

Public Private Partnerships: The Case of Capital City of Mongolia

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INTRODUCTION

Public Private Partnerships (PPPs) have been used for last few decades. Private sector involvement in public service provision became more necessary between 1970 and 1980 due to macroeconomic challenges faced by many nations which resulted in the consideration of alternatives to the traditional public procurement process for public service delivery. The PPPs method came into consideration during the mid-twentieth century based upon several different perspectives. For instance, it has been used in the USA for the regional and urban regeneration since 1930s, in Germany for the infrastructure services delivery since 1950s, in France for the general public service provision since 1950s too¹. Until the late 1970s the main research perspective focused on the policy making and the policy implementation of nations, namely, on the rules and guidelines of the bureaucratic administration system. In the 1980s, the intention of public and private sector cooperation was modified to “efficiency” of the public sector management and technology. The focus on “efficiency” has been developed in several countries including the United Kingdom.

Generally, defining PPPs are difficult as noted by Schuppert and Ziekow (2001)² who remarked that defining PPPs are like “nailing a pudding to the wall”. Depending on the scope, PPPs are defined in both narrow ways and broad ways. In the broad sense, PPPs are all the arrangements where public and private partners cooperate together by providing goods and services³. In the narrow way, PPPs are variously defined relating to the research perspectives; for example, PPPs are defined as an organizational cooperation between the public and private partners⁴ or as an institutional cooperation for joint production and risk sharing⁵ or even as a governance tool from the financial or political perspective⁶.

¹ Bovaird, Tony: “A brief intellectual history of the public-private partnership movement”, in Hodge, Graeme. *Al Greve, Carsten/ Boardman, Anthony.E* (eds). *International Handbook on Public-Private Partnerships*, *Edward Elgar Publishing Limited* 2010, pp.43-67, p.46.

² Schuppert, Gunnar/ Ziekow, Jan: “Verwaltungskooperationsrecht:Publich Private Partnerships”, *Gutachten im Auftrag des Bundesminstreiums des Intern* 2001, p.4.

³ Savas, Emanuel.S: „Privatization and Public-Private Partnerships”, *Seven Bridges Press* 2002, p.105-106.

⁴ Koppenjan, Joop.F.M: “The formation of public-private partnerships: Lessons from nine transport infrastructure projects in the Netherlands”, *Public Administration*, 2005, Vol 83(1), p.135-157, p.137.

Bovaird, Tony: “Public –Private Partnerships: from contested concepts to prevalent practice”, *International Review of Administrative Sciences* 2004, Vol 70(2), pp.199-215, p.200.

⁵ Hodge, Graeme/ Greve, Carsten: “Public –Private Partnerships: Governance Scheme or Language Game”, *The Australian Journal of public administration* 2010, Vol 69 (1), p.8-22, p.9.

⁶ Rhodes, R.A.W: “Understanding Governance: Policy Networks, Governance, Reflexivity and Accountability”, *Open University Press* 1997, p.15.

Public Private Partnerships are a relatively new phenomenon in Mongolia. Institutional regulatory framework has been created since 2009: including the state policy on PPPs has been ratified in 2009, the law of Mongolia on Concessions was approved in 2010 respectively. Altogether 33 concession projects were awarded and concluded a contract with a total amount of 296 million US dollar from 2010 to 2022. One third of these concession projects were cancelled due to several reasons. By collaborating with international organizations, institutional regulatory environment of PPPs has been tremendously transferred in Mongolia. In particular, law on public private partnerships of Mongolia was approved in 2022, and a government resolution on PPPs projects' preliminary assessment and comprehensive analysis; the selection of private sector partners and consultancy services; establishment of partnership agreements, conducting negotiations; and implementation, financing, organization, reporting, and partnership projects were approved in 2024.

The research paper will investigate the development history of Mongolia's PPPs' regulatory framework, and the current situation of PPPs project implementation in the capital city across two phases: before 2022 and after 2022. Ultimately, the key features and lessons learned from will be identified. The paper aims to expand existing knowledge by integrating theoretical perspectives based on institutional theory with practical insights into PPPs project implementation.

THE INSTITUTIONAL THEORY

The new institutional economic theory emphasizes the importance of institutional ideas from the economic perspective. The fundamental idea of the new institutional economics - the transactional cost concept – was raised by Coase (1937)⁷. His initial consideration was why there a large number of organizations instead of the market mechanism and what reasons are there for their existence. Williamson (1975) coined the fundamental idea of Coase and he made certain consideration in the theory⁸. According to Williamson (1996), the institution consists of two sections: (i) institutional environment which consists of the rules of the game; and (ii) differing governance institution including market, hierarchical and hybrid forms⁹.

The transactional cost idea was initiated by Coase (1937) in his “The nature of the firm” master piece. He considered why the transactions are held within a firm where there exists a hierarchical structure with high amount of the transactional costs; instead, all the transactions are not held on the market system where there is no transactional cost at all. From his point of view, Coase introduced the understanding of “a transaction” and its costs are resulted from the way of organizational structures. That idea was broadened by Williamson (1975, 1985), whether a transaction is held in market (without transactional cost) or in a firm (where there is hierarchical structure which causes transactional cost) or

⁷ Coase Ronald: “The nature of the firm”, *Economica, New Series*, 1937, Vol 4 (16), pp.386-405.

⁸ Williamson, Oliver.E: “Market and hierarchies: Analysis and antitrust implications”, New York: *The Free Press*, 1975.

⁹ Williamson, Oliver.E: “The mechanism of governance”, *Oxford: Oxford University Press*, 1996.

even an alternative one of the two forms - “the hybrid one” - depends on the institutional structure where the least transactional cost¹⁰.

The Principal–Agent theory considers the delegation of a task from a principal to an agent. The important aspects of the theory are difference of incentives and information asymmetry between the principal and agent¹¹. The principal and agent have different attitudes toward a task and both of them want to satisfy their self-interests which could be quite different from others; therefore, effective risk-sharing methods and certain contracts are necessary¹². Normally, the principal wants to achieve a high amount of earnings, whereas agents wish to have satisfactory service and/or project delivery from the principal.

Normally, the public private partnerships’ contracts continue for long periods of the time; it approximately takes from 15 to 30 years depending on the contract methods. It is almost impossible that the contract elements are exactly predicted at the contract’s beginning and that they remain the same for years. The incomplete contract theory is exactly based on this idea which was intensively investigated by Grossman, Hart and Moore¹³. When contract partners agree on the ex-ante contract element in the beginning of their cooperation, the contracted elements unfortunately changed through the implementing periods due to the hold-up problem. The hold-up problem is raised because of the dynamic environment of the cooperation where the ex-ante contract elements ought to be negotiated (renegotiated) and/or the contract factors are coming out during the cooperation¹⁴.

Many authors, including Ambrosius (2013)¹⁵, Budaeus and Grueb (2008)¹⁶ and also OECD (2008)¹⁷, claimed that public service is provided more efficiently by PPPs than the traditional procurement method because of its life-cycle based investment, risk sharing to the public and private partners and private sector know-how and/or innovation. When the private sector is responsible for more than two project phases of a PPPs project, then they tend to make more consideration on the quality of the projects. Furthermore, PPPs efficiency hugely depends on the appropriate risk sharing between the partners. The main point to consider is to identify as many risk types as possible and to evaluate them monetarily and to allocate them to the partner who could handle it at the best.

¹⁰ Williamson, Oliver.E: “The economic Institutions of Capitalism”, New York, 1985 and Williamson, Oliver.E: “Market and hierarchies: Analysis and antitrust implications”, New York: *The Free Press*, 1975.

¹¹ Laffont, Jean-Jacques/ Martimort David: “The theory of incentives I: The Principal- Agent model”, *Princeton University Press* 2002.

¹² Eisenhardt, Kathleen.M: “Agency Theory: An Assessment and Review”, *The Academy of Management Review*, 1989, Vol 14(1), pp.57- 74.

¹³ Grossman, Sanford.J/ Hart, Oliver.D: “The costs and benefits of ownership: A theory of vertical and lateral integration”, *the Journal of Political Economy* 1986, Vol 94(4), pp.691-719,
Hart, Oliver/ Moore, John: “Incomplete contracts and renegotiation”, *Econometrica: Journal of the Economic Society* 1988, Vol 56(4), pp.755-785.

¹⁴ Rogerson, William.P: “Contractual Solutions to the Hold-Up Problem”. *The Review of Economic Studies*, 1992, Vol 4(59), p.777-793.

¹⁵ Ambrosius, Gerold: “Die Entwicklung Öffentlich-Privater Partnerschaften seit den 1980er Jahren, die fördernden und die hindernden Faktoren”, *Der Moderne Staat Zeitschrift* 2013, Volume 2, p.321-344,, p.336.

¹⁶ Budaeus, Dietrich/ Grueb, Birgit: “Public Private Partnership (PPP): Zum aktuellen Entwicklungs – und Diskussionsstand”, *KWI Schriften 1 – Verwaltungskooperation* 2008, p.33-50, p.43.

¹⁷ OECD: “Public-Private Partnerships: In Pursuit of Risk Sharing and Value for Money” 2008, p.18.

THE PUBLIC PRIVATE PARTNERSHIPS IN MONGOLIA

Public Private Partnerships have been defined in laws and handbooks in Mongolia.

- According to the Article 3.1.1 of the Concession law of Mongolia from 2010, concession is “an exclusive right to possess, operate, create and renovate state and local own property assets for the purposes of rendering basic social and infrastructure services to the public on the basis of an agreement on conditions and terms specified in this law”¹⁸. It is a written agreement between the public authorized entities and concessionaires to implement concession rights.
- According to the Article 5.1.11 of the Law on Public Private Partnerships of Mongolia from 2022, “public-private partnership” is a cooperation in the long-term sustainable and efficient implementation of the project through financing a partnership depending on the type of the partnership private, providing public infrastructure and public services to the public and the state partner in the long term according to a partnership agreement signed with a public-private partners, and optimally distribution of risks by the partners¹⁹.

According to a “Public Private Partnerships Handbook” published by the Ministry of Economic Development of Mongolia and the Asian Development Bank in 2014, PPPs are defined as “different type of contracts” between public and private partners²⁰. Certain specific character elements of the contracts are identified, including:

- Long term agreements,
- Public and private partners are involved,
- Agreements for a public service delivery,
- Initial cost of private partners shall be covered by operation fees and/or service charges,
- Risk sharing between public and private partners,
- Project goals focus on project outcomes and results.

Public private partnerships’ projects have been implemented in the (i) social sector including health, education, culture, science; (ii) infrastructure sector including energy and renewable energy, heat transmission and distribution networks, information and communications, water supply and sewerage, public transport and road, and housing; and (iii) environmental partnerships including ecology and waste management companies²¹.

The Government of Mongolia has taken prompt actions to build an institutional regulatory environment of PPPs throughout the years at both the national and local administrative levels. **The State Policy on PPPs of Mongolia** was ratified by the Parliament Resolution No.64 from 2009. The state policy on PPPs aims to establish a favorable institutional framework in Mongolia. In order to create a favorable legal environment, the following

¹⁸ The article 3.1.1, The law of Mongolia on Concessions, <http://legalinfo.mn/law/details/312?lawid=312>

¹⁹ The article 5.1.11, The Law on Public Private Partnerships of Mongolia, <https://legalinfo.mn/mn/detail?lawId=16532629445571>

²⁰ The Ministry of Economic Development of Mongolia and Asian Development Bank: “Public Private Partnerships Handbook”, 2014, p.12.

²¹ The article 4.1, The state policy on PPPs, the Parliament resolution No.64, from 2009, <https://legalinfo.mn/mn/detail/6653/2/203312>

steps were planned and implemented according to the Article 6.1 of the State policy on PPPs in Mongolia considering private partners' interest and suggestions²², including:

- To elaborate the Concession law of Mongolia,
- To make an amendment in the related laws and legal documents,
- To ratify a regulation on selecting private partners, concluding concession agreement, and controlling and monitoring project implementation and performance procedure,
- To renovate some regulations and guidelines which may cause bureaucracy in the PPPs implementation procedure, and
- To consider private partners' interest in the legal environment improvement.

The Law of Mongolia on Concessions was passed in 2010, first law enabling Public private partnerships which allows the private sector to finance and mobilize private investment in certain sectors including energy, transport, education, and health sector. It aims to regulate matters related to the organization of tenders for granting investors concessions over state and local own property, the conclusion, revision and termination of concession agreements, and the settlement of disputes²³. A concession is defined as an exclusive right to possess, operate, create and renovate state and local own property assets for the purposes of rendering basic social and infrastructure services to the public on the basis of an agreement on conditions and terms specified in this law²⁴. According to this law there are multiple concession types: (i) Build – Operate – Transfer; (ii) Build – Transfer; (iii) Build – Own – Operate; (iv) Build – Own – Operate – Transfer; (v) Build – Lease – Transfer; (vi) Design - Build – Finance – Operate; and (vii) Renovate – Operate – Transfer. Eventually this law introduced a formal procuring process and rules for project development, implementation, and evaluation: However, the law of Mongolia on Concessions mainly focused on infrastructure and public services provided through concession contracts.

The Law of Mongolia on Public private partnerships was enacted in 2022 with the goal of implementing public and private partnership projects in the field of public infrastructure and public services, to support private sector participation and investment, to ensure efficient long-term cooperation between the public and private sectors based on the optimal risk management of partnership agreements, and to create a favorable legal environment in connection with the implementation of sound financial and budget management²⁵. The Law of Mongolia on PPPs allows governing broader framework for all public-private partnerships, establishing a central PPPs Unit, introducing structured risk allocation principles, and enhancing transparency. The adoption of the Law of Mongolia on PPPs enhances the environment for the private companies to contribute to the

²² The Article 6.1, the State Policy on PPPs of Mongolia, the Parliament Resolution No.64 from 2009, <https://legalinfo.mn/mn/detail/6653/2/203312>

²³ The Article 1.1, The law of Mongolia on Concessions, <http://legalinfo.mn/law/details/312?lawid=312>

²⁴ The Article 3.1.1, The law of Mongolia on Concessions, <http://legalinfo.mn/law/details/312?lawid=312>

²⁵ The Article 1.1, The law of Mongolia on Public private partnerships, <https://legalinfo.mn/mn/detail?lawId=16532629445571>

development of public infrastructure and public services²⁶. It aims to foster transparency, efficiency, and accountability in public private partnerships projects.

The Government of Mongolia passed **regulations on PPPs project implementation** at national level (the Government resolution No.404 from 2023)²⁷, and at local level (the Government resolution No.210 from 2024)²⁸. The resolution consists of following regulations:

- Regulation on preliminary assessment and comprehensive analysis of partnership projects;
- Regulation for the selection of private sector partners and consultancy services;
- Regulation for the establishment of partnership agreements, conducting negotiations, and entering into agreements without selection procedures; and
- Regulation on the implementation, financing, organization, reporting, and partnership projects.

According to the **Law of Mongolia on the legal status of Ulaanbaatar, capital city of Mongolia** from 2021, the capital city shall implement: (i) construction of international roads passing through the territory of the capital, its maintenance, repair, and related activities, (ii) investment of the capital city development policy, (iii) repair, maintenance, cleaning, service and protection of buildings, highways, roads, green spaces, lighting, and (iv) projects and measures for reducing traffic congestion, increasing the type, quality, and access of public transportation services, and solving other problems in the capital city.

Furthermore, a province with a population of 100,000 or more and or which has not received financial support from the capital city or the state budget for the last three consecutive years, may implement partnership projects in energy and heat supply; waste management; construction and management of surface water and grey water facilities; water supply and wastewater pipeline networks and treatment plants; expressways, high-capacity public transport, and transport logistics centers; construction and operation of facilities aimed at ensuring food supply and food security; and projects with a total cost of up to 100 billion tugriks²⁹.

Figure 1

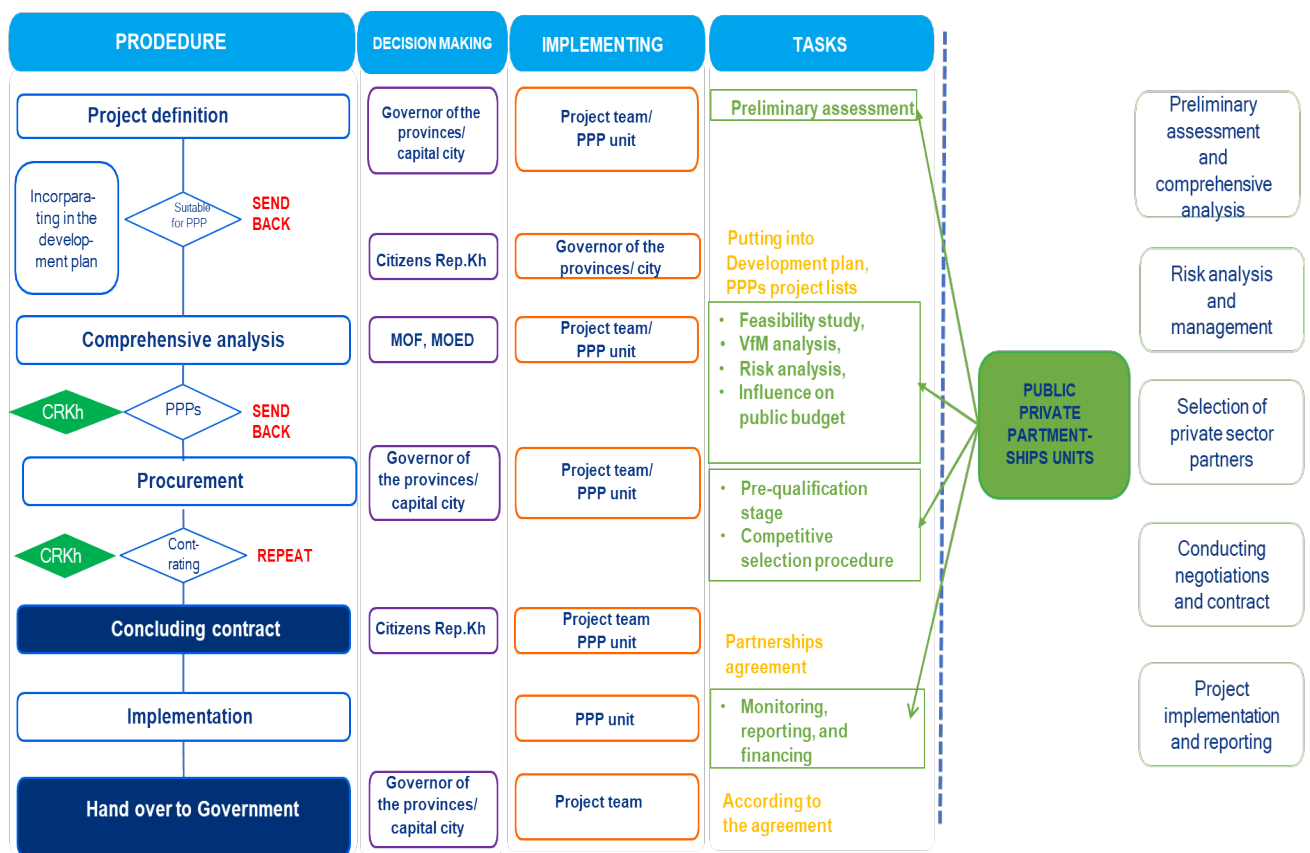
PPPs project implementation procedures at the capital city of Mongolia

²⁶ Melville Erdenedalai: "Legislative update: Mongolia adopts new law on Public and private partnerships", 2023.

²⁷ The Government Resolution No.404 from 2023 "Implementing PPPs projects at the national level", <https://legalinfo.mn/mn/detail?lawId=17089365016111>

²⁸ The Government Resolution No.210 from 2024 "Implementing PPPs projects at the local level", <https://legalinfo.mn/mn/detail?lawId=17355924694351>

²⁹ The Article 13.2, The law of Mongolia on Public private partnerships, <https://legalinfo.mn/mn/detail?lawId=16532629445571>



Source: by Author (based on the law of Mongolia on PPPs from 2022 and Government resolution No.210 from 2024).

According to the law of Mongolia on Public private partnerships and the Government resolution No.210 from 2024, there are five main phases for a project implementation.

- Firstly, a preliminary assessment is conducted for a proposed project to determine whether the project is suitable for implementation via PPPs. Then the project is incorporating into long-, medium- and short-term development policy documents, if the project is suitable.
- A comprehensive analysis and risk analysis are followed including value for money, environmental and social impact assessments. In the end of the comprehensive analysis an approval of the central PPPs authority and the finance/budget body of Mongolia is required.
- Once the Citizens Representative Council of the Capital city approved a project, the selection of the private partners begins including pre-qualification stage and competitive selection procedure.
- Once a private partner is selected, a partnership agreement is signed between the partners based on the negotiation among those partners.
- Finally, the project implementation phase begins followed by regularly report on financial performance, accounting, audits, and the public partner monitors implementation.

THE REGULATORY ORGANIZATIONS: PPP UNITS

Mongolia has created an integrated PPPs unit at the national level; however, the structure of the units has been constantly shifted from one to another administrative organizations³⁰. The structure of the PPPs Unit has been followings:

- 2010 – 2012: in the State Property Committee (a regulatory agency of Government of Mongolia;
- 2012 – 2014: in the Ministry of Economic Development;
- 2014 – 2016: in the Investment Agency (a regulatory agency of Government of Mongolia;
- 2016 – 2022: in the National Development Agency (a regulatory agency of Government of Mongolia;
- 2012 – 2024: in the Ministry of Economic Development;
- Since August of 2024 - a PPPs center.

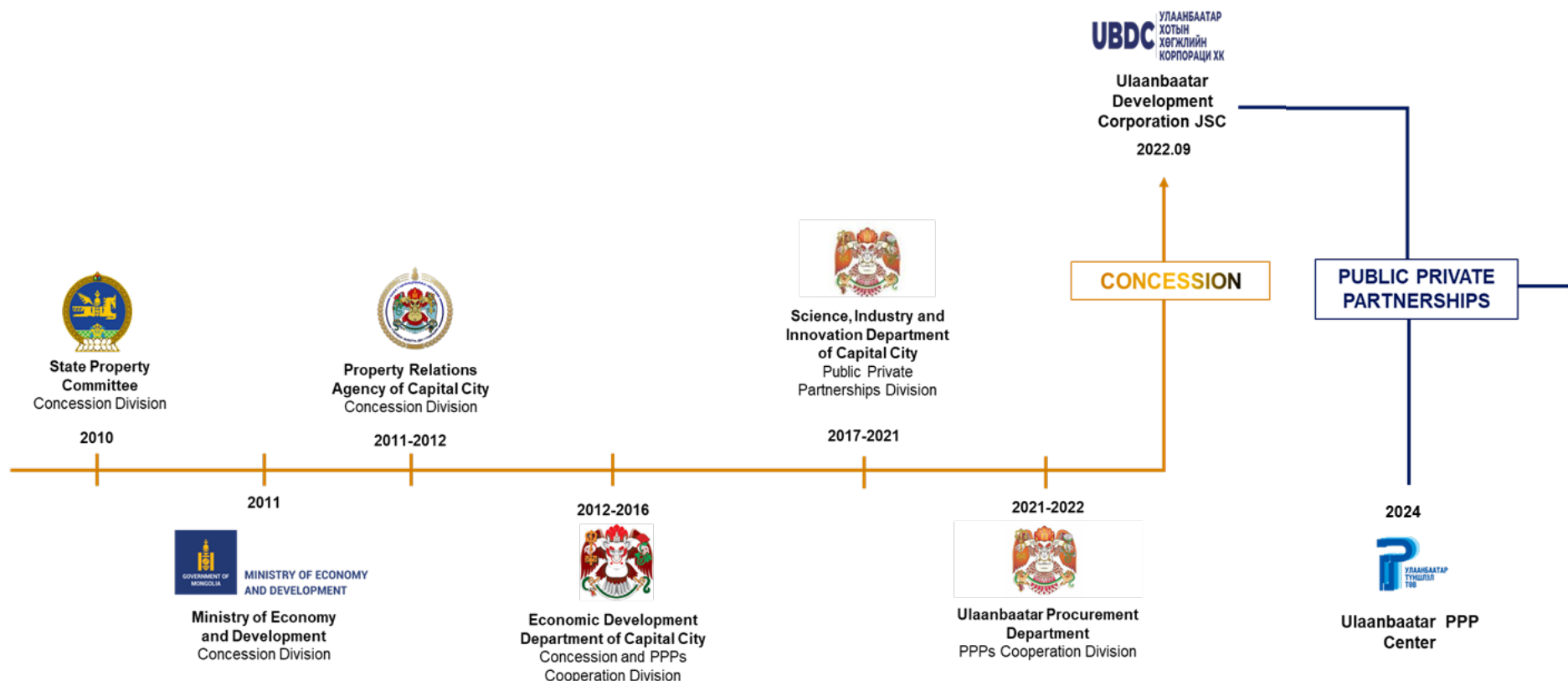
In August from 2024 a PPPs center, a state-owned enterprise, was established according to the law of Mongolia on Public Private Partnerships. PPPs Center of Mongolia acts as a central coordinating and regulatory body for PPPs projects nationwide. The PPPs Center of Mongolia aims to provide PPPs policy and regulation, and to support project implementation by ensuring transparent, efficient, financially sound, and aligned with Mongolia's development goals. It regularly monitors and evaluates the implementation, operation, and performance of PPPs projects throughout their lifecycle. The PPPs center helps standardized PPPs processes in order to improve transparency, risk management and value-for-money.

The affiliation of the Public–Private Partnerships Unit at the capital city level has been transferred from one institution to another, similar to the situation at the national level. The Concession Division of the State Property Committee was responsible for PPP-related matters until 2011, when its duties and functions were briefly transferred to the Ministry of Economy and Development of Mongolia. At the capital city level, the responsibility for implementing concession projects was transferred to the Ulaanbaatar city development corporation JSC in September 2022. Prior to that, the PPPs functions had been structured in several institutions, including the Property relations agency, the Economic development department, the Science, industry and innovation department, and the Ulaanbaatar procurement department of the capital city (see Figure 2).

³⁰ Dr.Baasanjav Ganbaatar: “Public Private Partnerships: The Effective and Efficiency Factors of Infrastructure Projects – A comprehensive Analysis of Germany and Mongolia”, at the German University of Administrative Sciences Speyer, 2019, p.115.

Figure 2

The Public Private Partnerships Units of the Capital City



Source: based on the presentation of the Ministry of Economic Development: “Public private partnerships of Mongolia”, PPPs forum on 13 March 2025.

Both the Ulaanbaatar city development corporation JSC and the Ulaanbaatar PPPs Center are legitimate PPPs Units at the capital city level in Mongolia. They support the implementation of public-private partnership projects, promote private sector participation and investment, and ensure long-term, effective collaboration based on optimal risk management in PPPs arrangements.

The Ulaanbaatar PPPs center is responsible for implementing the Mega projects outlined in the capital city's development policy documents; whereas the Ulaanbaatar Development Corporation JSC is tasked with ensuring the implementation of previously concluded concession projects and carrying out project development of newly listed partnership projects.

PUBLIC PRIVATE PARTNERSHIPS PROJECTS

Phase 1: Projects implemented by the Law of Mongolia on Concessions

Public private partnerships projects were approved and included in the “List of PPPs Projects” in accordance with the resolutions of the Government of Mongolia and the Capital City's Citizens' Representative Council. The initial list of concession items was ratified by Government Resolution No. 198 of 2010, which included 121 concession items and has since been continuously reviewed and amended. In total, 242 projects were approved in the “List of Concession Items” ratified by subsequent resolutions of the Government of Mongolia in 2013 and 2017³¹.

Table 1

Concession items' list and projects' survey result (number, in billion tugrug)

No	Concession methods	On the concession items' list		Contract concluded		Completed/ in operational period	
		Numbers of projects	Share	Numbers of projects	Total value of projects (in billion tugrug)	Numbers of projects	Total value of projects (in billion tugrug)
1	Build-Transfer	174	71.9	42	2627.7	20	221.7
2	Build-Operate-Transfer	34	14	9	9953.4	1	109.0
3	Build-Own-Operate-Transfer	2	0.8	4	3956.2		
4	Build-Own-Operate	23	9.5				
5	Build-Lease-Transfer	2	0.8				
6	Renovate-Operate-Transfer	6	2.5	1	700.0		
7	Design-Finance-Construct-Operate-Maintain	1	0.4	1	2.6	1	2.6
	Total	242	100	57	17239.9	22	333.3

Source: National Audit Office, Control Report on PPPs project implementation, 2018, p.8.

³¹ Government resolution No.317, from 2013; Government resolution No.306, from 2015; Government resolution No.73, 74, 226, 263, 273, 307, from 2016; and Government Resolution No 26, from 2017 etc...

Out of the 242 projects included in the list, project implementation contracts have been concluded for 57 projects. Among these, 42 projects were implemented under the “build–operate” method. Twenty-two projects have already been completed; even 20 projects had been implemented through the “Build-Transfer” method.

Altogether 16 resolutions were approved by the Resolution of the Capital City Citizens’ Representative Council from 2010 to 2022. In total, 33 project agreements with the title amount of 253 million MNT were concluded in the following sectors³².

- Health sector – 5 projects,
- Construction and housing - 3 projects,
- Education, culture, arts, physical education, and sports - 3 projects,
- Road and transport - 12 projects, and
- Engineering infrastructure and others - 4 projects.

These projects were being implemented through the following methods:

- Design – Build – Operate – Transfer – 1 projects,
- Design – Build – Own – Operate – 4 projects,
- Design – Build – Transfer – 25 projects, and
- Design – Build – Own – Operate – 3 projects.

Nineteen projects with total amount of 23.4 million MNT have been successfully implemented at the capital city level³³.

Phase 2: Projects implemented by the Law of Mongolia on PPPs

According to the Law on Public-Private Partnership, which was adopted in 2022 and came into force in 2024, a preliminary assessment of partnership projects shall be conducted and reflected in development policy documents³⁴. A total of 41 projects have been included in the Government’s Action Program for 2024–2028 and Mongolia’s Development Plan for 2025, covering the sectors of road and transport, construction, industry, free zones, energy, tourism, water resources, and communications. Certain projects, including the Murun–Uliastai road project, the Renewable Energy Project (including a hydropower plant), and the 300 km railway construction project along the Shiveekhuren–Nariinsukhait–Shinejinst route, are being conducted in comprehensive analysis phase³⁵.

At the capital city level, long-term development plans and policy documents are ratified. These are followings:

- the Development master plan up to 2040 of capital city,
- the Five-year strategic directions for the development of the capital city,

³² Government resolution No.317, from 2013; Government resolution No.306, from 2015; Government resolution No.73, 74, 226, 263, 273, 307, from 2016; and Government Resolution No 26, from 2017 etc...

³³ The Ministry of Economic Development: “Public private partnerships of Mongolia”, PPPs forum on 13 March 2025.

³⁴ The Article 10.1.5, The law of Mongolia on Public private partnerships,
<https://legalinfo.mn/mn/detail?lawId=16532629445571>

³⁵ The Ministry of Economic Development: “Public private partnerships of Mongolia”, PPPs forum on 13 March 2025.

- the 2024–2028 Action plan of the governor of the capital city, and
- the Annual development plan of the capital city.

In 2024, the Governor's office of capital city announced 24 mega projects with a total value of 16,520.1 million dollars, scheduled for implementation from 2024 to 2028³⁶. Those mega projects aim to enhance the city's infrastructure, socio-economic development, and investment-attracting capacity. The following projects among these mega projects are planned to be implemented through public-private partnerships:

- Ulaanbaatar tram project – Line I: 275.28 million \$,
- Ulaanbaatar tram project – Line II: 348.16 million \$,
- Bayankhoshuu housing development project: 402 million \$,
- Khunnu city project: 711 million \$,
- Decentralized thermal energy project: 373 million \$,
- Sludge incineration plant project: 139.8 million \$,
- Baruun dalai deposit coal processing plant: 912.0 million \$,
- New sport stadium project: 350.0 million \$, and
- International hotel project: 20.0 million \$.

Lists of PPPs projects were approved by the Resolution No. 25/01 dated January 27, 2025³⁷ and the Resolution No. 25/109 dated September 08, 2025³⁸ of the Citizens' representative's council of capital city. It consists of 33 projects which will be implemented in following sectors.

- Social infrastructure sector – 12 projects,
- Road and transport sector – 10 projects,
- Energy sector - 6 projects,
- Infrastructure and engineering networks sector – 4 projects,
- Agriculture sector – 3 projects,
- Information technology sector – 2 projects, and
- Tourism sector – 1 project.

Those projects will be financed through foreign aid and loans (including a concessional loan from the Asian Development Bank), the state and capital city budgets, and private sector investments. The resolution granted the Governor of the capital city and Mayor of Ulaanbaatar the authority to conduct a comprehensive analysis and to organize their implementation in accordance with the relevant laws and regulations.

The Policy and planning department of the Governor's office of capital city evaluated that implementation of the aforementioned Citizens' Representatives Council resolution was 50 percent based on the third quarter performance in October 2025.

³⁶ Official website of Ulaanbaatar city, <https://ulaanbaatar.mn/mega-project> (last used on October 30, 2025).

³⁷ The Resolution No.25/01 "Lists of the PPPs projects" of the Citizens' Representatives Council of Capital City, 27.01.2025.

³⁸ The Resolution No.25/109 "Amending lists of the PPPs projects" of the Citizens' Representatives Council of Capital City, 08.09.2025.

In October 2025, a partnership agreement was signed for two projects — the Fifth Thermal Power Plant and the Waste-to-Energy Plant — following the successful completion of comprehensive analyses and private partner selection procedures³⁹. These are the first-ever projects to be developed and implemented in accordance with the Law of Mongolia on Public Private Partnerships and the relevant regulations adopted pursuant to it. Overall, eight projects from aforementioned list, which are being implemented by the Ulaanbaatar PPPs center, are in the comprehensive analysis phase⁴⁰. The feasibility studies of five of these projects have already been approved by the Scientific and Technological Council under the respective line ministry.

LESSONS LEARNED FROM THE CAPITAL CITY LEVEL PPPS IN MONGOLIA

Lesson Learned From 1: Regulatory framework of PPPs:

PPPs are understood as long-term project implementation agreements in which public and private partners are involved in optimally sharing risks in order to achieve goals that focus on project outcomes and results. The public sector has made efforts to establish PPPs regulatory framework by ratifying the State Policy on PPPs (2009) and the Law of Mongolia on Concession (2010) and the Law of Mongolia on PPPs (2022). In other words, the Government of Mongolia has taken certain steps to create an enabling environment for PPPs.

The Law of Mongolia on PPPs outlines various forms of government support, such as granting land-use rights, access to public assets, tax incentives, partial state financing, insurance for partnership assets, and provision of necessary public infrastructure and services⁴¹. The public sector has played an important role in establishing a comprehensive regulatory framework to promote and manage PPPs effectively.

Lesson Learned From 2: PPPs unit:

According to the Law of Mongolia on PPPs, the PPPs Unit is responsible for establishing legal framework for effective, sustainable collaboration between the public and private sectors; providing professional and methodological support; conducting preliminary and comprehensive assessments and analyses, and preparing research and reports, and developing the necessary procedures, documents, and guidelines for PPPs projects⁴².

The structure of PPPs unit at the capital city level has been unstable, undergoing frequent changes over the past 15 years. As shown in Figure 2, the organization responsible for PPPs project implementation has shifted from one institution to another approximately every two years. Two organizations - the Ulaanbaatar Development Corporation JSC and the Ulaanbaatar PPPs Center - are both tasked with project development, conducting

³⁹ Official website of Ulaanbaatar city, <https://ulaanbaatar.mn/mega-project> (last used on October 30, 2025)

⁴⁰ Ulaanbaatar PPPs center: "Current situation of PPPs projects at the capital city level" presentation, at the Public private dialogue, organized by JICA and ALMEC corporation on October 9, 2025.

⁴¹ The Law of Mongolia on Public private partnerships, <https://legalinfo.mn/mn/detail?lawId=16532629445571>

⁴² The Law of Mongolia on Public private partnerships, <https://legalinfo.mn/mn/detail?lawId=16532629445571>

analyses, selecting private sector partners, and overseeing project implementation and monitoring.

However, in future research, it will be necessary to examine the coherence between the PPPs units of the capital city, the central government body responsible for finance and budgeting, line ministries, and other public institutions overseeing specific functions at the capital city level.

Lesson Learned From 3: PPPs projects:

Public private partnerships' projects have been integrated into the long-term development plans and annual development plans of the capital city. Between 2010 and 2022, thirty-three concession agreements were concluded at the city level—about one-third in the road and transport sector, three-quarters using the build–transfer method, and one-third later cancelled. Because the public sector bore the majority of risks under the build–transfer method, it was prohibited under the Law of Mongolia on PPPs from 2022.

Since 2024, the capital city announced 24 mega projects and the Citizens' Representative Council of capital city approved lists of PPPs projects which will be developed and implemented according to the Law of Mongolia on PPPs from 2022. Partnership agreements for two projects have been signed following the successful completion of private partner selection procedures, while about one-quarter of the projects are currently in the comprehensive analysis phase. The PPPs units have carried out project development processes with support from international organizations such as the World Bank, the Asian Development Bank (ADB), and JICA.

Lesson Learned From 4: Risk sharing and efficiency:

The golden principle of the risk sharing is that the risks shall be borne by those partners who can handle them best⁴³. Risks are allocated by ability to influence the factors, efficient risk absorbing capacity, risk management competence, readiness to take risks and controllability of risks.

A risk allocation model and methodology of conducting the feasibility study have been rarified in Mongolia. The risk of PPPs project is assessed using the PERAM 2.0 method according to the Order No.A/267 of the Minister of Finance of Mongolia of 2023 “On approval of a model for calculating the impact of public private partnerships on the budget and budget risks”⁴⁴. The PERAM 2.0 provides a structured methodology to identify, evaluate, and allocate risks of PPPs projects throughout the project lifecycle. It integrates both qualitative (expert judgement) and quantitative (probability impact) approaches to determine the risk exposure and the optimal risk allocation between the public and private partners.

⁴³ Dr.Baasanjav Ganbaatar: “Public Private Partnerships: The Effective and Efficiency Factors of Infrastructure Projects – A comprehensive Analysis of Germany and Mongolia”, at the German University of Administrative Sciences Speyer, 2019, p.34.

⁴⁴ The Order No.A/267 of the Minister of Finance of Mongolia: “On approval of a model for calculating the impact of public private partnerships on the budget and budget risks”, 2023.

Methodology of preparing the feasibility study of a public–private partnerships project is approved by the Government regulation⁴⁵ and by an order of the minister of the relevant sector⁴⁶. According to this regulations, total project investment, financing and financing schedule, user fees and charges, cost–benefit analysis, investment payback period, internal rate of return (IRR) are calculated within the framework of the project’s feasibility study.

Since PPPs projects of the capital city level are still in their initial development stages, it is not yet possible to assess the adequacy of the risk allocation model and methodology of preparing the feasibility study.

Lesson Learned From 5: Transparency:

According to the Law of Mongolia on PPPs, a member of the Government in charge of partnership matters shall develop “a procedure for creating an integrated database system, receiving, recording, and reporting information”, and the PPPs unit is responsible for developing the data and relevant documents, regularly uploading them to the integrated database system⁴⁷. However, no procedure has been developed, and no integrated information system has been established. Creating an integrated information system will support the development of new projects, facilitating to find possible project implementation methods and giving access to researchers and scientists for all data involved. Furthermore, transparency of information data should be provided.

CONCLUSION

This research paper sought to investigate current PPPs situation of the capital city of Mongolia. The Law of Mongolia on PPPs from 2022 expands the scope of PPPs by introducing various project implementation models. It outlines procedures for project development, implementation and monitoring and provides mechanisms for government support to private partners, and includes detailed regulations for aspects such as risk allocation and monitoring. Even the capital city of Mongolia has the right to implement PPP projects according to the Law of Mongolia on the legal status of Ulaanbaatar, capital city of Mongolia and the amendment of the Law of Mongolia on PPPs.

The Ulaanbaatar Development Corporation JSC and the Ulaanbaatar PPPs Center are both responsible for providing professional and methodological support, conducting preliminary and comprehensive assessments and analyses, collaborating effectively with private partners, and preparing research and reports. It can be concluded that project implementation has moved to the next phase, transitioning from the concession-based projects to PPPs.

⁴⁵ The Government Resolution No.210 from 2024 “Implementing PPPs projects at the local level”, <https://legalinfo.mn/mn/detail?lawId=17355924694351>

⁴⁶ The Order of the Minister of Mining and Heavy Industry of Mongolia No.A/351 from 2023: “Approval of the methodology”.

⁴⁷ The Law of Mongolia on Public private partnerships, <https://legalinfo.mn/mn/detail?lawId=16532629445571>

The number of approved projects has increased, and project implementation methods have become more diverse at the capital city level. In the end it is still early to say or evaluate whether risks are properly shared and projects are efficiently implemented and to determine success and failure factors of PPPs of the capital city of Mongolia.

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