

Revised Law on Procurement of Goods, Works, and Services with State and Local Property Funds, and its key changes



Contact us:

Sergi Kobakhidze

Eurasia Partner
Tax and Legal Services
sergi.kobakhidze@pwc.com

Tsendmaa Choijamts

Director
Tax and Legal Services
tsendmaa.choijamts@pwc.com

Munkhjargal Ragchaakhuu

Legal Manager
Tax and Legal Services
munkhjargal.ragchaakhuu@pwc.com

Munkhnasan Otgontogtool

Senior Associate
Tax and Legal Services
munkhnasan.otgontogtool@pwc.com

PwC Legal LLP

Central Tower, 6th floor
Suite 603, Ulaanbaatar
14200, Mongolia
Tel : + 976 70009089
www.pwc.com/mn



In brief

The Parliament of Mongolia adopted the Revised Law on Procurement of Goods, Works, and Services with State and Local Property Funds (“**Revised Public Procurement Law**”) on June 16, 2023. This law came into effect on January 1, 2024. It aims to increase transparency in government procurement, reduce human intervention, accelerate the tender selection processes, and enhance the accountability and control systems. In light of this tax and legal update, we highlight the key changes introduced by the Revised Public Procurement Law.



Key changes

The procurement process will be conducted entirely through an electronic system

Organizing tender, information exchange, and ensuring transparency are required to use electronic systems. Within this context, bidders are not obligated to submit information that is publicly accessible in the database established and managed by the authorized state body and can be verified through the electronic system.

The Revised Public Procurement Law stipulates that the electronic system will facilitate the following four types of registrations:

- procuring entities,
- procurement participants,
- procurement specialists, and
- catalogues of goods, works, and services.

Procurement participants registered within the electronic system must create a private account, providing information and documents that verify their qualifications and experience. Registrants are obligated to keep their information current in the electronic system, reflecting any changes as they occur, and bear legal responsibility for the accuracy of their data. This approach helps entities to conserve both time and financial resources.

The document will be verified by a digital signature

Submissions for tenders must be executed with a digital signature and sent electronically. However, if a foreign entity does not have a Mongolian digital signature certificate, they may use a digital signature certificate from a foreign jurisdiction, subject to the applicable legal framework.





Key changes (cont.)

Partnerships and Subcontractors

When entering a tender as a partnership, each partner must contribute minimum 20 percent to the tender's value. However, subcontracting is permissible for up to 20 percent of the tender's value to one or more entities.

Foreign entity

"Foreign Entity" refers to any legal entity established in accordance with the laws of a foreign country, an individual who holds citizenship from another country, or a stateless person. Such foreign entities are eligible to participate in tender processes for projects that exceed 30 billion MNT for performing works, 1 billion MNT for the procuring goods, and 300 million MNT for providing services.

Manifestly unlawful contract

The Revised Public Procurement Law specifies the criteria for identifying a contract as "manifestly unlawful contract." The conditions for identifying such contracts are outlined as follows: direct violation of the law; single source procurement violation; failure to publish a notice or issue an invitation as required by the law; restriction on the right to access tender materials; violation of tender deadlines or contract conclusion period; and other law-specified violations by the procuring entities significantly impacted the final outcome of the tender.



Tender selection

Tender selection methods

In accordance with the Revised Public Procurement Law, the tender process will be conducted using one of the following methods, unless the procuring entity opts for the general contract procurement method. The selection of method will be based on the budgeted cost as outlined in the applicable legislation:

- Open tender;
- Comparative selection;
- Direct contracting; and
- Single source procurement.

If the procuring entity chooses the direct contract or single-source procurement method and concludes a contract, they are obliged to submit a copy of the contract along with the reasons for using that method to the Independent Authority Against Corruption within 10 working days from the date of contract conclusion.

For open tender selection, the deadline for receiving tenders should be at least 15 working days. If foreign entities are eligible to participate, the deadline will be at least 20 working days.

Evaluation criteria

When assessing tenders that meet the procuring entity's requirements, three main criteria have been established by Revised Public Procurement Law. These are 1) comparative pricing 2) life-cycle cost, and 3) combination of quality and price.



Dispute Resolution

Dispute Resolution procedure

The Revised Public Procurement Law provides detailed procedures for resolving complaints related to procurement. Upon receiving a complaint, the content of the complaint will be published in the electronic system within 3 working days, without mentioning the name of the complainant. Additionally, the time limit for resolving complaints has been shortened to 3-10 working days, depending on the state authority responsible for resolving the complaint.

If you have any inquiries about the Revised Public Procurement Law, please don't hesitate to contact us. For more details, [click here](#).