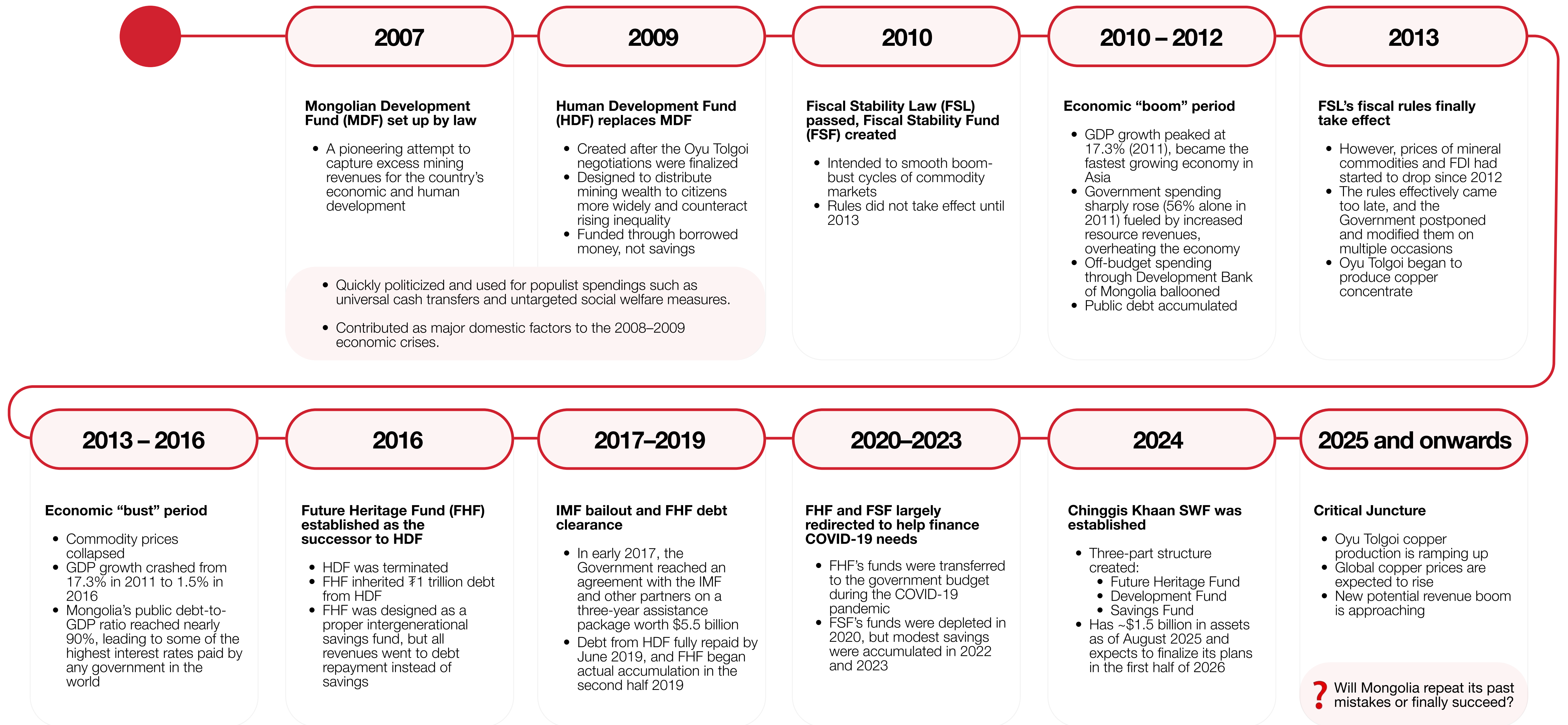
- Much of this revenue was absorbed through universal cash transfers, procyclical spending, and weakly governed off-budget mechanisms. Such mismanagement of revenues may have contributed to the **erosion of real mining income** by sparking high inflation and weakening the currency.

### Encouraging signs

In 2024, Mongolia made its newest attempt to manage its mining wealth through the creation of the Chinggis Khaan SWF.

- A surge in mining revenues and strong profitability of key state-owned mines enabled transfers of approximately ₮1.3 trillion (around 1.7% of GDP) into its SWFs in 2024—more than three times the previous year's contribution.

# 3. Timeline: Mongolia's Efforts in Wealth Management



# 4. Overview of the Chinggis Khaan SWF

## Chinggis Khaan Sovereign Wealth Fund

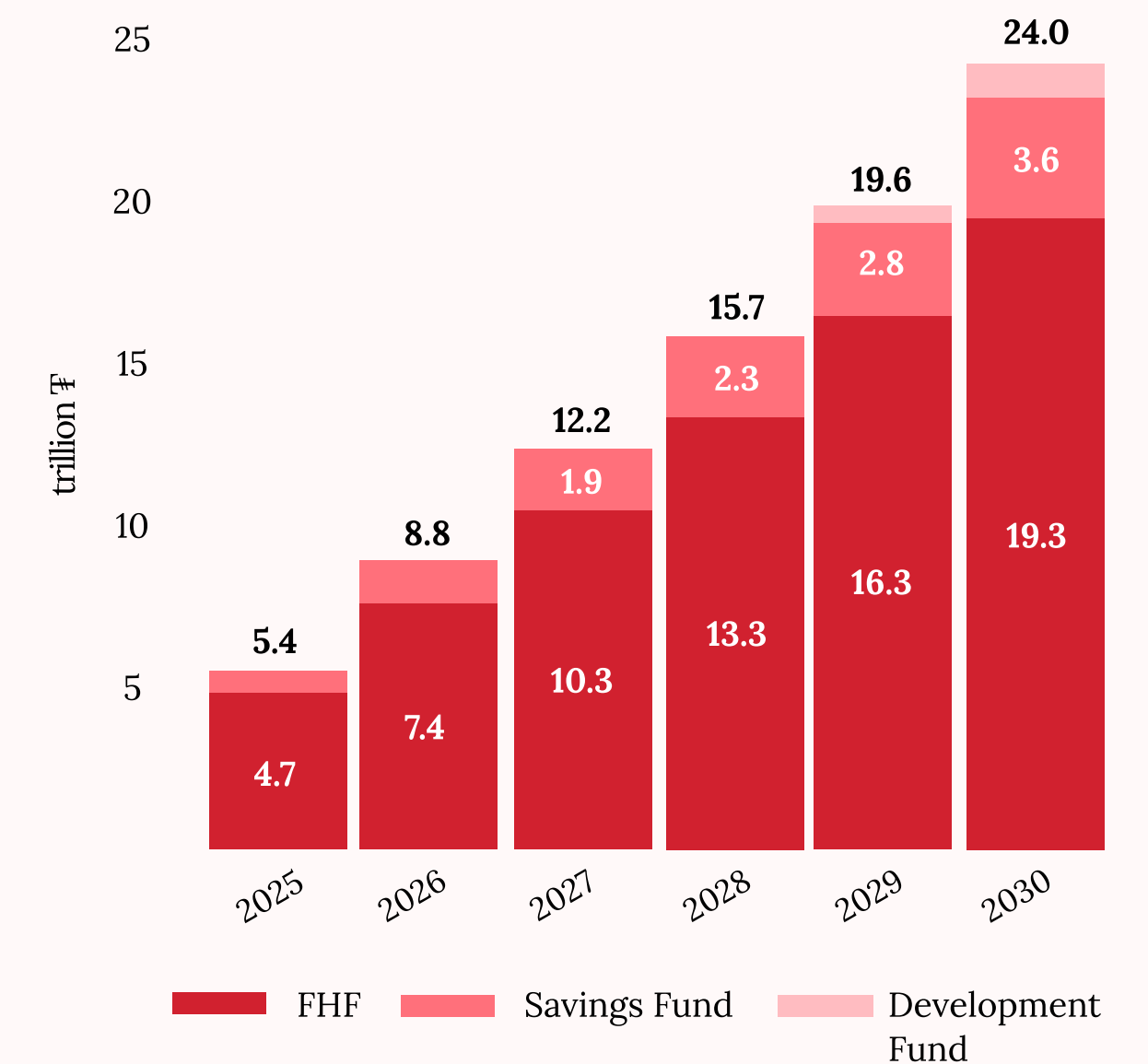
	Future Heritage Fund	Savings Fund	Development Fund
<b>Purpose</b>	To preserve the nation's wealth derived from natural resources for future generations, and to grow the value of these assets by investing in international financial instruments.	Aims to distribute Mongolia's natural wealth fairly to current citizens of Mongolia by providing support for healthcare, education, and housing.	Mandated to finance high-priority socio-economic and infrastructure projects that align with national development strategies.
<b>Funding Source</b>	Funded by 65% of the royalty revenue from mineral resource utilizations after allocations to Fiscal Stability Fund, Local Development Fund, and State Budget + investment income from international markets.	Up to 34% of state-owned mining companies' annual dividend allocation + royalties from legal entities utilizing strategically important mineral deposits + other mineral-related non-tax revenues as provided by law + income generated from investments in the domestic market.	If the consolidated budget balance is positive, 50% of the revenue from key mineral resources exceeding the year's benchmark price will be allocated.
<b>Use of Funds</b>	As stipulated by law, no expenditures are permitted until 2030, after which up to 10% of the fund's investment returns may be transferred to the State budget.	The fund's balances are allocated to individual citizens' nominal savings accounts and are intended for use toward healthcare expenses, higher education tuition, and housing down payments.	The fund would implement high-priority social and economic projects and programs approved under Mongolia's long-term development policy document. It would take into consideration 1. project criteria & conditions; 2. preliminary project assessment; 3. financing options.
<b>Accumulated Funds</b> <small>(as of August 2025)</small>	\$1.3 billion	₮654.4 billion	None

Source: <https://swf.gov.mn/en/funds> ; <https://swf.gov.mn/en/aboutus>

The Chinggis Khaan Sovereign Wealth Fund, comprising three sub-funds, is mandated to invest and safeguard natural resource revenues for intergenerational benefit, with implementation undertaken by Chinggis Khaan Sovereign Wealth Fund, LLC.

### Chinggis Khaan SWF - Projected Accumulation by Sub-Fund

As of August 2025



Source: Chinggis Khaan SWF, LLC. "About us" presentation  
Note: Projections based on data from Ministry of Finance.

Chinggis Khaan Sovereign Wealth Fund, LLC was established in 2025 as a subsidiary of Erdenes Mongol Group to support the institutional development, governance, and long-term asset management framework of Mongolia's sovereign wealth fund system based on international best practices.



## 5. Pros and Cons of the Chinggis Khaan SWF

*The Chinggis Khaan SWF intends to transform mining revenues into long-term, equitable growth; yet its governance and implementation leave room for both opportunities and challenges.*

### The “Pros”

#### Multiple strategic purposes

By operating through three distinct accounts—international investment, development, and citizen distributions—the fund aims to achieve diverse economic policy goals, creating a comprehensive resource management framework.

#### Public trust building

The fund’s officials have emphasized transparency innovations (like tracking the fund’s sources, allocation, and balance via an app), independent governance, and transparent investment strategy to rebuild the public’s trust.

#### Supporting economic diversification

Early discussions include tapping into global demand for computing power and renewable energy. The fund intends to contribute to building data centers and renewable energy power grids and projects, which could help diversify Mongolia’s economy beyond mining.

### The “Cons”

#### Governance concerns

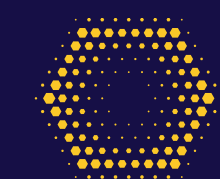
External assessments have raised questions about the fund’s transparency, limited stakeholder consultation, and rapid implementation. Its oversight mechanisms are still evolving but currently appear to lack independence and transparency.

#### Lack of strong fiscal rules

So far, spending rules for the three funds lack specific fiscal constraints. Its spending framework currently operates through discretionary government decisions, increasing the risk of political interference.

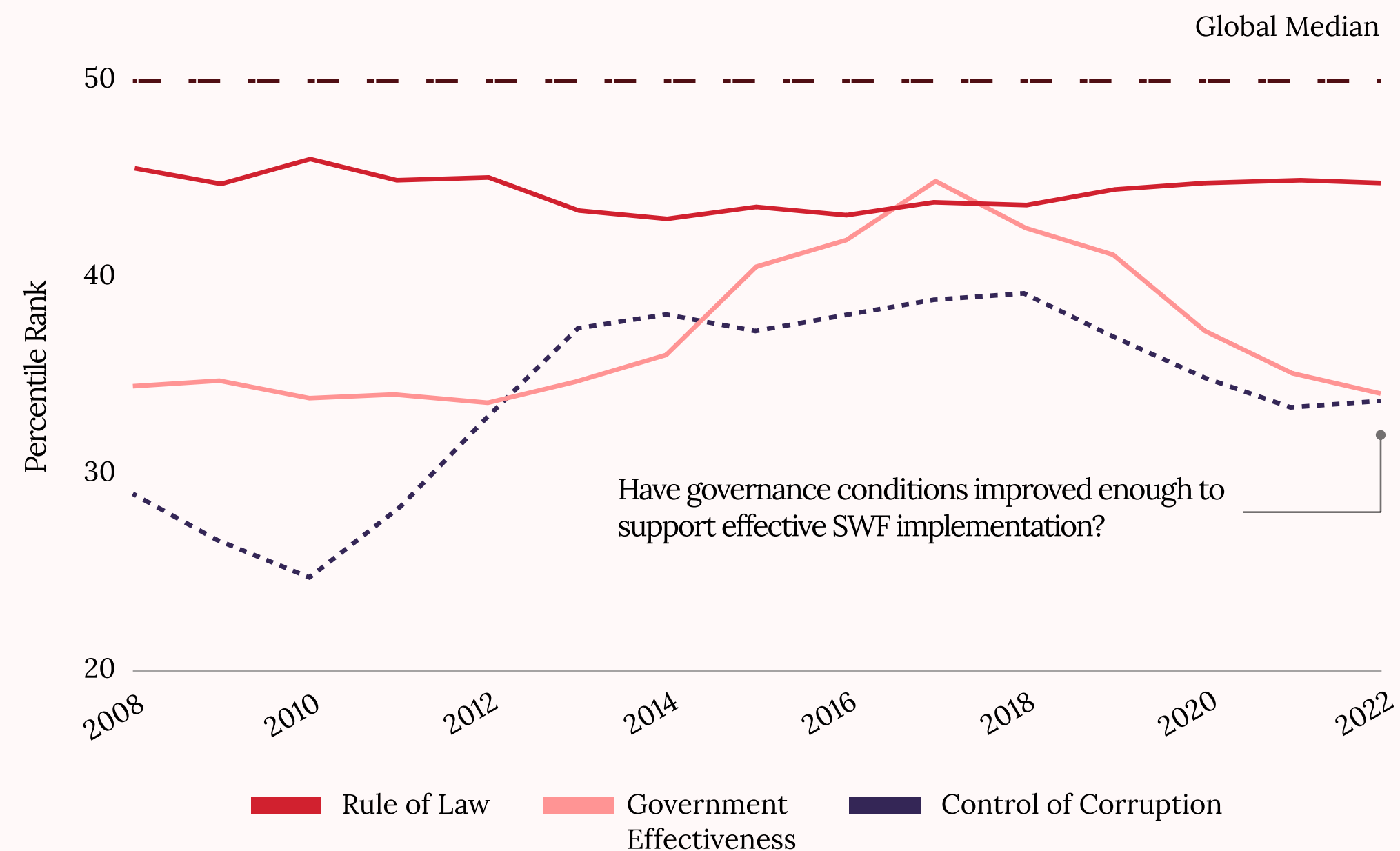
#### Implementation uncertainty

The fund’s investment strategy is in its early stages. Its ambitious plans in tech, data centers, and renewables remain largely aspirational, leaving their practical feasibility in question.



## 6. On Implementing SWFs Correctly

### Despite Some Improvements, Mongolia's Governance Remains Below Most Countries



Source: World Bank Group, Worldwide Governance Indicators, Percentile Rank data

Note: Percentile ranks for three governance indicators shown as three-year centered moving averages from 2007–2023. Horizontal line at 50 represents the global median, and values below 50 indicate below-median performance relative to other countries.

#### Policy priorities going forward:

The Chinggis Khaan SWF should be aligned with the Santiago Principles and ensure political independence along with professional, rule-based management. Long-term investment decisions should involve independent, highly qualified professionals and consider heightened geopolitical tensions and potential disruptions in global financial markets.

Although SWFs such as the Chinggis Khaan SWF are a potential tool to help Mongolia achieve stable, long-term economic growth, weak governance may prevent even an optimally designed SWF from becoming an effective policy instrument.

### Mongolia's recent SWF practices still raise concerns

#### 1. Undefined management, transparency, and accountability guidelines

The SWF should be managed professionally, with independent asset managers guiding investment decisions and a broader investment philosophy outlined by law or government policy.

- In practice, however, as of September 2025, all sub-funds operate as Treasury accounts at the BoM, and governance structures including boards, transparency mechanisms, and oversight are not yet fully established.

#### 2. Diversion of savings for short-term spending

In 2024, the BoM allocated ₮480 billion from the Savings Fund to the mortgage loan program, increasing its financing by 54% compared with the previous year. The Government had planned to raise funding to ₮500 billion in 2025; however, as of July 2025, no disbursement from the Savings Fund had occurred.

- While these allocations appear to fall within the mandate of the Savings Fund, the scale and timing raise concerns about potential political motivation and echo past mistakes of “spending tomorrow’s money today.”
- Rather than being used for such short-term domestic consumption programs, the SWF should be leveraged as a strategic tool to incentivize long-term economic growth.

#### 3. Weak compliance with rules

Legally, 65% of mining royalties are supposed to flow to the FHF after other allocations. Yet, through an accompanying law to the SWF law, only 20% of royalties were allocated to the FHF for 2024.

- Previously, a transitory law in 2018 allowed financing of the budget deficit through the FHF until 2022. In 2022, the FHF revenue rule was changed to reduce its inflows, which were used to finance the increase in the Child Money Program allowance. Such frequent relaxation of rules undermines the mandate of the SWFs.

## 7. Looking Beyond SWFs

*Given Mongolia's persisting governance constraints and history of fiscal mismanagement, relying solely on the mere existence of the Chinggis Khaan SWF to manage resource wealth is unlikely to guarantee long-term economic stability. The Chinggis Khaan SWF should complement broader economic strategies aimed at promoting economic diversification and market development.*

### Broader strategies:

#### Fiscal rules remain critically important

SWFs cannot create fiscal discipline; rather, they require it to function effectively. If Mongolia runs persistent deficits and the funds become underfunded, raided, or diverted to finance current spending, SWFs cannot offset weak fiscal discipline or fulfill their intended purpose.

- This underscores the need for stronger fiscal prudence and strict adherence to fiscal rules.
- Moreover, this highlights the importance of the FSF. A credible and well-working FSF should allow Mongolia to manage economic cycles without resorting to raiding the FHF.

#### Linking mining wealth to local ownership

Mining companies should be incentivized to list domestically and internationally, enabling Mongolians to participate in resource wealth through equity ownership while promoting transparency and accountability via capital markets. Local communities should also benefit more directly from mining to reinforce the link between extraction and local development. In practice, mining revenues are centralized in the State budget and redistributed through mechanisms that weakly reflect where mining occurs.

- For example, Umnugovi, home to Oyu Tolgoi and Tavan Tolgoi, will receive less than twice the Local Development Fund transfers of Selenge in 2026, despite contributing 111 times more to the State budget.

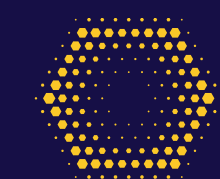
#### Use SWF to unlock more opportunities

A transparent and well-functioning SWF could serve as a signal of Mongolia's fiscal discipline to global markets.

- By building this credibility, Mongolia can lower its risk premium, enabling the country to not only refinance existing high-interest debt but also to secure new financing at lower rates.

Furthermore, Mongolia faces a looming pension crisis.

- Embedding a pension fund within the SWF could pool mining revenues and government contributions, invest them strategically, and ensure sustainable payouts for future retirees.



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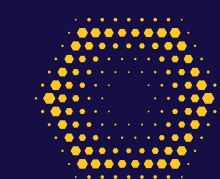
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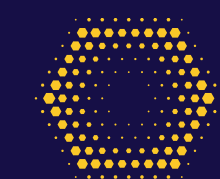
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