



U4 BRIEF 2024:4

Bayar Dashpurev
Series editor
Aled Williams

The 'coal theft' case: Corruption and reform of Mongolia's strategic minerals governance

Corruption erodes sustainable and inclusive development. It is both a political and technical challenge. The U4 Anti-Corruption Resource Centre (U4) works to understand and counter corruption worldwide.

U4 is part of the Chr. Michelsen Institute (CMI), an independent development research institute in Norway.

www.u4.no

u4@cmi.no

Read online

www.u4.no/r/BR2404

Allegations of corruption in Mongolia's coal trade with China in late 2022 sparked public protests – and highlighted critical shortcomings in the management of the minerals sector. While the government took action to improve policies, enforcement is insufficient and there is a lack of coordination among the different agencies that exercise investigative and prosecutorial powers. Parliamentary elections in 2024 may be an opportune moment for reformers to address these gaps.

Main points

- Coal is a strategic commodity for Mongolia and an important source of revenue. More than 80% of Mongolian foreign trade comes from coal and other minerals.
- In 2022, allegations surfaced that coal was being illegally transported across the Chinese border. High-ranking politicians and influential business leaders were implicated and the loss to the Mongolian economy was as high as US\$11 billion, by some estimates.
- The allegations drew public protests and media coverage in Mongolia and abroad, and the issue became politicised. The case highlighted critical institutional shortcomings in the management of the minerals sector.
- The designation of the coal deposit as of 'strategic importance' enabled information to be withheld, undermining transparency. The use of offtake contracts allowed coal to be undervalued.
- The lack of transportation and accessible border facilities, as well as COVID-19-related restrictions, presented opportunities for railways and customs officials, as well as border militias to demand bribes.
- Prompted by this and other prominent corruption cases, the state amended criminal laws in December 2022, and has taken measures to address corruption in strategic minerals and across the economy.
- A parliamentary hearing and investigation were announced but have been delayed. Eight criminal cases were launched and five have been decided. The former CEO of the state-owned coal company and 11 others were charged with money laundering.
- Mongolia has laws and institutions to tackle corruption, but they are insufficiently enforced and operationalised. There is scope to do more to address identified gaps.

Contents

The coal theft case	6
Mongolia's anti-corruption framework	9
Transformation of the minerals sector	12
Implications for reformers	14
Obstacles to transparency and the politicisation of remedies	14
Following the money, via traders and buyers	16
Boosting investigation and prosecution capacity	17
References	19

'China is undercutting the entire economy by exploiting the dirtiest coal in the world, mostly from Mongolia', said Joe Biden during the Democratic Party presidential debates in 2020.¹ In fact, Mongolia exports around 34 million tonnes of coal annually to China, while China imported 39 million tonnes of coking coal (from all sources) in July 2023 alone.² The economic fortunes of Mongolia are closely tied to the dynamics of the Chinese coal market. What happens in the Chinese coal sector can directly and disproportionately shape the economic landscape of Mongolia.

Indeed, a recent scandal known as the 'coal theft' case might pose lasting damage to the nation's mineral sector. This U4 Brief looks at allegations of corruption in Mongolia's minerals sector. It delves into the critical challenge of tackling corruption in the sector and highlights the potential long-term implications to industry sustainability and the integrity of mineral supply chains.

This brief is rooted in three distinct sets of data. To understand the governance of Mongolia's strategic minerals, five months of field work were undertaken in the eastern and western parts of South Gobi province, where the Tavan Tolgoi coal deposit at the centre of the 'coal theft' case is situated. Interviews with 74 individuals, including lawyers, officials, NGO members, and herders, were supplemented by analysis of nearly 50 court cases in the mineral sector. To contextualise the case in the broader setting of Mongolian minerals governance and the country's anti-corruption landscape, 23 further interviews were conducted with members of local and state governments, politicians, legal advocates, prosecutors, scholars, and truck drivers.

The brief starts with an introduction to the coal theft case. It then summarises significant features of Mongolia's mineral sector and anti-corruption legal framework. The brief then outlines the implications of the case for reformers, particularly possibilities for enhancing anti-corruption measures in Mongolia's strategic minerals sector.

1. NBC News 2020.
2. Aizhu 2023.

The coal theft case

In 2022, allegations surfaced that coal was being illegally transported across the Chinese border. This case is not as simple as conveyed to the Mongolian public: that coal was stolen from the state-owned coal mining company, Erdenes Tavan Tolgoi (ETT). But neither is it a complex financial scheme. Initially, the Government of Mongolia stated that a large amount of coking coal from ETT had been illicitly imported to China without proper customs registration documents and record-keeping. This claim angered many Mongolians. For about 3 weeks in December 2022, in bitterly cold weather, thousands protested in Sukhbaatar square in front of the Mongolian parliament, demanding prosecution of the thieves. Both foreign and domestic media covered the protests and disseminated the allegations. In response, the Independent Authority Against Corruption (Mongolia's anti-corruption agency) initiated an investigation into the case. However, there are notable divergences between accounts regarding the specifics of the case.³

Different information has been cited as to how much coal was stolen, its value, and when the theft occurred. Member of Parliament (MP) Dorjkhand Togmid announced that the state had lost the equivalent of 41 trillion Mongolian tugrik (around US\$11 billion) in coal revenue. According to his estimate, around 6 million tonnes of coking coal were stolen over the last decade.⁴ In another account, Enkhbold Luvsan, a former MP from South Gobi province and former vice director of the Erdenes Mongol company (the parent company of ETT), noted that coal had been stolen from the Tavan Tolgoi coal deposit since 2010, from the Tavan Tolgoi company, a locally owned mining company. Close to a million tons of coal was stolen, according to Enkhbold. He also believed that 6.4 million tonnes of coal was embezzled from the deposit between 2008 and 2014.⁵ However, Amarbayasgalan Dashzegve, the Chief Cabinet Secretary of the Mongolian government, denied all these accounts, saying that it would be impossible to embezzle such a massive amount of coal and import it into China. He said it was likely that around 300,000 tonnes of coal were imported to China without customs registration between 2013 and 2019.⁶

Another allegation was that coal had been under- or mis-valued. Although ETT holds a licence for the Tavan Tolgoi deposit and is responsible for managing it, it contracts other operating companies and subcontractors. It also finances several economic

3. Reuters 2022; Dierkes 2022; Economist 2022; Miller 2022; VOA 2022.

4. Chimeg 2022.

5. Oyun 2022.

6. "Amarbayasgalan Dashzegve: The fact that 6.4 Mt coal was stolen is false," 2022, accessed August 30, 2023, https://twitter.com/_uuganbaatar/status/1692747273157915048?s=49&t=onjYLiNxJbB8l71_1urcw&fbclid=IwAR17uCFniuM6S7TAMrvuvr09iVBBOsBNXEEruoE1rVHu7KG3Rtlcqi28fpQ

development projects, including the Gashuun Sukhait railway, the Zuun Bayan railway, the Tavan Tolgoi power plant, a coal preparation plant, and a water pipeline project. In many instances, ETT finances mining operations and development projects by entering into classified offtake contracts⁷ and sales agreements.⁸ A central allegation is that ETT failed to value coal fairly in these trades. In the offtake contracts with Mongolian corporation Bodi International LLC over the Gashuun Sukhait railway, for example, ETT is alleged to have undervalued coal as compared to its market price.⁹ Several MPs, the CEO of ETT, and the head of the operating companies are all alleged to have conspired to undervalue coal for private gain.

The transportation of coal is another integral aspect of the case. Transportation companies are alleged to have embezzled the coal and to have overvalued their transportation services. ETT coal was exported to China via two routes: a long-distance route and a route involving two shorter distances. The long-distance route meant taking the coal directly from the mine to China's Gants Mod border point. On the shorter route, the coal was first unloaded at Tsagaan Khad, an interim point in Mongolia, and reloaded there for export to China. In the past, ETT traded coal at the price referred to as the 'mining site price' (*uurkhain amny üne*). In this scenario, buyers purchase the coal at the mine and contract trucking companies to transport it. The agreed price is typically lower than the price at the Gants Mod border point. The government accused transportation companies of conspiring with buyers and ETT officials to undervalue the coal and overvalue transportation. As a result, it is alleged the government failed to earn the correct amount of revenue from this trade.

The coal theft case is alleged to have involved numerous influential actors. The government declared the existence of a 'coal mafia' presiding over the nation's strategic minerals, with ETT as one example. The government further alleged that it would be impossible to embezzle such huge amounts of coal without help from public officials and the involvement of state agencies.¹⁰ Mongolia's anti-corruption agency announced the potential involvement of 'big fish', among them six sitting MPs, a minister, the ETT CEO, the South Gobi province governor, and many customs and inspection officials. Two MPs were suspended from the parliament, and another requested release from their parliamentary membership.¹¹ It was announced that a parliamentary hearing and investigation would be held into the case, but this was delayed without public explanation.

7. An offtake agreement is an arrangement between a producer and a buyer to buy or sell a certain amount of the product at an agreed price.

8. Sainjargal 2022.

9. The offtake contracts and coal sale agreement with Bodi International can be found on the ETT website: <https://ett.mn/mn/agreement/10090>

10. Dierkes 2022.

11. Namunyssetseg 2023.

During all this, the word 'theft' was dropped from official descriptions of the case. When the Judicial Council of Mongolia reported on the status of the case, it referred to it only as the 'coal' case, noting that it was a criminal matter involving the exploitation, transportation, and selling/buying of coal. The Council announced that 378 individuals were being investigated. Eight criminal cases involving 63 individuals were transferred to first-instance criminal courts.¹² Of these, five cases have been decided. Three of the cases were heard in the Khanbogd Soum Criminal Court, which has jurisdiction over the territory where the Tavan Tolgoi coal deposit is located. The cases heard in the Khanbogd Soum Criminal Court and Songino Khairkhan District Criminal Court found that the accused took bribes, abused official positions, and engaged in unlawful enrichment. In addition to the corruption charges, Gankhuyag Battulga, the former CEO of ETT, and 11 others were charged with money laundering.

12. News.mn 2023.

Mongolia's anti-corruption framework

In response to the coal theft case, the state has taken measures to address corruption in the strategic minerals sector. It was perhaps the coal theft case that first induced the government to consider amending the penal code and criminal procedure laws. At around the same time, however, several other prominent corruption cases hit Mongolian politics, including cases concerning the Erdenet Copper Mine, the Development Bank, and the Education Loan Fund. These cases together led the government to extensively amend criminal laws in December 2022. The amendments have embraced two crucial points: (i) they prescribe harsher sentences, as demanded by the public during the coal theft protests, and (ii), they extend the statute of limitations. Major corruption crimes now carry longer sentences and the only possible punishment is imprisonment.¹³

The 2023 plan is intended to try to deal with systemic corruption through measures such as transparency, accountability, inclusiveness, and other strategies recommended by Transparency International.

The government has also used several other mechanisms to tackle minerals corruption. The parliament of Mongolia adopted the third National Anti-Corruption Plan in 2023. Before this, it had approved anti-corruption plans in 2002 (covering 2002 to 2010) and in 2016 (covering 2016 to 2023). In 2023, an independent consultant found that 75% of the second plan's objectives have been achieved.¹⁴ While previous plans focused on prosecuting corruption, the 2023 plan is intended to try to deal with systemic corruption through measures such as transparency, accountability, inclusiveness, and other strategies recommended by Transparency International.¹⁵

The government also announced 2023 to be the year of 'fighting corruption'¹⁶ and introduced the 'five sh' operations. These encompass a whistleblowing initiative targeting corrupt officials, a transparency drive in public offices, a comprehensive

13. The Criminal Law of Mongolia 2015. <https://legalinfo.mn/mn/detail/11634> 3 December.

14. Darambazar 2023a.

15. Darambazar 2023a and 2023b.

16. Government of Mongolia 2023. [Government decision no. 49 declaring the year 2023–2024 as the year to fight corruption](#) 8 February.

sweep of illegal appointees in public positions, an effort to extradite individuals involved in corruption crimes abroad (termed the 'bird operation'), and an operation focused on recovering assets obtained through corruption. The government has also disclosed certain classified contracts related to infrastructure projects involving ETT.

Mongolia has developed sufficient legal rules and institutions to tackle corruption. What remains, however, is to enforce the rules and operationalise the institutions.

More broadly, tackling corruption has been a stated priority for every Mongolian government since the democratic transformation of the 1990s. Anti-money laundering lawyer Tegshbayar Darambazar noted that Mongolia has developed sufficient legal rules and institutions to tackle corruption. What remains, however, is to enforce the rules and operationalise the institutions.¹⁷ Parliament passed two Anti-Corruption Laws, in 1996 and 2006.¹⁸ It has also introduced legislation promising greater transparency, including the Transparent Account Law (2014) and the Law on Avoiding Conflicts of Interest in the Public Service (2012).¹⁹ Mongolia adopted the UN Convention against Corruption in 2005²⁰ and, consequently, the Independent Authority Against Corruption was established in 2007. Each government has had its own challenges in tackling corruption, and the latest approved Anti-Corruption Strategic Plan covers 2023 to 2030.²¹

The Mongolian public is broadly aware that the country grapples with a widespread corruption problem and that existing rules and institutions have failed to tackle this problem.²² According to Transparency International, Mongolia scored between 36 and 39 out of 100 on the Corruption Perceptions Index for the last ten years, and in 2022 it was ranked 116th out of 180 countries.²³ The Organisation for Economic Co-operation and Development (OECD) also reports that many measures against corruption have failed, primarily because anti-corruption laws and plans were poorly implemented.²⁴ Bayaraa Battuvshin, a lawyer, notes: 'Mongolia has quite good anti-

17. Tegshbayar Darambazar 2023.

18. Government of Mongolia 2006. [Anti-Corruption Law](#).

19. Government of Mongolia 2014. [The Transparent Account Law](#); Government of Mongolia 2012. [Law on Avoiding Conflicts of Interest in the Public Service](#).

20. "The United Nation Convention on Corruption (*Avligyn Esreg Negdsen Ündesny Konvents*)," 2005, 2023, https://www.unodc.org/documents/treaties/UNCAC/Publications/Convention/08-50026_E.pdf.

21. Government of Mongolia. 2023. Anti-Corruption Strategic Plan 2023–2030. <https://legalinfo.mn/mn/detail?lawId=16760139806351&showType=1>.

22. The Asia Foundation 2018.

23. Transparency International. [Corruption Perceptions Index](#).

24. OECD 2023.

corruption legal rules. I believe, to some extent, these rules deliver positive outcomes. However, it is crucial to note that implementation is likely to be biased and selective when it comes to actors. Thus, the important step towards better implementation of the existing anti-corruption rules is to ensure the anti-corruption agency's independence and to improve the agency's institutional capacity.²⁵ However, an amendment to Mongolia's anti-corruption law indicates that the government has taken no steps to guarantee the agency's independence. Instead, it has reinforced the prime minister's discretionary control over the institution through its nomination of the head of the agency.²⁶

25. Battuvshin 2023.

26. Government of Mongolia 2006. Anti-corruption law, Article 21.1.

Transformation of the minerals sector

Extractive industries contribute close to 25% of Mongolia's GDP. More than 80% of Mongolian foreign trade comes from mining, mainly exports of copper, coal, gold, and iron ore to China.²⁷ Coal is a strategic commodity and its production and export have steadily increased over the last few decades.²⁸

The democratic constitution of 1992 enshrined the long-standing rule that mineral resources belong to the people of Mongolia.²⁹ Mongolia has passed three major mineral laws since then.³⁰ Each law reflected shifting priorities, either strengthening the state's role or liberalising the sector.³¹ The Minerals Law of 1994 recognised strategic minerals and that the state has control over these resources. However, the 1997 Minerals Law liberalised the sector and abandoned the classification of strategic minerals and associated rules on their state control. The latest Minerals Law (2006) placed particular emphasis on the state's entitlement to mineral resources and brought back the concept of strategically important mineral deposits. Following this, the government listed several mineral deposits as being of strategic importance, allowing it to own equity shares in related mining companies.³² The concept of strategically important deposits was further strengthened by constitutional amendments in 2019, which guaranteed the state strong control over such deposits.³³

The Minerals Law defines strategically important deposits as those whose scope may have a potential impact on national security, on national or regional economic and social development, or that are producing, or have the potential to produce, more than 5% of total annual GDP.³⁴ The reason for introducing the concept of strategically important mineral deposits was to assert the state's ownership rights over these resources and to secure state revenues from them. The Minerals Law authorises the state to take a 50% or 34% share in mining companies, depending on how much the state has invested in the company and whether state funds were used to find the deposit.³⁵ Following the law, parliament declared that 16 mineral deposits

27. World Bank 2021.

28. Our World in Data. [Coal production](#).

29. Government of Mongolia 1992. The Constitution of Mongolia 6.1.

30. Lander 2020.

31. Lander 2020.

32. Government of Mongolia 2007.

33. Odonkhoo 2020.

34. Government of Mongolia 2006. Minerals Law of Mongolia, Article 4.1.12. <https://legalinfo.mn/mn/detail/63>.

35. Government of Mongolia 2006. Minerals Law of Mongolia, Articles 5.4. and 5.5. <https://legalinfo.mn/mn/detail/63>.

were of strategic importance.³⁶ One of these is the Tavan Tolgoi coal deposit, the most crucial deposit for the entire Mongolian economy.

The Tavan Tolgoi coal deposit is in Tsogttsetsii soum, Ömnögobi aimag (or the South Gobi province), around 560 kilometres south of Ulaanbaatar. It is closer to the Chinese border, some 240 kilometres to the north, than it is to the Mongolian capital. The deposit is divided into seven mining licences, operated by three companies with different business ownership structures. These are the state-owned ETT (established by the government in 2010, and the main subject of the coal theft case), Tavan Tolgoi mining (a local company in which South Gobi province holds most shares), and Energy Resources mining (a private firm operating the Ukhaa Khudag sub-deposit).

Many interviewees alleged that the process of dividing the Tavan Tolgoi deposit into several licences paved the way for corruption. Over half of Mongolia's coal exports come from ETT alone,³⁷ and the company has become a crucial taxpayer and a major financier of the nation's development projects. Embezzling ETT coal therefore threatened the sovereignty of the state over its strategic mineral resources and undermined the rights of Mongolians to enjoy the benefits derived from them.

Unfortunately, ETT and many of the infrastructure projects it supports are widely reported to have become loci of corruption. This has sparked speculation about whether ETT should remain state owned and whether Mongolia should liberalise the mineral sector and abandon the concept of strategic minerals deposits. The main stakeholders we interviewed agreed that the ETT should be state owned.

36. Government of Mongolia 2007.

37. Chung 2019.

Implications for reformers

The coal theft case illustrates corruption not only in strategic mineral production but also in state-owned companies, associated development projects, and extended mineral supply chains. Some observers claim it is not an isolated example, and that the exploitation of gold, copper and oil face similar issues. The coal theft case certainly reveals fundamental challenges undermining Mongolia's mineral sector. But it can also reveal opportunities for how corruption afflicting minerals governance can be approached in future. Indeed, the case holds several implications for would-be reformers interested in sustainability and integrity.

Obstacles to transparency and the politicisation of remedies

Transparency is typically viewed as crucial for tackling corruption in the mineral sector, and the government has legislated to promote openness in the industry. Yet, the coal theft case revealed transparency to be undermined by poor record-keeping and inadequate databases. Officials lacked essential data on ETT's coking coal operations, including production totals, on-site quantities, transportation volumes, exports, inventories at the intermediary border point, wastage figures, registered coal sorts, even numbers of coal trucks leaving for repair without a load. In the absence of reliable data, rumours filled the void. The government and minority party leaders are alleged to have exploited the lack of data to convey a particular political agenda and diffuse irrational expectations among the public. Interviewees noted that distrust of existing anti-corruption mechanisms has grown as a result.

The absence of reliable record-keeping translated into mistaken public perceptions about lost coal revenues. People instinctively associated high-ranking politicians and influential business leaders with the case, and any measures that did not address these actors frustrated and angered them. This, in turn, politicised anti-corruption efforts, since the anti-corruption agency, the prosecutor's office, and the Judicial Council of Mongolia acted on this public pressure. For instance, in response to complaints over its slow progress, the Judicial Council falsely reported that courts had decided five coal theft cases.³⁸ In fact, the Judicial Council requested that courts report on *any* corruption cases even tangentially related to coal, coal transportation,

38. Find the cases on the website of the [Judicial Council of Mongolia](#) (in Mongolian); see also the criminal case involving several Mongolian citizens, Case no. 2023/IIIIT/17 (Songino Khairkhan District Criminal Court, 22 December 2022) https://shuukh.mn/single_case/83724?daterange=2022-01-01%20-%202023-08-17&id=1&court_cat=2&bb=1&fbclid=IwAR3mmNdAMByIzBbne8hQTwrml9LOFZqArFPfobJOrOvS2fnqC-fRxLh-DWU

the Tsagaan Khad intermediary border point, and the Gashuun Sukhait border point.³⁹ This shows the Council's eagerness to provide status updates amid intense public pressure. In a nutshell, poor record-keeping and a lack of data generated unfounded public expectations, which then politicised anti-corruption efforts, posing difficulties for impartial legal assessments.

Poor record-keeping and a lack of data generated unfounded public expectations, which then politicised anti-corruption efforts, posing difficulties for impartial legal assessments.

The case also reveals how the concept of strategic mineral deposits undermined transparency. The Minerals Law emphasises that strategic mineral deposits are linked to national security, and the concept has played an important role in how the ETT case was handled.⁴⁰ Since Tavan Tolgoi is a strategic deposit, ETT's coal mining and associated development projects were considered national security issues and were concealed under the state's classified information lists.⁴¹ In other words, ETT's strategic importance helped obscure its activities from external review, particularly in terms of its deal-making. It is alleged that political managers, executives, and high-ranking officials at ETT undervalued coal in various contracts to benefit personally.

Another obstacle to transparency was ETT's involvement in several offtake contracts, sales agreements, and barter deals with various parties, by pledging coal as a form of payment. This practice distorted the coal's value and undermined transparency in two ways. First, offtake contracts for infrastructure projects created opportunities for distorting transactions. An ETT official defended this practice, noting that,

since Mongolia has no hard cash to finance the development projects such as the power plant, the railway, and so forth, ETT entered the offtake contracts with the developers and to pay the debt with coal. Not only for the development projects, but ETT also pays for services incurred from the operating companies and subcontractors with coal. There is nothing wrong with this scheme.⁴²

39. Author interviews with court administrative assistants, 8 August 2023.

40. Government of Mongolia 2006. Minerals Law of Mongolia.

41. Government of Mongolia 2019.

42. Anonymous 2023.

Though the government labelled some of these agreements offtake contracts, they deviated significantly from typical offtake agreements. While the arrangements in place might be common among private mining companies in Mongolia, their use by the state-owned ETT, which lacked operational independence, appears to have exacerbated opacity.

Second, the fact that ETT entered barter agreements with diverse parties by committing coal as payment triggered an actual or fictitious excessive increase in coal production. Paradoxically, the parties involved could not export the coal due to a lack of transportation and accessible border facilities, and restrictions due to COVID-19. Consequently, these parties competed vigorously to transport and export coal, resulting in a significant surge in transportation costs. This bottleneck created opportunities for officials to determine whose coal could be exported first. Unfortunately, this gave officials in the national railways authority, customs, and the border militias, opportunities to demand bribes.

Following the money, via traders and buyers

The coal theft case sheds light on another aspect of corruption in Mongolia's mineral sector: the relationship with the main buyer of coal, China. The case began with two allegations. The first was that the coal theft was revealed by differences in Mongolian and Chinese customs accounts of how much coking coal was exported to China. The second allegation was that officials in the neighbouring Chinese province of Bayannur were prosecuted for embezzlement of coal from Mongolia.⁴³ Unfortunately, neither of these allegations have yet been addressed by Mongolian or Chinese authorities. Neither have Mongolian officials requested, as a part of their investigations, data from Chinese customs as to how much coking coal from ETT was imported into China. This is an important data gap.

Nearly all minerals extracted from Mongolia are traded to China. But it would be mistaken to reduce China merely to one 'buyer'. Many intermediaries are found in China's peripheral regions, especially ethnic Mongolians involved in the coal trade, and these intermediaries are eager to secure minerals at low prices. They are heavily involved in the Mongolian mineral sector and allegedly manipulate trade deals. Because of the coal theft case, the Mongolian government tried to promote greater transparency in the coal trade, deciding to sell ETT's coal at auction via Mongolia's stock exchange. However, coal trade intermediaries rejected this, refused to purchase coal from the stock market, and demanded a return to former arrangements. It seems likely that the mainland Chinese authorities, for their part,

43. Munkherdene and Ahearn 2023.

are interested in retaining the former deals given that China benefits from low-price minerals and that the minerals trade encourages development and stability in its peripheral regions.

Boosting investigation and prosecution capacity

The coal theft case demonstrated the Mongolian state's limited capacity to investigate and prosecute corruption in the mineral sector. When protestors demanded punishment of the 'coal thieves', parliament quickly amended the criminal code relating to corruption crimes, making sanctions more severe. However, the case has not been investigated, prosecuted, or decided under the legal framework as efficiently or strategically as it might have been.

The individuals accused of theft ranged from a truck driver to a minister, from a business owner to a politician, and to members of the border militia. Moreover, corruption was not the only crime alleged. Embezzlement, money laundering, tax evasion and smuggling were all reported. Not every suspect could be tried under the same crimes and jurisdiction, therefore. There was confusion as a local court charged customs officials and truck drivers with receiving bribes and bribing public officials, respectively. However, the same court neglected to consider that the coal was transported without proper registration or that customs documents had been forged.⁴⁴ Both prosecutors and investigators neglected crucial evidence, resulting in charges that may not reflect committed crimes.

The 'coal theft' case demonstrates critical institutional gaps when it comes to effective investigations and prosecutions in Mongolia's anti-corruption landscape.

There appears to have been a lack of coordination and collaboration among different agencies with investigative and prosecutorial powers. To some extent, institutions competed, condemned, and ignored one another. Investigators at local police offices, local prosecutors, and courts agitated with the anti-corruption agency, for example, for allegedly overstepping their jurisdiction. Indeed, the 'coal theft' case demonstrates critical institutional gaps when it comes to effective investigations and prosecutions in Mongolia's anti-corruption landscape.

44. Criminal case involving several citizens of Mongolia, The Khanbogd Criminal Court 21 April 2022. https://shuukh.mn/single_case/88789?daterange=2022-09-01%20-%202024-01-19&id=1&court_cat=2&bb=1

At the time of writing, few Mongolian media outlets seem interested in the status of the case. Except for a handful of politicians demanding a parliamentary hearing, discussion of the case has all but disappeared from Mongolian public discourse. Nevertheless, its political importance may increase with the upcoming parliamentary elections in 2024, which would be an opportune moment for would-be reformers to address the gaps identified here.

References

Aizhu, C. 2023. [China's July coal imports surge as heatwaves drive power use](#). Reuters, 8 August.

Anonymous. 2023. The Erdenes Tavan Tolgoi's trade and finance practice. Interview by Bayar Dashpurev, 7 August.

Uuganbaatar D.2022. [Amarbayasgalan Dashzegve: The fact that 6.4 Mt coal was stolen is false](#). X/Twitter post

Battuvshin, B. 2023. The implementation of the anti-corruption rules in Mongolia. Interview by Bayar Dashpurev, 23 July.

Chimeg, B. 2022. [Dorjkhand Togmid explained why 40 trillion MNT was lost in the coal theft](#). Gogo, 9 December.

Chung, J. 2019. [The mineral industry of Mongolia](#). In Minerals yearbook: Area reports international: Asia and the Pacific. U.S. Geological Survey.

Darambazar, T. 2023a. [Q&A: What's next for Mongolia's beneficial ownership transparency and anticorruption agenda](#). Interview by Oluwabusayomi Sotunde, 20 March. Results for Development.

Darambazar, T. 2023b. [Guest post: the backbone of the new national anticorruption strategy will be the private sector and civil society](#). Mongolia Focus, 24 April.

Dierkes, J. 2022. [Mass protests in Mongolia decry 'coal mafia,' corruption](#). The Diplomat, 6 December.

Economist. 2022. [Mongolians brave the cold to decry corruption](#). 15 December.

Government of Mongolia. 2007. [Resolution declaring certain deposits as strategically important mineral deposits](#). 6 February.

Government of Mongolia. 2019. [Resolution 196: Amendments to the State's classified information lists](#).

Government of Mongolia. 2023. [Government decision no. 49 declaring the year 2023–2024 as the year to fight corruption](#). 8 February.

Lander, J. 2020. [Transnational law and state transformation: The case of extractive development in Mongolia](#). Routledge.

Miller, A. M. 2022. [Mongolian protesters try to storm State Palace alleging corrupt officials sold coal to China](#). Fox News, 6 December.

Munkherdene, G. and Ahearn, A. 2023. [Coal smuggling trains the Mongolian public's eye on systemic corruption](#). East Asia Forum, 17 April.

Oyun, R. 2022. [Enkhbold Luvsan: Between 2008 and 2014, 6.4 Mt coal was exported without record](#). Ikon, 9 December.

Namuuntsetseg, E. 2023. [The suspended parliament members due to the 'coal theft' case](#). Ikon, 30 March.

NBC News. 2020. [Full transcript: Ninth Democratic debate in Las Vegas](#). 20 February.

News.mn. 2023. [The Judicial Council of Mongolia's Briefing](#). Via Facebook, 26 July.

Odonkhuu, M. 2020. [Mongolia's long, participatory route to constitutional reforms](#). ConstitutionNet, 20 January.

OECD. 2023. [Mongolia: Anti-corruption reforms](#).

Reuters. 2022. [Mongolians brave bitter cold to protest 'coal theft' corruption](#). 8 December.

Sainjargal, P. 2022. Ganbat Jigjid: Erdenes Tavan Tolgoi Mining entered four offtake contracts, of which two are classified. Ikon, 8 November.

The Asia Foundation. 2019. [Survey on perceptions and knowledge of corruption](#).

VOA. 2022. [Mongolians protest alleged theft of coal sold to China](#). 6 December.

World Bank. 2021. [The role of the state in Mongolia's mining sector](#).

About the author

Bayar Dashpurev

Bayar Dashpurev is a Ph.D. Candidate at the Max Planck Institute for Social Anthropology. He was formerly a lecturer at the School of Law, National University of Mongolia and the German-Mongolian Institute for Resources and Technology, respectively. He has worked as a litigator in both administrative courts and the constitutional court of Mongolia including cases and disputes concerning rights to healthy environment and mineral resources.

Keywords

anti-corruption reforms – customs – commodities – extractive industries – law enforcement – natural resource management – mining – prosecution – Mongolia – China – Eastern Asia – Asia

How to cite

Dashpurev, B.; (2024) The 'coal theft' case: Corruption and reform of Mongolia's strategic minerals governance. Bergen: U4 Anti-Corruption Resource Centre, Chr. Michelsen Institute (U4 Brief 2024:4)

Publication

First published 27 February 2024

Disclaimer

All views in this text are the author(s)', and may differ from the U4 partner agencies' policies.

Cover photo

baiterek_media – stock.adobe.com – license: copyrighted

Creative commons

This work is licenced under a Creative Commons Attribution-NonCommercial-NoDerivatives 4.0 International licence (CC BY-NC-ND 4.0)



U4 partner agencies

German Corporation for International Cooperation – GIZ

German Federal Ministry for Economic Cooperation and Development – BMZ

Global Affairs Canada

Ministry for Foreign Affairs of Finland

Ministry of Foreign Affairs of Denmark / Danish International Development Assistance – Danida

Norwegian Agency for Development Cooperation – Norad

Swedish International Development Cooperation Agency – Sida

Swiss Agency for Development and Cooperation – SDC

UK Aid – Foreign, Commonwealth & Development Office

Corruption erodes sustainable and inclusive development. It is both a political and technical challenge. The U4 Anti-Corruption Resource Centre (U4) works to understand and counter corruption worldwide.

U4 is part of the Chr. Michelsen Institute (CMI), an independent development research institute in Norway.

U4 ANTI-CORRUPTION
RESOURCE CENTRE