

Legal Regulation of Cooperation Agreements Between Mining License Holders and Local Administrative Bodies in Mongolia

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HOW TO CITE:

Zuntsas Munkhbat, Erdenebolor Sambuu, Davaadorj Dorjtumen, Bayardalai Tubeebambuu, Byambadorj Ganbaatar, Antony D. Miller (2026). Legal Regulation of Cooperation Agreements Between Mining License Holders and Local Administrative Bodies in Mongolia. International Journal of Special Education, 41(12s), 961-974

ABSTRACT:

The mineral resources sector is fundamental to Mongolia's economic stability; however, the extraction of these resources frequently precipitates socio-economic conflicts and environmental degradation. To mitigate these impacts, Article 42 of the Law on Minerals mandates "Local Cooperation Agreements" between mineral license holders and local administrative bodies to ensure environmental protection, infrastructure development, and job creation. This research analyzes the legal nature and practical efficacy of these instruments, utilizing a quantitative and content analysis of 362 publicly disclosed agreements from 2014 to 2025. The findings reveal a critical divergence between statutory intent and empirical

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implementation. The study identifies a pervasive lack of standardized nomenclature, inconsistent contractual durations, and a deficit in granular, enforceable obligations, which undermines the legal certainty of these agreements. Furthermore, the analysis suggests that these instruments operate as "administrative contracts" situated at the intersection of public and private law, yet they suffer from a lack of reciprocal accountability and an absence of technical annexes to verify performance. Many agreements were executed by officials lacking statutory competence, risking **void ab initio** status. The paper concludes that for these agreements to function as sustainable governance tools, Mongolia must institutionalize standardized contractual templates, refine the legal capacity of contracting parties, and transition toward a collaborative accountability model that integrates meaningful community oversight and rigorous monitoring mechanisms.

Keywords: Mineral Resources; Mining Licenses; Local Administrative Bodies; Legal Framework; Administrative Contracts; Sustainable Development.

Introduction

The mineral resources sector plays a decisive role in ensuring the economic independence and stability of Mongolia. Although the mining sector constitutes a substantial portion of the gross domestic product (GDP) and the vast majority of total export revenues, the extraction and exploitation of natural resources continue to entail certain negative consequences and conflicts within the socio-economic and environmental spheres of mining regions. The Constitution of Mongolia stipulates that "the land, its subsoil, forests, waters, fauna and flora, and other natural resources in Mongolia shall be subject to the people's power and state protection,¹ and that "the land, except that given to citizens of Mongolia in private ownership, as well as the subsoil with its mineral wealth, forests, water resources, and fauna shall be the public property of the State.² Consequently, establishing optimal legal mechanisms to implement mining projects sustainably and responsibly at the local level, ensure the equitable distribution of mining

benefits to local communities, and protect the environment remains a pressing issue.

The primary legal instrument regulating this relationship is the provision set forth in Article 42 of the Minerals Act, which stipulates that "the license holder shall cooperate with the local administrative body by concluding an agreement on matters concerning environmental protection, mine exploitation, and infrastructure development and job creation associated with the establishment of the plant.³ This "Local Cooperation Agreement" serves as the fundamental bridge for strengthening mutual trust and codifying social responsibility among mining companies, local government administrations, and community members.

Although the statutory obligation to conclude an agreement is legally mandated, numerous practical complications arise due to the lack of standardized templates, poorly defined rights and obligations of the contracting parties, and deficient enforcement and monitoring mechanisms. Furthermore, the legal alignment of

¹ The Constitution of Mongolia (1992), Article 6, Paragraph 6.1.

² The Constitution of Mongolia (1992), Article 6, Paragraph 6.2.

³ Minerals Act of Mongolia (2006), Article 42, Paragraph 42.1.

mining agreement regulations with the Law on Administrative and Territorial Units, Corporate Governance, and the Law on Budget remains insufficiently resolved.

Consequently, numerous infractions arise, such as local authorities demanding unsubstantiated taxes, fees, or donations from mining companies, or companies failing to perform their contractual obligations, which not infrequently culminates in protests and disputes by local communities. This constitutes a detrimental factor generating instability within the investment climate.

Legal scholars note the necessity to theoretically define the contractual relationship between mineral license holders and local administrative bodies as possessing the characteristics of an "administrative contract" or a "public law contract" at the intersection of civil law and administrative law, and to refine the corresponding regulations accordingly (e.g., Reports on the Evaluation and Research of Legislation Implementation in Mongolia).

The objective of this research paper is to comprehensively analyze, from both theoretical and practical perspectives, the legal nature of agreements concluded between license holders and local administrative bodies within the framework of the effective legislation of Mongolia, along with the legal and practical challenges encountered in their implementation. To this end, this study aims to evaluate the current state of contractual legal regulations and define prospective avenues for refining the legislation and enhancing the efficacy of such agreements.

Mongolia possesses abundant natural resources, the efficient, responsible, and sustainable utilization of which serves as a critical pillar for the nation's economic growth and social development. In particular, the mineral sector holds strategic significance in attracting foreign and domestic investment, generating employment, and expanding state budget revenues. However, mining operations are not

limited to economic returns; they inherently exert both direct and indirect impacts on the quality of life of local communities, ecological balance, and social stability. Since 1990, resource extraction activities have intensified rapidly; consequently, a total of 2,565 mineral licenses have been issued, covering 2.8 percent of the national territory—equivalent to 6,221.6 thousand hectares - where exploration and mining operations are currently underway.⁴

Under these circumstances, agreements concluded between mineral exploration and mining license holders and local administrative bodies serve as a crucial legal mechanism to safeguard local interests, promote social responsibility, and ensure sustainable development. In addition to delineating the rights and obligations of the contracting parties, these agreements constitute the primary instrument for environmental protection, infrastructure development, local community engagement, and the equitable distribution of socio-economic benefits.

In practice, however, the legal regulation and implementation of these agreements face multifaceted challenges. Specifically, issues such as overlapping jurisdictions, weak coherence among legislative acts, a lack of transparency in contractual content, structure, and execution, and inadequate mechanisms for local community participation are discernibly present. These deficiencies undermine the effectiveness of the agreements and pose a risk of limiting the positive socio-economic and environmental impacts of the mining sector.

Accordingly, the objective of this study is to analyze the distinct characteristics and pressing challenges of the legal framework governing agreements concluded between mineral license holders and local administrative bodies, and to identify avenues for its refinement. Utilizing relevant legislation of Mongolia, empirical case studies of agreements, quantitative data, and comparative legal methodology, this research

⁴ Statistical Report on Mineral Resources, February 2022 Report.

conducts a rigorous analysis. The resulting findings are directed toward enhancing the legal environment, strengthening local participation, and ensuring the equitable and sustainable governance of natural resources.

The Legal Framework of Mongolia

In the context of Mongolia, the statutory definition of minerals in its general sense holds paramount significance as it delineates the scope of the objects of ownership within mineral law relations, thereby establishing the legal parameters for what constitutes ownership, possession, and use from a civil law perspective.⁵ The regulatory framework governing mineral-related relations in Mongolia is a complex system founded upon constitutional principles and supported by the coherence of multi-sectoral legislation. Article 6, Paragraph 1 of the Constitution of Mongolia stipulates that the land, its subsoil, and natural resources shall be under the eminence of the people and state protection, thereby defining the fundamental principle of mineral law regulation.⁶ This principle signifies that the utilization of natural resources must align with the public interest.

The primary statutory source specifically governing mineral relations is the 'Law on Minerals'. The purpose of this Law is to regulate relations arising from the exploration and mining of minerals within the territory of Mongolia, as well as the protection of exploration areas and mine allotments.⁷ The application of this Law is not confined merely to intra-sectoral regulation; rather, it is implemented in close coherence with

other legislative acts, such as the Law on Land,⁸ the Law on Environmental Protection,⁹ and the Law on Environmental Impact Assessment.¹⁰ This integration renders the legal environment of the mineral sector multifaceted and complex. Furthermore, mineral law relations exhibit the fundamental characteristics of relations regulated by economic legislation, uniquely manifesting across both horizontal and vertical dimensions.¹¹

Specifically, the Law on Land mandates that prior to allocating land for mineral exploration and mining activities, a preliminary study must be conducted by the relevant professional organizations; it further imposes a statutory obligation to rehabilitate land degraded by such operations.¹² Concurrently, the Law on Environmental Protection and the Law on Environmental Impact Assessment incorporate regulatory provisions concerning environmental protection, the mitigation of adverse impacts, and the establishment of financial guarantees for reclamation. These combined provisions serve as a critical mechanism for monitoring and controlling the environmental impacts of mining operations.

Article 42, Paragraph 42.1 of the Law on Minerals stipulates that a license holder is obligated to conclude an agreement with the local administrative body for the purposes of environmental protection, infrastructure development, employment generation, and the implementation of social responsibility, thereby establishing the legal foundation for ensuring local community participation.¹³ This regulatory

⁵ Munkhtuya, Amarsanaa, (2012) *Certain Issues of Property Rights in Mineral Law (Pressing Issues of Public and Private Property Law)*. Ulaanbaatar: Soyombo Printing, p. 54.

⁶ The Constitution of Mongolia (1992), Art. 6, Para. 1, available at <https://legalinfo.mn/mn/detail/367> (accessed May 30, 2026).

⁷ Law on Minerals (2006), available at <https://legalinfo.mn/mn/detail/63> (accessed May 30, 2026).

⁸ Law on Land (2002), available at <https://legalinfo.mn/mn/detail/216> (accessed May 30, 2026).

⁹ Law on Environmental Protection (1995), available at <https://legalinfo.mn/mn/detail/8935> (accessed May 31, 2026).

¹⁰ Law on Environmental Impact Assessment (2012), available at <https://legalinfo.mn/mn/detail/8665> (accessed May 31, 2026).

¹¹ *Handbook of Mineral Law, 2nd edn. (2017) Ulaanbaatar: Munkhiin Useg LLC, p. 13.*

¹² Law on Land (2002), available at <https://legalinfo.mn/mn/detail/216> (accessed May 31, 2026).

¹³ Law on Minerals (2006), available at <https://legalinfo.mn/mn/detail/63> (accessed May 30, 2026).

provision aims to align mining operations not merely with economic efficiency, but with the broader objective of ensuring social and environmental sustainability.

Thus, while the legal regulation of Mongolia's mineral sector is predicated upon a comprehensive system that integrates the principle of state ownership, environmental protection, and local community participation, distinct challenges persist regarding legislative coherence and the level of implementation. This, consequently, necessitates the refinement of regulatory frameworks, particularly to ensure the clarity and certainty of contractual legal mechanisms.

Fundamental Principles of the Law on Minerals:

"In Mongolia, the foundational basis of the legal regulation of the mineral sector is constituted by the 'Law on Minerals', which aims to comprehensively regulate relations associated with the utilization, protection, and economic integration of natural resources.¹⁴ The fundamental principles of this Law align with the concept of state ownership of natural resources enshrined in the Constitution of Mongolia, and they delineate the requirements for utilizing and protecting minerals based on the public interest.¹⁵

A distinct feature of this statutory regulation lies in its application, which is not confined solely to sector-specific legislation but is implemented in close coherence with other legal acts. Specifically, it operates in tight coordination with legislation governing investment, licensing, environmental protection, and land relations, thereby rendering the regulatory framework of the mineral sector multifaceted and integrated.¹⁶

Furthermore, this Law centers upon a licensing system, establishing the legal foundation to

facilitate economic integration by granting mineral exploration and mining rights from the state to the private sector. Within this framework, license holders do not merely possess the right to conduct extraction operations; rather, they concurrently bear reciprocal obligations, including environmental protection, land reclamation, and contributing to local development.¹⁷

In particular, pursuant to Article 42, Paragraph 42.1 of the Law, a license holder is statutory obligated to conclude an agreement with the local administrative body concerning environmental protection, infrastructure development, employment generation, and the implementation of social responsibility; this serves as a pivotal legal mechanism to align mining operations with local development policies and the interests of the local community.¹⁸

Thus, the fundamental principles of the Law on Minerals embody a multifaceted framework that integrates the retention of natural resources under state ownership, their efficient economic integration, the assurance of environmental sustainability, and the strengthening of local community participation. Nevertheless, the empirical implementation of these principles remains heavily contingent upon institutional coherence, oversight mechanisms, and the efficacy of contractual execution.

The Legal Nature of Mineral Licensing:

Within the legal system of Mongolia, a mineral license constitutes a form of exclusive right granted by the state to the private sector; it is a legal institution that facilitates the exercise of the right to utilize natural resources within a specified scope of conditions and duration. This license serves, on one hand, as an instrument for

¹⁴ Law on Minerals (2006), available at <https://legalinfo.mn/mn/detail/63> (accessed May 30, 2026).

¹⁵ The Constitution of Mongolia (1992), available at <https://legalinfo.mn/mn/detail/367> (accessed May 30, 2026).

¹⁶ Law on Minerals (2006), available at <https://legalinfo.mn/mn/detail/63> (accessed May 30, 2026).

¹⁷ Law on Minerals (2006), available at <https://legalinfo.mn/mn/detail/63> (accessed May 30, 2026).

¹⁸ Law on Minerals (2006), available at <https://legalinfo.mn/mn/detail/63> (accessed May 31, 2026).

integrating state-owned mineral resources into economic circulation and, on the other hand, as a regulatory mechanism designed to ensure the public interest and environmental protection.¹⁹

"In terms of its legal nature, a mineral license is deemed to possess a hybrid character that integrates both public and private law dimensions. On one hand, it is a permit granted through a unilateral administrative act by the state and is subject to public law regulation. On the other hand, it encompasses the substantive rights that facilitate participation in economic circulation, investment attraction, pledging, and transferability, thereby embodying private law characteristics as well.²⁰ Consequently, a mineral license is unique in that it represents not merely an administrative permit, but also manifests the attributes of a property right to a certain extent."

Within the scope of this right, a license holder is entitled to conduct mineral exploration, prospecting, and mining activities, while concurrently bearing duties prescribed by legislation. These obligations encompass environmental protection, land reclamation, the payment of taxes and fees, and contribution to local development, all of which constitute prerequisite conditions for exercising the licensing rights.²¹

Furthermore, a mineral license is a temporary, conditional right exercised under state supervision, whereby the state retains the plenary power to revoke, suspend, or authorize the transfer of the license on grounds prescribed by law. This operational dynamic distinguishes a mineral license from an absolute property right and reflects the distinct regulatory feature aimed at protecting the public interest.

Thus, a mineral license serves as a legal instrument for transferring and exercising the right to utilize state-owned resources to private entities; it constitutes a multifaceted legal institution situated at the intersection of public and private law regulations.

Participation of Local Administrative Bodies:

Within the legal system of Mongolia, a local administrative body constitutes an independent subject tasked with ensuring the socio-economic development of its respective territory and protecting the interests of the local community; its legal basis for participating in mining activities is enshrined in the Constitution and sector-specific legislation.²² Under this regulatory framework, it is posited that mineral operations must not be restricted solely to centralized management, but rather require a certain degree of regulation and the assurance of participation at the local level.

The 'Law on Minerals' defines a legal mechanism to implement the participation of local administrative bodies through a contractual framework; pursuant to Article 42, Paragraph 42.1 of the Law, a license holder is statutory obligated to conclude an agreement with the local administrative body concerning environmental protection, infrastructure development, employment generation, and the implementation of social responsibility.²³ This regulation serves as a pivotal institutional instrument aimed at aligning mining operations with local development policies and the interests of the local community.

In terms of their legal nature, these agreements are characterizable under the category of administrative contracts, uniquely established between a state organ and a private entity for the

¹⁹ Law on Minerals (2006), available at <https://legalinfo.mn/mn/detail/63> (accessed May 30, 2026).

²⁰ Ganchimeg, Gansukh. (2024) *Legal Regulation and Pressing Issues of Pledging Mineral Licenses*. Legaldata.mn. Available at: <https://legaldata.mn/index.php/b/2195> (Accessed: 31 May 2026).

²¹ Law on Minerals (2006), available at <https://legalinfo.mn/mn/detail/63> (accessed May 31, 2026).

²² The Constitution of Mongolia (1992), available at <https://legalinfo.mn/mn/detail/367> (accessed May 30, 2026).

²³ Law on Minerals (2006), available at <https://legalinfo.mn/mn/detail/63> (accessed May 31, 2026).

purpose of regulating public law relations. Consequently, there are cogent grounds to posit that such agreements are not merely private law instruments predicated solely on the mutual consensus of the parties, but rather serve as legal vehicles to implement the public interest and policy objectives.

The participation of local administrative bodies plays a crucial role in ensuring local community engagement, enhancing environmental protection, and mitigating the socio-economic impacts arising from mining operations. In practice, however, instances are observed where this involvement fails to be implemented with sufficient efficacy, primarily due to systemic challenges such as jurisdictional limitations, a lack of legal certainty, and weaknesses in contractual enforcement mechanisms.

Accordingly, to enhance the efficacy of the participation of local administrative bodies, it is imperative to clarify regulatory frameworks, standardize the templates and substantive content of agreements, and refine mechanisms that ensure the meaningful engagement of the local community.

Quantitative Analysis of the Enforcement of Agreements Prescribed under Article 42, Paragraph 42.1 of the Law on Minerals

Article 42, Paragraph 42.1 of the Law on Minerals mandates that a license holder is obligated to conclude an agreement with the local administrative body concerning environmental protection, infrastructure development, employment generation, and the implementation of social responsibility.²⁴ In order to ascertain the empirical reality of the enforcement of this regulation, a quantitative and content analysis was conducted on 362 publicly disclosed agreements.

The findings of the analysis indicate that a unified standard or established template for the nomenclature of these agreements has not yet materialized. Varied terminology—such as 'cooperation agreement,' 'social responsibility

agreement,' and 'joint-operation contract'—is concurrently employed, which consequently diminishes legal certainty and impedes a uniform interpretation of the agreements' substance and objective. This divergence further constitutes a detrimental factor in defining the legal nature of these agreements and in conducting comparative analyses.

In terms of contractual transparency, the publication of a total of 362 agreements online between 2014 and 2025 marks a discernible advancement; however, the annual metrics remain inconsistent and subject to fluctuation. For instance, while the highest volume was recorded in 2019 with 99 agreements concluded, subsequent declines observed in certain years appear to correlate with policy enforcement dynamics and the variance in sector activity.

Regarding contractual duration, while a twelve-month term is the most prevalent, agreements with indefinite or conditional terms constitute a relatively high percentage, thereby generating risks that diminish the efficacy of contractual implementation and oversight. Furthermore, at the substantive level, although issues concerning the environment, infrastructure, employment, and donations are extensively incorporated into the body of the agreements, the integration of detailed regulatory clauses and annexes designed to secure and guarantee their enforcement remains insufficient.

Furthermore, regarding the contracting parties, although the participation of the Governor remains predominant, instances indicate that certain agreements may have been executed by unauthorized entities or officials, thereby casting doubt upon their legal validity. This operational defect carries the risk of non-compliance with the statutory requirements prescribed by the General Administrative Law.

In conclusion, while the enforcement of agreements prescribed under Article 42, Paragraph 42.1 of the Law on Minerals

²⁴ Law on Minerals (2006), available at <https://legalinfo.mn/mn/detail/63> (accessed May 31, 2026).

demonstrates a certain degree of implementation in quantitative metrics, it remains deficient regarding substantive content, legal validation, and enforcement mechanisms. Consequently, there is a justifiable necessity to standardize the nomenclature, structure, duration, and regulation of rights and obligations within these agreements, alongside refining the corresponding monitoring and evaluation mechanisms.²⁵

Agreements concluded between a mineral license holder and a local administrative body are mandated to be transparent, and such contracts are officially published on the website www.iltodgereee.mn. Presently, an analysis has been conducted on the 36repe2 publicly disclosed agreements deposited therein.

Nomenclature Of Agreements:

An examination of the nomenclature of the 362 agreements published online reveals a deficiency in unified standards or established templates, demonstrating that these instruments are formulated inconsistently. For instance:

- Cooperation Agreement Concerning Environmental Protection, Mining Operation, Infrastructure Development for Factory Establishment, and Employment Generation
- Social Responsibility Agreement Concerning Environmental Protection, Infrastructure Development, and Employment Generation
- Agreement Concerning Environmental Protection, Infrastructure Development Related to the Utilization of Common Minerals, and Employment Generation
- Cooperation Agreement
- Agreement on Cooperation with Local Administrative Bodies
- Cooperation Agreement Between ... Aimags and ... LLC

- Social Responsibility Agreement Concluded Between the Office of the Governor of ... Sum and Mining Enterprises

The nomenclature of these agreements is employed in various permutations, such as 'cooperation agreement,' 'social responsibility agreement,' 'agreement related to environmental protection,' and 'agreement on cooperation with local administrative bodies.' These discrepancies in designation impede the determination of the agreements' substantive content, objective, stakeholder participation, and legal nature, thereby limiting data transparency and the feasibility of comparative analysis. Consequently, there is an exigent need to unify and standardize contractual nomenclature. A standardized nomenclature carries the following significance:

Quantitative analysis demonstrates that the nomenclature of local cooperation agreements prescribed under Article 42, Paragraph 42.1 of the Law on Minerals is highly diverse, lacking both a unified standard and an established template.²⁶ Based on the empirical assessment of 362 agreements, it was established that various formulations are concurrently employed, including 'cooperation agreement concerning environmental protection, infrastructure development, and employment generation,' 'social responsibility and environmental protection agreement,' 'cooperation agreement,' and 'agreement on cooperation with local administrative bodies.' This divergence in terminology impedes the determination of the agreements' substantive content, objective, and legal nature, while further complicating the execution of comparative analyses.

Standardizing contractual nomenclature yields several distinct advantages.

First, it enhances legal certainty and facilitates a clearer comprehension of the agreements' objectives and regulatory scope.

²⁵ Law on Minerals (2006), available at <https://legalinfo.mn/mn/detail/63> (accessed May 31, 2026).

²⁶ Law on Minerals (2006), available at <https://legalinfo.mn/mn/detail/63> (accessed June 2, 2026).

Second, it increases data accessibility and comparative feasibility for the public, researchers, and policymakers alike.

Third, it supports the monitoring and evaluation of contractual enforcement and accountability systems, thereby reinforcing alignment with local development policies.

Contractual Transparency:

Pursuant to Article 42, Paragraph 42.4 of the Law on Minerals, local administrative bodies are legally mandated to make the agreements stipulated in Paragraph 42.1—concluded with license holders—open and transparent to the public.²⁷ This regulation is designed to secure legal transparency while enhancing the capacity for local citizens, researchers, and policymakers to comprehend and conduct comparative analyses of the agreements' substance.

A quantitative analysis of the agreements concluded between 2014 and 2025 demonstrates that the volume of cooperation agreements executed in the areas of environmental protection, infrastructure development, and employment generation exhibits annual fluctuations. This variance indicates that contractual activity evolves in correlation with policy enforcement dynamics, sectoral performance, and the degree of local government engagement. For instance, while the number of agreements remained relatively low between 2014 and 2016 (ranging from 5 to 9 agreements), it experienced a sharp increase to 44 in 2017 and culminated in a peak of 99 agreements in 2019, reflecting an enhanced rate of contractual implementation and transparency during that fiscal year. Conversely, between 2020 and 2022, the volume stabilized, followed by a subsequent resurgence in 2023 with 53 executed agreements, which constitutes 14.6 percent of the total dataset.

This transparency mechanism is designed not only to guarantee local citizens' right to information and to enhance oversight regarding contractual enforcement, but also to foster greater accountability within the legal framework governing relations between public authorities and private entities.²⁸ The empirical findings indicate that contractual transparency must not be measured solely by quantitative metrics; rather, it imperatively requires integration with substantive content, the precision of contractual rights and obligations, and the effective operation of monitoring and reporting mechanisms.

Contractual Duration:

The duration of local cooperation agreements prescribed under Article 42, Paragraph 42.1 of the Law on Minerals exerts a significant influence on contractual enforcement, monitoring, and evaluation.²⁹ A quantitative analysis of the 362 agreements indicates that the contractual terms are predominantly definite and fixed, fluctuating between 6 and 36 months. Specifically, agreements with a 12-month duration are the most prevalent, totaling 86 contracts (23.8%). This is followed by agreements with durations of 7 months and 36 months, each accounting for 48 contracts (13.3%), while agreements with a 6-month term comprise 35 contracts (9.7%).

Instances where the contractual duration was specified as indefinite or conditional were also observed, falling into this category for a total of 51 agreements (14.1%). These constraints the capacity for contractual enforcement and oversight, thereby engendering risks of legal uncertainty. Furthermore, certain agreements were concluded with conditional terms linked to political cycles, the validity period of the mineral license, or the cessation of production operations, which is prone to generating systemic instability.³⁰

²⁷ Law on Minerals (2006), available at <https://legalinfo.mn/mn/detail/63> (accessed May 31, 2026).

²⁸ Law on Minerals (2006), available at <https://legalinfo.mn/mn/detail/63> (accessed May 31, 2026).

²⁹ Law on Minerals (2006), available at <https://legalinfo.mn/mn/detail/63> (accessed May 31, 2026).

³⁰ Law on Minerals (2006), available at <https://legalinfo.mn/mn/detail/63> (accessed May 31, 2026).

In synthesis, while the temporal regulation of these agreements is predominantly centered around a one-year cycle, agreements characterized by indefinite or conditional terms continue to pose substantial impediments to contractual enforcement, monitoring, and evaluation. Consequently, establishing the duration of local cooperation agreements within a unified standard and a definite timeframe constitutes an exigent prerequisite for enhancing contractual compliance and strengthening the accountability framework.

Subject Matter Of Agreements:

A substantive content analysis of the local cooperation agreements prescribed under Article 42, Paragraph 42.1 of the Law on Minerals demonstrates that the level of commitments and regulatory frameworks embedded within the contractual subject matter varies substantially across sectors.³¹ For instance, while environmental protection measures are incorporated into the vast majority of these instruments, their practical enforcement and accountability guarantees remain deficient. Similarly, although provisions dedicated to employment generation are integrated at a high percentage, they are rarely institutionalized through distinct clauses or standalone annexes, thereby engendering a pronounced risk of non-performance in practice."

Although provisions concerning donations and financial assistance are incorporated into the general framework of these agreements, the inadequate regulation of corresponding rights and obligations, coupled with deficient documentation and weak enforcement guarantees, is prone to diminishing their social utility. Furthermore, while infrastructure development issues related to mining operations and factory establishment are integrated into the majority of agreements, the insufficient

institutionalization of these clauses through legal annexes severely compromises the binding enforceability of the contracts.³²

The allocation of contractual obligations and liabilities is predominantly imposed solely upon the license holder, thereby demonstrating a deficiency in joint accountability mechanisms. Owing to the minimal proportion of agreements institutionalized with legal annexes, rigorous monitoring, reporting, and evidentiary verification of enforcement remain inadequate. Consequently, establishing more granular regulations, explicitly defined special obligations, and robust documentation mechanisms within the contractual subject matter and substance constitutes an exigent prerequisite for enhancing compliance and strengthening accountability.

Miscellaneous Contractual Terms And Subject Matter:

An analysis of local cooperation agreements concluded within the framework of the Law on Minerals demonstrates that the incorporation of ancillary clauses and miscellaneous regulations is relatively rare.³³ Empirical findings from the dataset of 362 agreements reveal that the vast majority, specifically 338 contracts (93.4%), contained no additional conditions whatsoever. Conversely, provisions explicitly pertaining to procurement operations were additionally integrated in merely 22 instances (6.1%). Furthermore, issues falling under other categories of miscellaneous conditions were stipulated in only 2 agreements (0.6%).

This indicator demonstrates that while the structural framework and regulatory scope of these agreements are relatively standardized and uniform, they have not been augmented with ancillary conditions. Agreements characterized by ambiguous or additional conditional terms are prone to posing substantial impediments to

³¹ Law on Minerals (2006), available at <https://legalinfo.mn/mn/detail/63> (accessed May 31, 2026).

³² Law on Minerals (2006), available at <https://legalinfo.mn/mn/detail/63> (accessed May 31, 2026).

³³ Law on Minerals (2006), available at <https://legalinfo.mn/mn/detail/63> (accessed May 31, 2026).

contractual enforcement, monitoring, and evaluation mechanisms.

Generally, regulations governing miscellaneous contractual terms and subject matter are primarily designed to support and guarantee the enforcement of the core contractual objectives, such as environmental protection, infrastructure development, and social responsibility. However, the inadequate incorporation of ancillary clauses is prone to undermining the contractual performance and liability systems, thereby potentially constraining the efficacy of local development policies. Consequently, this demonstrates that embedding granular regulations within future miscellaneous terms

and formalizing them through imperative clauses and legal annexes constitutes a critical prerequisite for enhancing enforcement, oversight, and reporting frameworks.³⁴

Contractual Parties:

"As enunciated in the 2010 official interpretation by the Supreme Court, the term 'local administrative body' stipulated under Article 42, Paragraphs 42.1 and 42.2 of the Law comprises the Governors and their respective Office of the Governor of the soums and districts, as well as the Governors and their respective Office of the Governor of the aimags and the capital city, where the specific licensed area is situated.

Figure 1. Provincial Governor Figure 2. District Governor

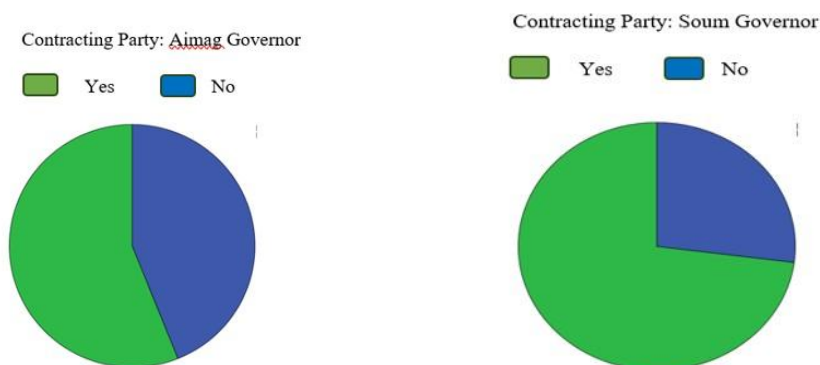
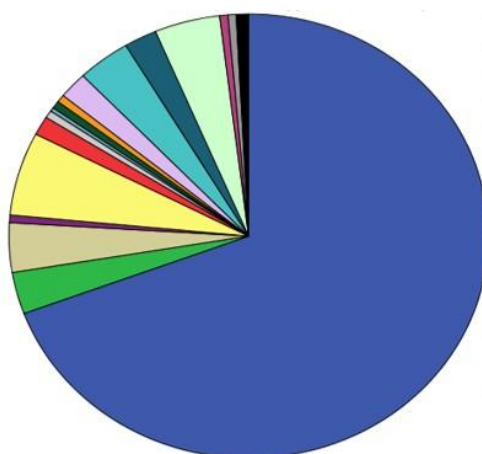


Figure 3. Contracting Party: Others

Figure 3. Contracting Party: Others



³⁴ Law on Minerals (2006), available at <https://legalinfo.mn/mn/detail/63> (accessed May 31, 2026).

These statistics explicitly illustrate the organizational structure and the degree of participation of the contracting parties. Out of a total of 362 cases, the vast majority, namely 251 (69.3%), were executed at the level of the Governor. In addition, contracts concluded with the participation of the local Governor's Office and its relevant departments and agencies account for a relatively small percentage. For instance, the Head of the Department of Environment, Green Development, Policy and Planning of the Ai Governor's Office accounted for 11 cases (3.0%), while contracts executed involving entities such as the Head of the Procurement Agency, the Head of the Provincial (Aimag) Governor's Office, and the Heads of the Public Administration Management Department and the Legal Affairs Department of the Aimag Governor's Office constituted 13 cases (3.6%).

Additionally, contracts executed with the participation of entities such as the Head of the Environmental Issues Department and the Specialist of the Environmental Issues Department of the Capital City Environment Department accounted for 2 cases (0.6%), whereas the joint participation of the Head of the Capital City Environment Department and other relevant agencies constituted 22 cases (6.1%). The proportion of contracts concluded with the involvement of the Governor's Office and its subordinate departments remains relatively low; for instance, the Governor's Office acting independently accounted for 13 cases (3.6%), while contracts jointly executed by the Head of the Development Policy, Planning, and Investment Department of the Governor's Office and the Head of the Legal Affairs Department of the Governor constituted 5 cases (1.4%).

Furthermore, the number of contracts executed with the participation of officials such as the Deputy Governor, the Chairman of the Citizens' Representatives Khural, (Parliament) and state environmental inspectors remains marginal, fluctuating between 0.6% and 1.9%. Conversely, there are 16 cases (4.4%) of contracts involving the Executive Director of the 'NU' Foundation,

a non-governmental organization, which indicates the involvement of civil society alongside state authorities.

Internal divisions and subordinate officials of the Governor's Office (e.g., department heads, inspectors, and deputy governors) potentially lack the requisite legal capacity to directly execute contracts. Consequently, these agreements are prone to being legally contentious and carry an inherent risk of being rendered void *ab initio* due to a manifest lack of statutory authority.

In conclusion, the contractual execution process is predominantly characterized by the centralized involvement of the Governor, whereas the engagement of alternative administrative bodies and subordinate officials remains relatively marginalized. This dynamic underscores that the legal validation and formalization of these agreements are fundamentally concentrated at the gubernatorial level.

The quantitative analysis conducted on the enforcement of local cooperation agreements, as stipulated under Article 42, Paragraph 42.1 of the Law on Minerals, explicitly delineates the divergence between statutory regulations and empirical implementation within the mining sector of Mongolia.

These instruments inherently possess the characteristics of administrative contracts and are intended to govern public law relationships. An agreement executed between a licensee and a local administrative body must serve not merely as a mechanism for economic interest extraction, but as a binding legal instrument designed to ensure public participation and operationalize social responsibility. However, analytical findings reveal a pervasive ambiguity and deficiency within the contractual rights and obligations framework. Despite possessing the nature of an administrative contract, the weak regulatory formulation of reciprocal rights and duties, coupled with inadequate formal documentation, potentially engenders non-compliance with the statutory requirements codified under the General Administrative Law. Given that the nexus between state authorities and licensees is purposefully designed to regulate public law

relations, the structural model and framework of these agreements must be more rigorous, granular, and jurisprudentially substantiated.

Analytical findings indicate that the enforcement of agreements executed pursuant to Article 42, Paragraph 42.1 of the Law on Minerals remains insufficient in both quantitative and substantive terms, exhibiting a weak jurisprudential foundation and an ambiguous liability mechanism. This deficiency potentially constrains the capacity to adequately manage the socioeconomic and environmental impacts of the mining sector, thereby diminishing the tangible benefits generated for local development. Consequently, there is an imperative and urgent need to structurally and substantively reform the contractual model, framework, and enforcement mechanisms on sound legal foundations. Although clauses pertaining to mining and processing operations are incorporated into the majority of these agreements, their practical enforcement and accountability guarantee remain profoundly weak.

Conclusion And Recommendations

In Mongolia, agreements executed between mineral resource licensees and local administrative bodies constitute a vital legal mechanism for aligning natural resource exploitation with local development policies and public interest. However, empirical findings indicate that the regulatory framework governing these agreements faces multifaceted challenges. Specifically, overlapping jurisdictions, a deficit in contractual transparency, and marginalized public participation within local communities generate distinct complications in operational practice.

The substantive scope of these agreements primarily addresses environmental protection, infrastructure development, employment generation, and donations at a generic level; however, their granular integration into the core subject matter of the contracts remains deficient. Consequently, there is an elevated risk that these contractual commitments will fail to materialize into actual performance. The allocation of rights and obligations is predominantly imposed on the

licensee, and although there is an emerging shift toward a collaborative accountability model, it remains inadequate. Furthermore, the exceptionally low proportion of agreements reinforced by technical annexes indicates a profound deficit in regulatory oversight, compliance reporting, and evidentiary verification of enforcement.

Furthermore, despite a high frequency of contractual commitments pertaining to employment generation, their subsequent enforcement remains weak due to a profound deficit in substantive clauses, quantifiable criteria, and oversight mechanisms. Similarly, while provisions regarding donations and assistance are incorporated into general frameworks, the regulatory formulation of reciprocal rights and duties, coupled with inadequate documentation, is likely to diminish their broader social utility. Finally, although infrastructure development is addressed in the vast majority of these agreements, formal compliance and execution guarantees remain structurally deficient.

Regarding the contracting entities, a distinct proportion potentially lacks the statutory competence authorized by law, thereby rendering the jurisprudential foundation of these agreements deficient. It is pertinent to underscore that, in strict accordance with the official interpretation of the Supreme Court, the entities vested with the legal authority to execute such agreements are strictly confined to the Governors of the respective soums, (districts), or aimags (provinces) within the designated territory, as well as their respective Offices of the Governor.

Proposals For Discussion

- **Harmonizing Contractual Models and Substantive Content with Statutory Requirements:** To develop a standardized template compliant with the Law on Minerals and relevant regulatory frameworks, and to explicitly integrate environmental protection, infrastructure development, employment generation, and social responsibility into the core subject matter of the agreements.

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- **Institutionalizing Enforcement Documentation and Ensuring Transparency:** To establish a robust oversight framework, compliance reporting mechanisms, and evidentiary verification systems for contractual execution, while ensuring that such information is transparently disclosed to the general public.
 - **Balancing the Accountability Framework:** To move beyond imposing unilateral obligations solely upon the licensee, and instead develop a collaborative accountability model that actively encompasses local administrative bodies and public participation.
 - **Enhancing Civic Engagement:** To substantively guarantee the active participation of local communities in both contractual negotiations and the subsequent monitoring of agreement implementation.
 - **Ensuring Execution by Vested Authorities:** To strictly adhere to statutory boundaries by ensuring that the contract execution process is performed exclusively by entities possessing the requisite legal capacity and authorized statutory competence.

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