



УУЛ
УУРХАЙН ЯАМ



IRIM ONGOLIA
Independent Research Institute



50
YEARS

Empowered lives. Resilient nations.

CORRUPTION RISK ASSESSMENT IN MINING SECTOR OF MONGOLIA



ULAANBAATAR
2016



CORRUPTION RISK ASSESSMENT IN MINING SECTOR OF MONGOLIA



INDEPENDENT RESEARCH INSTITUTE OF MONGOLIA NGO

Building 45-30, 8 khoroo
Sukhbaatar district, Ulaanbaatar 14201
Mongolia,
Tel/Fax: 976-70117101
E-mail: contact@irim.mn
Web: <http://www.irim.mn>

INDEPENDENT AUTHORITY AGAINST CORRUPTION OF MONGOLIA

5th khoroolol, Seoul street 41
Ulaanbaatar 14250
Tel: (976)-70110251, (976)-11-311919,
(976)-18001969 /telephone tariff /
Fax: (976)-70112458
E-mail: contact@iaac.mn
Web: <http://www.iaac.mn>; атр.мoh

UNITED NATIONS DEVELOPMENT PROGRAMME

UN House, United Nations Street-14,
Sukhbaatar district, Ulaanbaatar 14201
Mongolia
Tel: (976)-11-327585
Fax: (976)-11-326221
E-mail: registry.mn@undp.org

Abbreviations	4
List of tables	5
List of figures	6
INTRODUCTION	7
1. METHODOLOGY	9
1.1 Assessment objectives	9
1.2 Methodology for identifying and mitigating corruption risks	9
1.3 Comments on UNDP's methodology for assessing corruption risks	12
2. MONGOLIAN MINING SECTOR: CURRENT SITUATION, LEGAL ENVIRONMENT	13
2.1 Current situation of the mining sector	13
2.2 Legal framework of the mining sector	16
2.3 Previous studies on corruption risk in the mining sector	19
3. FINDINGS: EXPLORATION PHASE	23
3.1 Exploration phase stages	23
3.2 Identified corruption risks and their ratings	26
3.3 Conclusions	33
4. FINDINGS: PRE-OPERATION PHASE	35
4.1 Pre-operation phase stages	35
4.2 Identified corruption risks and their ratings	38
4.3 Conclusions	44
5. FINDINGS: EXTRACTION PHASE	45
5.1 Extraction phase stages	45
5.2 Identified corruption risks and their ratings	48
5.3 Conclusions	64
6. FINDINGS: POST-EXTRACTION PHASE	65
6.1 Post-extraction phase stages	65
6.2 Identified corruption risks and their ratings	67
6.3 Conclusions	71
General conclusions	72
Appendix 1. Glossary	77
Appendix 2. List of documents reviewed	79
Appendix 3. List of participating organizations	82
Appendix 4. References	85

ABBREVIATIONS

CRKh	Citizens' Representatives Khural
CSO	Civil Society Organization
EIA	Environmental Impact Assessment'
EITI	Extractive Industries Transparency Initiative
GDP	Gross Domestic Product
GDT	General Department of Taxation
GASI	General Agency for Specialized Inspection
IAAC	Independent Authority against Corruption
LDF	Local Development Fund
MEGDT	Ministry of Environment, Green Development and Tourism
MNT	Mongolian Tugrug
MoF	Ministry of Finance
MoM	Ministry of Mining
MRAM	Mineral Resource Authority of Mongolia
NGO	Non-Governmental Organization
PCM	Professional Council Minerals
TEFS	Technical and Economic Feasibility Study
UNDP	United Nations Development Programme

LIST OF TABLES

Table 1	Corruption likelihood rating system	11
Table 2	Potential impact rating system	11
Table 3	Production of mining and extractive industry; MNT billions (2009-2015)	13
Table 4	Mining licenses granted (December, 2015)	14
Table 5	Information of mining licenses and areas (by province)	15
Table 6	Production and exports of the mining sector (2014 and 2015)	16
Table 7	Number of the Minerals Law related disputes resolved by the Administrative Court	18
Table 8	General index of implementing agencies' website (% and position)	20
Table 9	Rating of the corruption risk related to granting exploration license through application	26
Table 10	Factors contributing to the corruption risk in granting exploration license during application	27
Table 11	Rating of the corruption risk related to granting exploration license through tender	29
Table 12	Factors contributing to the corruption risk in granting exploration license through tender	29
Table 13	Corruption risk related to receiving response from local governors on granting exploration license	31
Table 14	Factors contributing to the corruption risk related to receiving response from governors on granting exploration license	31
Table 15	Rating of the corruption risk related to underestimating the total reserves of the deposit	39
Table 16	Factors contributing to the corruption risk related to underestimating the total reserves of the deposit	39
Table 17	Rating of the corruption risk related to obtaining the conclusions on the TEFS promptly	41
Table 18	Rating of the corruption risk related to obtaining construction work permissions promptly	43
Table 19	Rating of the corruption risk related to the inspection of mining companies' operations	49
Table 20	Factors affecting the corruption risk related to the inspection of mining companies' operations	49
Table 21	Rating of the corruption risk related to donation and assistance to local governments	52

Table 22	Factors affecting the corruption risk related to donation and assistance to local governments	53
Table 23	Rating of the corruption risk related to the relation between local CSOs and mining companies	55
Table 24	Factors affecting the corruption risk related to the relation between local CSOs and mining companies	56
Table 25	Rating of the corruption risk assessment related to approval of plans and reports of mineral extraction operations	58
Table 26	Corruption risk related to approval of the environmental management plan	60
Table 27	Rating of the corruption risk related to sales of minerals	63
Table 28	Rating of the corruption risk related to the mine closure decision making process	68
Table 29	Factors affecting the corruption risk related to the mine closure decision making process	68
Table 30	Rating of the corruption risk related to the lack of clarity of legal acts on mine closure	69
Table 31	Factors affecting the corruption risk related to the lack of clarity of legal acts on mine closure	70
Table 32	Rating of the corruption risk related to collateral for reclamation	70
Table 33	Factors affecting the corruption risk related to collateral for reclamation	71

LIST OF FIGURES

Figure 1	Five steps of corruption risk assessment	9
Figure 2	Four steps to analyse the data	10
Figure 3	Mining sector; proportion of GDP and total industrial production (2009-2015)	14
Figure 4	Number of valid licenses (2008 to November, 2015)	15
Figure 5	Stages of the exploration phase	23
Figure 6	Exploration license granting process	24
Figure 7	Stages of the pre-operation phase	35
Figure 8	Process of granting a mining license	36
Figure 9	Stages of the extraction phase	45
Figure 10	Stages of the post-extraction phase	65

□ INTRODUCTION

The mining sector plays an important role in the Mongolian economy, and therefore it is critical that the sector be transparent, accountable and corruption-free. The corruption prevention measures will be more effective when corruption risks of the mining sector are studied systematically. Corruption prevention will be more effective if corruption risks of the mining sector are studied systematically.

In response to this necessity, the Independent Research Institute of Mongolia (IRIM) conducted an assessment and identified corruption risks in the four phases of mining: exploration, pre-operation, operation and post-operation phases of the geology and mining sector. The assessment was commissioned by the United Nations Development Programme (UNDP), and used A Practitioner's Guide for Corruption Risk Mitigation in Extractive Industries (developed by UNDP). Forty-three interviews were conducted with representatives - from ministries, agencies, local authorities, civil society organizations and mining companies - involved in decision-making in the four phases of mining. Also, a desk review of 70 documents was conducted.

This assessment did not cover common minerals, uranium, oil and artisanal mining. Also, it did not study licensing issues of mining construction in detail, which are more related to other sectors. Furthermore, corruption risks related to public procurement were not studied in detail, since they apply to all sectors.

This assessment report consists of six chapters, conclusions and appendices. The first chapter introduces the assessment methodology, and the second chapter outlines the current situation in the mining sector, its contribution to the economy and the legal environment.

The third chapter identifies corruption risks in the geological exploration phase and the fourth chapter identifies corruption risks in the pre-operation phase. The fifth chapter deals with corruption risks in the operation phase while the sixth chapter classifies corruption risks in the post-operation phase.

Brief conclusions, summarizing identified risks and factors contributing to them are included at the end of each of the chapters. A total of 15 corruption risks were identified as a result of the assessment, are summarised in the general conclusions.

The assessment team aimed to reflect views of the respondents – ministries, agencies, aimag and soum governors, Citizens Representatives Khurals, CSOs, state and private companies, civil society organisations, industry associations and local citizens – equally; and received comments from all key stakeholders.

The assessment team also developed a proposal for a corruption risk mitigation action plan, and submitted it to the Working Group for developing 'Corruption Risk Mitigation Action Plan'. The Working Group was established by the Resolution of the Minister for Mining No. A/40 of 12 April, 2016.

The Independent Research Institute of Mongolia was established in 2008 and mining governance is one of their research priorities. The corruption risk assessment of the mining sector described in this report was conducted by the IRIM team: Tamir.Ch, Batbileg.B, Elberel.T, Minjirmaa.N and Shinegerel. J. Damba. D worked as advisor to the Team.

The team members are much obliged to the representatives from related ministries, agencies, Umnugobi and Selenge aimag authorities, mining companies and civil society organizations, for their time and active participation.

Appreciation also goes to Tsogtsaikhan.Ch, Senior officer of the Strategy and Policy Planning Department, MoM; Tamir.G, Senior officer of the Mining Policy Department, MoM; officers from the Cadastre Division of MRAM; Tsolmon.Sh, Coordinator, EITI, and Bayarsaikhan.N, Director of 'Steps Without Border' NGO.

The team would like to thank Bat-Otgon.B, Head of Prevention and Advocacy Department, Independent Authority against Corruption (IAAC), and officer Sarangerel.J; for their support and comments, and for providing relevant information during the assessment.

Also Davaadulam. Ts, Barkhas.L and Otgonchimeg.Sh, staff of UNDP Mongolia who commissioned this assessment, provided direction and comments throughout the assessment.

The IRIM is responsible for the validity of the content and conclusions. Any comments related to this assessment can be sent to the IRIM, and comments related to follow-up measures and actions of this assessment can be sent to the relevant government organizations.

"Independent Research Institute of Mongolia" (IRIM) NGO

May 2016

METHODOLOGY

This assessment was conducted by using the UNDP's methodology for identifying and mitigating corruption risks. This chapter details the methodology of the assessment.

1.1 ASSESSMENT OBJECTIVES

The main goal of this assessment was to identify the risk of corruption in different decision-making stages throughout the geology and mining sector, and to rate the identified corruption risks.

A mitigation action plan was formulated based on the risks of corruption identified in the data collection phase of the assessment. The results of this assessment can be used as a base for corruption risk monitoring and evaluation of the geology and mining sector.

The following are the main guidance and resources used in this assessment:

- Corruption risks in the geology and mining sector were identified and assessed by using a guide developed by UNDP, A Practitioner's Guide for Corruption Risk Mitigation in Extractive Industries; adjusted for the Mongolian context.
- Collection and analysis of the laws and regulations in the geology and mining sector of Mongolia was conducted on corruption risks related to laws and regulations in the geology and mining sector

1.2 METHODOLOGY FOR IDENTIFYING AND MITIGATING CORRUPTION RISKS

Corruption risks were identified and a mitigation action plan formulated based on the five steps provided in A Practitioner's Guide for Corruption Risk Mitigation in Extractive Industries.

Figure 1 Five steps of corruption risk assessment



The key stakeholders to interview were identified by reviewing the Minerals Law (2006) and other main laws (i.e. regulations, and legal documents that regulate the geology and mining

sector of Mongolia) and listed based on their licensing, contracting and inspection roles, as provided in those legal documents. Based on this list, stakeholders were identified in detail, whether they were in Ulaanbaatar or an aimag; and they were interviewed.

Assessment data was collected from relevant state and civil society organizations, as well as the mining industries of Selenge and Umnugobi aimags, and Ulaanbaatar city. The assessment team aimed to access and interview officials in these organizations who were responsible for mining issues and had decision-making power.

During the desk review stage of the assessment, national and local-level laws, regulations, legal documents, and policies related to the geology and mining sector, were reviewed. Specifically, the team analysed legal documents from exploration, pre-operation, operation, and post-operation phases of mining. Also, stakeholders from each phase were identified, along with the licensing mechanism, and the number of licenses granted were studied. Approximately seventy documents were analysed. (Please refer to the appendix for a list of these documents.)

This guide is prepared as part of the work under UNDP’s Global Anti-Corruption Initiative (GAIN) and UNDP’s Global Initiative in Extractive Industries for Sustainable Development. Interview guidelines outlined in the guide were used when conducting key informant interviews, with slight contextual rephrasing of some questions. The guidelines for the interviews were designed to: assess the current circumstances in the mining industry, observe stakeholders’ opinions, discover potential corruption risks, and seek corruption risk mitigation possibilities. Interviews were recorded with the respondents’ consent and followed the ethical and privacy standards of the Independent Research Institute of Mongolia (IRIM).

The collected data was analysed following main steps in accordance with Practitioner’s guide mentioned above.

Figure 2 Four steps to analyse the data



Identify corruption risk: Key stakeholders were asked to identify potential corruption risks in each of the mining phases: exploration, pre-operation, operation and post-operation.

Assess the likelihood of corruption occurring: A simple qualitative scale was used to classify the likelihood as low, medium, or high.

Table 1 Corruption likelihood rating system

LIKELIHOOD RATING SYSTEM	
High	Likelihood is high when (1) The asset is highly valuable, (2) the stakeholder(s) is highly motivated and sufficiently capable, and (3) controls to prevent the vulnerability from being exploited are ineffective.
Medium	Likelihood is medium when (1) The asset is valuable, (2) the stakeholder(s) is highly motivated and sufficiently capable, but (3) controls are in place to prevent, or at least significantly impede the vulnerability of being exploited.
Low	Likelihood is low when (1) The asset value is low, (2) the stakeholder(s) lacks motivation or capability, or (3) controls are in place that impede successful exploitation of the vulnerability.

Assess the impact of corruption: Corruption impact was also measured as low, medium, or high. The Potential impact rating system is provided in the following table.

Table 2 Potential impact rating system

POTENTIAL IMPACT RATING SYSTEM	
High	Impact is high when corruption could (1) lead to costly loss of resource asset value (e.g. revenue); (2) significantly undermine human development outcomes; (3) severely damage the environment; (4) completely violate rights of indigenous and local communities; or (5) result in sustained lack of service delivery to citizens.
Medium	Impact is medium when corruption could result in the loss of some resource asset value.
Low	Impact is low when corruption could result in the minor loss of some resource asset value.

Compute corruption risk levels: The following formula was used for corruption risk level computing.

$$\text{CORRUPTION RISK LEVEL} = \text{CORRUPTION LIKELIHOOD} \times \text{CORRUPTION IMPACT}$$

Corruption risks were identified based on qualitative data collected during the data collection phase, and corresponding levels of corruption risk were computed. Related explanations and references are provided in this report.

The assessment scope was as follows:

- The assessment was focused on deposits of strategic importance and conventional minerals.
- The assessment did not cover deposits of common minerals.
- The assessment did not include artisanal small-scale mining
- The assessment did not include issues associated with oil and uranium.
- The assessment did not study corruption risk associated with the procurement specifically.

Proposals for corruption risk mitigation were developed based on identified corruption risks and computed corruption risk levels, and submitted to the Working Group established by Minister of Mining Order No.A/40, Developing a corruption risk mitigation action plan in mining sector, on April 12, 2016.

1.3 COMMENTS ON UNDP’S METHODOLOGY FOR ASSESSING CORRUPTION RISKS

ADVANTAGES:

- It provided detailed corruption risk assessment steps and numerical values.
- It gave an opportunity to rank the corruption risk mitigation actions in terms of their priority.
- It provided suggested questions and possible corruption risks.
- It gave good guidance for identification of key stakeholders.
- The results of this report will be comparable with those of other countries.

DISADVANTAGES:

- Legal review was considered as a separate step for identifying corruption risks, but no detailed classification or grouping was provided. Therefore, the assessment team did legal environment analysis according to stages of mining activities.
- There was no detailed description about risk associated with concession and contract negotiations.
- Numerical values assessing corruption risk likelihood and potential impact included a number of different meanings. For example, possible corruption impact is high when corruption could (1) lead to costly loss of resource asset value (e.g., revenue); (2) significantly undermines human development outcomes; (3) severely damages the environment; (4) completely violates rights of indigenous and local communities; or (5) results in sustained lack of service delivery to citizens. However, in cases where there is less damage on the environment, but significant undermining of rights of local residents, there is a lack of guidelines to calculate the numerical values.
- The methodology provided assessment criteria, of high potential impacts and likelihood of corruption risks, in detail. However there was less description on assessment criteria for medium and low-level likelihoods, and potential impacts. Especially, there was lack of description about measurements and methods to assess the assets as being “medium” or “low”

MONGOLIAN MINING SECTOR: CURRENT SITUATION, LEGAL ENVIRONMENT

2

This chapter introduces the current situation of the mining sector of Mongolia and its legal environment. An overview of statistical information about the sector is also provided.

2.1 CURRENT SITUATION OF THE MINING SECTOR

Social and economic development of Mongolia has become closely connected to the mining industry. As part of the policy to promote export-oriented industries, the mining industry has been identified as a priority sector of the economic development of Mongolia.

Between 2009 and 2012, the mining sector's share in Gross Domestic Product (GDP) increased from 3.6% to 8.9%; the proportion in Gross Industrial Product increased from 9.7% to 35.4%; and its share of export products increased from 61.4% to 73.0%. In 2012, the GDP of Mongolia increased by 12.3%, with the mining sector contributing 8.9% to that growth.

In 2015, despite a global decline in commodity prices, the extraction of main mining products and the volume of exports did not fall from the level of the previous year, and contributed positively to national economic development.

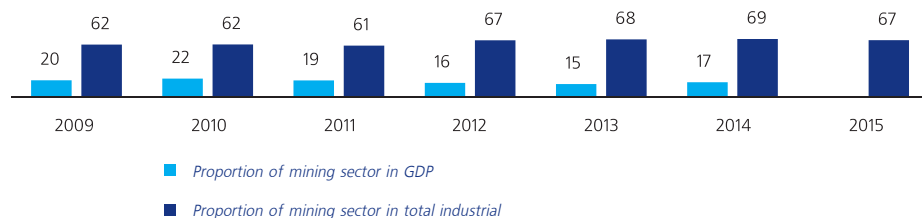
Table 3 Production of mining and extractive industry; MNT billions (2009-2015¹)

	2009	2010	2011	2012	2013	2014	2015
GDP	6,591	9,757	13,174	16,688	19,174	21,976	-
Mining and extraction	1,286	2,102	2,536	2,743	2,849	3,754	-
Total production of industrial sector	3,442	4,987	6,186	5,724	7,652	9,300	8,714
Mining and extractive industries	2,158	3,097	3,752	3,840	5,217	6,389	5,858

For example, in 2015, the mining sector alone contributed 16.1% of GDP, 19.6% of budget revenue, 64.7% of total production of the industrial sector, and 79.3% of export revenues.

¹ www.i2i2.mn

Figure 3 Mining sector; proportion of GDP and total industrial production (2009-2015)



In 2015, there were 1,170 different mining sites extracting 80 kinds of minerals from among 8,000 reserves; as recorded in the national statistics of mineral resources.

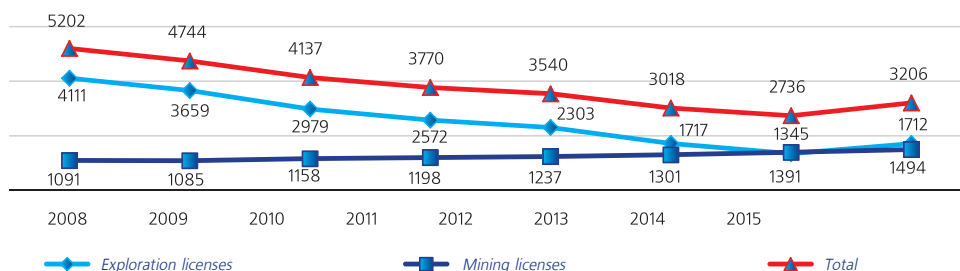
By 2015, 1,494 mining licenses had been granted. 33.5% of licenses were for the extraction of gold, 18.7% for coal, 20.7% for common minerals, 11.2% were for fluorspar, 4.8% for iron, 2.1% for tungsten, and the remaining 9.0% were granted for other types of minerals².

Table 4 Mining licenses granted (December, 2015)

CLASSIFICATION	NUMBER, PERCENT
1. Number of valid licenses	3,329
- Number of mining licenses	1,494
- Number of exploration licenses	1,835
2. Licensed areas	13.9 mha
- Mining licensed areas	1.3 mha
- Exploration licensed areas	12.6 mha
3. Proportion of licensed areas (in the total area of the country)	8.9%.
- Proportion of mining licensed area	0.8%,
- Proportion of exploration licensed area	8.1%

57% of licensed mining areas were used for coal mining, and 20.4% for gold. There were 1.2 million hectares of licensed mining areas; accounting for 0.8% of the total territory of Mongolia. As shown in Figure 4, the highest number of exploration licenses were granted in 2008, and this decreased gradually to the lowest point in 2014, whereas the number of mining licenses has increased slightly but steadily.

² http://mram.gov.mn/mram_new/images/stories/mram/statistik/2015/monthly_report_2016.01.04.pdf

Figure 4 Number of valid licenses (2008, to November, 2015)³

However, the statistics of November 2015 show an increase in the number of exploration and mining licenses has increased. Exploration licenses granted are more concentrated in Uvs, Umnugobi, Dornogobi, Gobi-Altai and Bayankhongor than in other aimags, and the most mining licenses were granted in Tuv, Dornogobi, Selenge, Khentii and Umnugobi aimags.

Table 5 Information of mining licenses and areas (by province)⁴

Location	Total (Mining & Exploration)			Mining			Exploration		
	Licenses (number)	Area (kha)	Proportion of territory (%)	Licenses (number)	Area (kha)	Proportion of territory (%)	Licenses (number)	Area (kha)	Proportion of territory (%)
National	3,389	13,942	8.9	1,551	1320.3	0.8	1,838	12621	8.1
Arkhangai	43	91	1.7	27	12.9	0.2	16	78	1.4
Bayankhongor	99	462	10.1	27	11.2	0.2	72	450	9.8
Bayan-Ulgii	195	681	5.9	74	53.1	0.5	121	628	5.4
Bulgan	114	564	11.6	61	16.8	0.3	53	547	11.2
Darkhan-Uul	207	1,479	10.4	28	25.5	0.2	179	1,454	10.3
Dornod	22	106	19.2	12	38.7	7.0	10	67	12.2
Dornogobi	86	25	7.6	65	9.1	2.8	21	16	4.9
Dundgobi	403	1,923	17.6	164	179.5	1.6	239	1,743	15.9
Gobi-Altai	156	656	5.3	63	40.3	0.3	93	616	5.0
Gobisumber	178	847	11.3	79	128.8	1.7	99	719	9.6
Khentii	83	525	6.4	6	10.7	0.1	77	514	6.2
Khovd	11	13	15.5	8	2.8	3.3	3	10	12.2
Khuvsgul	60	151	2.4	31	16.8	0.3	29	134	2.1
Orkhon	252	2,742	16.6	84	502.3	3.0	168	2,240	13.6
Selenge	126	1,031	12.5	57	43.8	0.5	69	987	12.0

³ http://mram.gov.mn/wp-content/uploads/2015/04/monthly_report_2016.02.25-LAST.pdf

⁴ http://mram.gov.mn/wp-content/uploads/2015/04/monthly_report_2016.02.25-LAST.pdf

Sukhbaatar	171	132	3.2	121	29.8	0.7	50	102	2.5
Tuv	369	284	3.8	281	121.6	1.6	88	162	2.2
Ulaanbaatar	246	1,099	15.8	44	14.5	0.2	202	1,085	15.6
Umnugobi	193	14	3.0	172	12.2	2.6	21	2	0.5
Uvs	136	667	8.8	24	7.8	0.1	112	659	8.7
Uvurkhangai	41	175	1.7	18	7.6	0.1	23	167	1.7
Zavhan	198	275	3.4	105	34.5	0.4	93	240	3.0

The main minerals produced by Mongolia's mining sector included 12 m tonnes of copper concentrate, 54 tonnes of molybdenum concentrate, 24.0 tonnes of coal, 14.5 tonnes of gold, 230 tonnes of fluorspar concentrate, 6.1 tonnes of iron ore, and 82,400 tonnes of zinc concentrate.

Copper concentrate production increased from 712kt in 2014 to 894kt in 2015, molybdenum concentrate production increased from 4,254 tonnes in 2014 to 5,441 tonnes in 2015 and gold production increased from 11504kg in 2014 to 14556kg in 2015, respectively.

In 2015, 42.9% of exported Mongolian mineral products were coal, 19.1% copper concentrate, and 12.1% were iron ore. The value of exports of mineral products was USD3.7 billion in 2015, and 94% of exported minerals went to China.

Table 6 Production and exports of the mining sector (2014 and 2015)⁵

TYPES	UNITS	PRODUCTION			EXPORT		
		2014	2015	Change, %	2014	2015	Change, %
Copper concentrate	kt	712	891	25.1	1,378	1,478	7.2
Molebdynum conc.	t	4254	5441	27.9	4,000	5,022	25.6
Gold	kg	11504	14556	26.5	10,040	11,316	12.7
Coal	kt	24449	23979	-1.9	19,482	14,426	-25.9
Flourspar	kt	375	231	-38.4	314	280	-10.7
Iron	kt	10261	6173	-39.8	6,324	5,065	-19.9
Zinc	kt	93	90	-3.8	99	84	-15.4

The value of exports of mineral products decreased from USD 4,778.9 billion in 2014 to USD 3,658.5 billion in 2015 and customs service fee decreased from USD 41,693.6 billion in 2014 to USD 32,413.5 billion in 2015.

According to statistics, 40,927 people were employed in the mining sector in 2014⁶.

2.2 LEGAL FRAMEWORK OF THE MINING SECTOR

Today there are around 30 laws, and 40 regulations, rules and guidelines that regulate the sector. The first legal act was the 'Regulation to Open and Proceed Various Types of Mines' adopted by Bogd Khan in 1913. The most recent mining-related legislation was the

⁵ http://mram.gov.mn/wp-content/uploads/2015/04/monthly_report_2016-APR.pdf

⁶ <http://1212.mn/statHtml/statHtml.do#>

2015 parliamentary amendment to the Minerals Law. Since the Minerals Law was approved in 2006, it has subsequently been amended 18 times. The law was amended once in 2008, thrice in 2009, twice in 2010, twice in 2011, once in 2012, once in 2013, four times in 2014, and four times in 2015. These myriad changes indicate an unstable legislative environment in the mining sector.

The following are the main laws that regulate the mining sector of Mongolia:

- State Policy in the Natural Resource Sector (2014)
- Common Minerals Act (2014)
- Control of Explosives and Blasting Law (2013)
- Investment Law (2013)
- Mineral Exploration Prohibition Act in River Flow Irrigation Source, Protected Area with River Basins, and Forest Reservation Areas (2009)
- Law on Nuclear Energy (2009)
- Tax Laws (2008)
- Minerals Law (2006)
- Land Law (2002)
- Industrial Activities Licensing Act (2001)
- Environmental Laws (1995)
- Special Protected Areas Act (1994)
- Law on Subsoil (1988).

At the same time, the following laws related to prevention from corruption and local administration also regulate the mining sector:

- Glass Accounts Law (2014)
- Law of Regulations on Public and Private Interests in Public Sector and Prevention on Conflicts of Interest (2012)
- Information Transparency and Right to obtain Information Law (2011)
- Budget law (2011)
- Anti-Corruption Law (2006)
- Law of Mongolia on Administrative and Territorial Units of Mongolia and their Governance (2006)

Article 60.5-60.10, 59.2 of Budget law of Mongolia, adopted on May 21, 2016 introduced changes related to the allocation of tax revenues from mineral resource. The amendment specifies that from the state budget, through Local Development Fund of aimags and the capital city

- No less than 33 percent of tax from mineral resource shall go to the Local Development Fund of aimags and districts where operation of mining production is conducted.
- No less than 50 percent of tax from holding a mining license shall go to a Local Development Fund of aimags and soums where an area was covered with a mining license.
- This amendment shall be complied with from January 1, 2016. .

A study conducted by the National Mining Association in 2011 discovered the following statistics:

- Laws related to Minerals Law - 52
- Parliamentary resolutions - 2
- Government resolutions - 16
- Ministers' orders - 23

- Legal acts of Government agencies -26
- Resolutions of the Supreme Court related to the Minerals Law - 1
- Constitutional Court decisions - 1
- Court decisions - 198.

The study found 52 overlaps in the laws, 36 violations of the laws, and 22 legal gaps.

The number of disputes in the Administrative Court (related to the Minerals Law) has increased dramatically in recent years. In the eleven years since the Administrative Court was established in 2004 there were 569 Minerals Law-related cases and disputes resolved by the court. The number of cases resolved started to rise from 2007, before reaching its peak in 2012. However, with the drop in mineral prices and decline of the mining sector, the number of disputes has also declined.

Table 7 Number of the Minerals Law related disputes resolved by the Administrative Court⁷

2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
6	19	28	50	56	61	-	77	131	71	43	27	569

This demonstrates that there is a need to strengthen the legislation regulating the sector and address the uncertainties being faced in their implementation.

With regard to legislative strengthening, there is also a need to improve the coordination between sectors, in particular, the cooperation between the Ministry of Mining (MoM), Ministry of Finance (MoF), and Ministry of Environment, Green Development, and Tourism (MEGDT).

As with other sectors, a key factor to preventing corruption and increasing transparency of the mining sector is to engage and listen to voices of professional organizations, experts, and those whose interests are affected in developing sectoral laws, legislative acts and decision-making. In this regard, Article 6.1.2 of the Anti-Corruption Law, ‘provide public access to information, engage interested parties in policy dialogue, and provide opportunity to propose and comment on specific methods of oversight and monitoring’ is not being sufficiently complied with.

Furthermore, Article 6.1.7 of the Anti-Corruption Law stipulates the intention to ‘enhance the participation of NGOs in the process of monitoring whether state institutions conduct their activities openly in the interest of citizens, and cooperate with them, exchange information, and regularly inform the public’. Engaging sectoral professionals and independent experts will contribute to transparency of state organizations, prevent from suspicions and inaccurate perceptions, and higher public confidence in the government.

The Law on Legislation and the Law on General Administrative Procedures approved in 2015 require the participation of parties that will be affected in the drafting of laws and administrative decisions. As such, this is an important and welcome change that would positively influence decision-making in the mining sector. These laws will come into force in January 2017 and July 2016, respectively.

An important regulatory mechanism to ensure transparency in the mining sector and to avoid the risk of corruption is Article 48 of the Minerals Law, which requires submission of transparency reports. Extractive Industries Transparency Initiative (EITI) has been active since 2006, and some results of this Initiative are described in Chapter 3. In the future, there is

⁷ www.shuukh.mn/

need to further strengthen the Initiative, and adopt a specific legal act that requires more effective compliance.

Also, implementation of rules and regulations of the MoM and Mineral Resource Authority of Mongolia (MRAM), including the code of ethics, will positively reduce corruption risks. For example, the 'Code of Ethics for Ministry of Mining personnel' prohibits MoM personnel from receiving rewards while performing their duties, and from using their positions for personal gain.

MRAM and MoM have been developing Corruption prevention plans each year and publishing their reports on their websites⁸.

2.3 PREVIOUS STUDIES ON CORRUPTION RISK IN THE MINING SECTOR

According to Transparency International's 2014 index, Mongolia ranked 80th among 175 countries in the world on the transparency scale; scoring just 39 points⁹. In 2015, Mongolia improved its ranking, coming in 72nd place among 168 different countries, with the same score of 39¹⁰. In the World Competitiveness Report of 2015-2016, Mongolia scored 3.8 points out of 7.0 for the incidence of informal payments and bribes, ranking it 77th among 140 countries¹¹.

The Anti-Corruption Law of Mongolia came into force in 1996 and was updated in 2006. As stated in the law, 'Integrity Level of Mongolian Government Agencies' is being assessed every two years. The index of the sector's integrity level was 3.43¹² on average in 2014, which represented an increase and improvement of 0.05 points from the 2012 index¹³.

Every two years, the IAAC publishes its Corruption Index¹⁴, which covers the extent of corruption, forms, and causes. Results of this survey show that the index of corruption extent was 0.74 (0 = corruption, 1 = no corruption) in 2011 and 2013.

As provided in the Criminal Procedures Law, the IAAC conducts inquiries and investigations on nine different types of crimes. The most common types of corruption-related crimes committed in Mongolia in the last four years were abuse of power (or office) by a public official, receiving a bribe, and exceeding of authority by public officials.

According to the IAAC, out of 100 complaints received in May 2015, 1% was relevant to the mining sector while 5.1% was related to environmental sector¹⁵.

The above studies and data show that in general, corruption level in Mongolia is still high.

In terms of the mining sector, Parliament's Standing Committee of National Security and Foreign Policy commissioned a survey on "Corruption Impact on National Security" in 2014. Out of 1,084 respondents, 266 or the highest number of respondents indicated that the most corrupt sector was the judicial and law enforcement sector, and 57 respondents thought that the mining sector as being the most corrupt. The mining sector was ranked in 6th (5.3%) out of 10 sectors included in the survey.

The Asia Foundation's "Survey on Perception and Knowledge of Corruption" shows that the government organisation in charge of mining was perceived as the second most corrupt sector between 2007 and 2014. However, the mining sector dropped to third most corrupt sector

⁸ <http://www.mm.gov.mn/infos/view/294>

⁹ <https://www.transparency.org/cpi2014/results>

¹⁰ <http://www.transparency.org/cpi2015>

¹¹ <http://reports.weforum.org/global-competitiveness-report-2015-2016/competitiveness-rankings>

¹² 1 = not fair, and 5 = fair

¹³ http://www.iaac.mn/pdf/ssha/turiin_baiguullaga_shudarga_2014.pdf

¹⁴ <http://iaac.mn/content/390#.VvT23-SLqNE>

¹⁵ http://www.iaac.mn/pdf/ssha/ssha_dun_shinjilgee_201505_sar.pdf

by April 2014¹⁶. In the Asia Foundation’s “Study of Private Perceptions of Corruption”(2015)¹⁷ the mining sector was listed among the most vulnerable to corruption.

Results of the survey “Causes of Corruption in the Relationship between the Business Sector and Government Agencies” conducted in 2015, show that mining sector also had the most frequent contact with the General Department of Taxation (GDT) and the General Agency for Specialized Inspection (GASI). Respondents indicated that they sometimes had to ‘give money or gifts’, ‘provide an invitation for dinner’ and “use acquaintance’s influence in connections with persons in authority to obtain favours”. To understand corruption in the mining sector, the survey studied the issues related to the sustainability of policy environment, civil service, mining and exploration licenses, cost certification, expert analysis, feasibility studies, environmental assessment, mining and local areas, and taxation.

The Natural Resource Governance Institute (NRGI)¹⁸, measured the quality of the extractive sector governance of 58 countries in 2013. According to the survey, Mongolia was ranked 26th, obtaining 51 scores. The survey conducted assessments on four main components: legal environment, reporting, prevention activity, and quality monitoring. Mongolia performed the best in the evaluation of its legal environment, with 80¹⁹ points. Its weakest score was in its reporting, which received a score of just 39 points.

The study, “Transparency of the Official Websites of the State Organizations and the State Owned Entities”²⁰ conducted by IRIM shows that rate of transparency of Mineral Resource Authority decreased among the other organizations. Even though percentage of the transparency increased from 47.2% in 2014 to 52% in 2015, it ranked 45 among 74 organizations, a rank lower than in the previous year.

Table 8 General index of implementing agencies’ website (% and ranking)

№	ORGANISATION	TOTAL SCORE		RANKING ²³	
		2014	2015	2014	2015
1	General Department of Taxation	47.2	52	15	45
2	General Enforcement Agency of Court Decision	16.3	46.1	75	64
3	Mineral Resource Authority	43.4	54.9	21	35
4	Customs Authority	17.4	40.3	73	75
5	General Authority for Social Insurance	30.9	45.3	54	67
6	General Authority of Land Affair, Construction, Geodesy & Cartography	58.6	47	2	61
7	Petroleum Authority of Mongolia	48.4	52.3	11	42
8	Marshalls Authority	-	48.8	-	46
AVERAGE OF IMPLEMENTING AGENCIES		36.4	44.5	-	-
OVERALL AVERAGE		36.9	52.2	-	-

In 2014, Open Society Forum conducted an “Evaluation on Governance of Mining Companies with Full and Partial Government Ownership”. A total of 9 indicators were used to evaluate the governance of these mining companies. While the indicator “internal control” received the highest score of 54%, “transparency of information and openness” scored the lowest at

¹⁶ <http://www.santmaral.mn/sites/default/files/SPEAK16thSurveyMNG.pdf>

¹⁷ <http://asiafoundation.org/resources/pdfs/STOPP6ENG.pdf>

¹⁸ <http://www.infomongolia.com/ct/ci/6046/139/Resource%20Governance%20Index%202013:%20Mongolia>

¹⁹ (0(bad)-100(good))

²⁰ <http://irim.mn/web-monitoring>

²¹ The study covered a total of 74 organizations, including the state administrative organizations, regulatory and implementing agencies of the government and ranked them with their official websites’ transparency.

8%. The result of the evaluation was compared to similar studies conducted in other Asian countries, and with Mongolian open joint stock companies. The average company governance indicator of joint open stock companies was 28% in 2013, and of the state owned mining companies was 28% in 2014, or relatively lower compared to that of other countries.

Thus, national and international studies show that the mining sector is one of the sectors most vulnerable to corruption. Due to factors such as large-scale leasing, investment flows, complex contracts, and involvement of deposits of strategic importance, these can contribute to increased corruption vulnerability in the sector.

Mining, as one of the main sectors contributing to the Mongolian economy, needs to be free from corruption and excessive bureaucracy. In order to promote transparency in the extractive industry and its openness to public, the Government of Mongolia adopted Resolution No. 1 in 2006, and joined the EITI. It was expected that joining the EITI would improve the effectiveness of public oversight over operations of the government organisations and extractive industries, reduce corruption in the mining sector, and promote efficient distribution and consumption of natural resources revenue. This expectation materialised to some extent. For example, the report of the first year after joining the initiative in 2006, showed the difference between reported payments, taxation and fees of the private companies paid to the government was MNT25 billion on the government side.

But this gap dramatically dropped to MNT581 million in 2014. The EITI reports have been produced for nine years, and although the gap between the size of payments made by companies and revenues received by the government decreased to MNT581 million it is worth noting that there are still discrepancies on the government side, and no reconciliation has been made. Most importantly, no action was taken and no one was held accountable when required disclosures in the state budget were missing. In 2014, the government recorded and received revenue from 1,573 companies and 236 of these companies were selected to be included in the reconciliation. These 236 companies provided 98.8% of total revenues in 2014.

During the 7th annual international conference of EITI, held in February 2016, four countries out of the 51 implementing this initiative were given an award for excellence in EITI performance. Mongolia was one of these countries and was given the award for its improvement in data supply and access.

Yet, the above-mentioned studies illustrate that there has been little progress in tackling corruption in the mining sector, and point to the need of effective measures to reduce corruption and increase transparency in the mining sector. Most of the previous surveys focused on public perception on corruption, this study attempts to identify corruption risks in all phases of mining from exploration to mine closure. Such approach is expected to contribute to undertaking specific measures to reduce the corruption risk in the mining sector. Also, it allows tracking the progress after a certain period of time.

FINDINGS: EXPLORATION PHASE

This chapter provides an overview of statistics, information and legal regulations related to obtaining exploration license, challenges being encountered in the exploration phase and presents corruption risks associated factors.

3.1 EXPLORATION PHASE STAGES

Generally, the exploration phase involves the following three stages.

Figure 5 Stages of the exploration phase



GEOLOGICAL SURVEY: The Minerals Law provides that any legal entity can conduct a geological survey in Mongolia without any type of license. However, they shall provide and register the information of the area on which the survey will be conducted (and their name and address) to the state and local authorities. It is prohibited to disturb the subsoil of the area during the survey, and permission to enter the land shall be obtained from the landowner, possessor or user²².

During the last 10 years, two new trends of exploration within the sector have been observed. Firstly, regional sensing surveys based on satellites and aerial geophysics data, are now being conducted at the level of rock-forming minerals²³. Secondly, geological surveys to discover deep underground deposits have started.

1: 200,000 and 1: 50,000 scale geological mappings are designed to verify geological formations of the area (and mineral resources) and the preparation of these mappings are financed from the state budget. 1:200,000 scale geological maps define the boundaries and origins of the rocks exposed on the ground without disturbing the subsoil. Such geological mapping is conducted for 98% of the country's territory. 1:50,000 scale geological mapping is an independent component of the geological survey, which conducts general exploration on geological formations and mineral resources of selected area, and conducts assessments to define the future prospects of the site. General exploration geological mapping is conducted on those sites considered to have positive prospects, and it reveals deposits,

²² <http://www.legalinfo.mn/law/details/63> Minerals Law, Article 15.1, 2

²³ <http://www.mongolianminingjournal.com/content/14763.shtml>

which have mineral resource potential²⁴. According to the Minerals Law, geological surveys and scientific research financed with the state budget may be conducted without any license. State financed geological surveys are conducted through a tendering process on state owned areas. From 2011 to 2014 the state funded geological surveys were conducted on areas totalling 287,924 square kilometres.

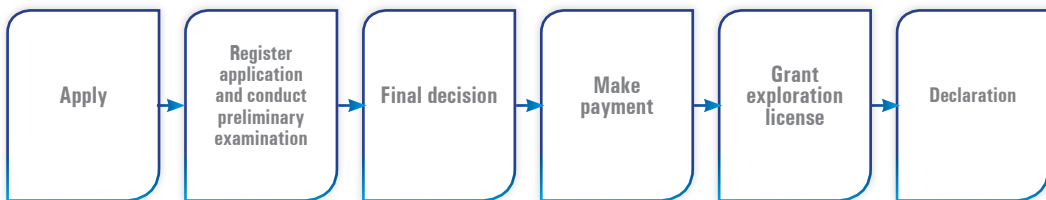
OBTAINING EXPLORATION LICENSE. The mining exploration process starts when geological surveys show positive results. There are two ways to obtain an exploration license; by application or tender.

The process of granting exploration licenses through tender is regulated by the 'Regulation of Granting License through Tender'²⁵. As of 15 March, 2016 there were 3,704 mining and exploration licenses granted and 2,295 of them were exploration licenses. These covered 13.4 mha, 8.6% of the overall territory of Mongolia²⁶.

The Government specifies areas where exploration licenses can be granted - through application or tender processes - by one resolution, and the Cadastre Division of MRAM grants the licenses. To obtain an exploration license by application, applicants must first get a line/queuing number on-line. Since 26 January, 2015 the Cadastre Division of MRAM had issued 3,915 line/queuing numbers on 37 occasions. But, 1,580 of these applicants were not pursued, while the other 2,335 were reviewed and resolved. The total area of registered applications amounted to 13.3 mha; 63.4% of the total of 20.9 mha of grant exploration licenses. Exploration licenses were granted on 5.5 mha of the area; 26.3% of the registered land. In other words, 1,053 (45%) of the total received applications were issued exploration licenses.

As provided in Articles 17, 18 and 19 of the Minerals Law, the exploration licensing process is carried out as follows.

Figure 6 Exploration license granting process



1) Apply: Article 18 of the Minerals Law regulates the exploration license application procedure. According to the Article, the license must be granted to a legal body, established and operating in accordance with the Law of Mongolia. The legal body must be a taxpayer in Mongolia, and must be the first registered applicant (first in the queue). Seven documents must be attached to the exploration license application form; four of which are information about the legal body, two are supporting documents and one is a preliminary project document describing the type, size and budget of the proposed exploration work.

2) Register application and conduct preliminary examination: When the application is received, MRAM conducts a preliminary examination of the application and attached

²⁴ <http://www.legalinfo.mn/annex/details/4502?lawid=7943>

²⁵ <http://www.legalinfo.mn/annex/details/6618?lawid=10833>

²⁶ Statistical data received from Cadastre Division of the MRAM

documents, to determine whether they meet requirements stipulated in Articles 17.1, 17.2 and 18.2 of the Minerals Law.

3) Final decision: After the preliminary examination, MRAM determines whether the area mentioned in the application is:

- Prohibited for exploration and/or mining operations,
- Listed as a special needs and reserved area,
- Already the subject of another license, or
- Overlapping with the area mentioned in a preceding application in the queue.

An appropriate decision shall be made within 20 days of the application being registered.

- If documents attached to the application do not meet the requirements provided in Articles 17.1, 17.2 and 18.2 of the Minerals Law, notification of reasons and justifications for refusing the application shall be sent to the applicant.
- If an area mentioned in the application is not overlapping with areas provided in Article 19.1.4 of the Minerals Law, MRAM shall notify the applicant about the possibility to grant an exploration license.
- If an area mentioned in the application is wholly or partially overlapping with areas prohibited for exploration and mining (listed as a reserved and/or special needs areas, or an area already covered by a license) the applicant shall be notified about the lack of scope to obtain an exploration license.
- If an area mentioned in an application is partially overlapping with an area mentioned in a preceding application, MRAM shall send written notification to the applicant about the lack of scope to grant a license for the non-overlapped area. If the applicant wants to obtain an exploration license on non-overlapped area he/she shall apply again. If MRAM considers it is possible to grant a license on the given area, it shall send written notification to the local (aimag or Ulaanbaatar) governor, and a site map shall be attached. According to Article 19.4 of the Minerals Law, the governor shall respond within 30 days of receiving the notification, after consulting with the Citizens' Representatives Khural of the respective soum (or district) and the Presidium of the Citizens Representatives Khural of the respective aimag (or Ulaanbaatar). If the governor does not respond within 30 days it shall be deemed as approved. The Ulaanbaatar, or aimag level, governors shall refuse the granting of license only based on the grounds provided in the laws of Mongolia.

4) Make payment: According to Article 19.6 of the Minerals Law, if the local governor decides to approve the license, MRAM shall make the decision to grant the exploration license in that area. It shall also notify the applicant about making full payment of the first year's operations, within 10 days of receiving the notification. If the applicant does not receive the license within one month of applying for the license (or fails to make the payment of first year's operations on time) MRAM shall rescind the application and send written notification to the applicant.

5) Grant exploration license: According to Article 19.8 of the Minerals Law, if the applicant makes the payment for the first year's operation on time²⁷, MRAM shall grant a three year exploration license to the applicant, within three working days and register the license and the licensed area. After three years, when the license is due to expire, the applicant may extend it three times, for a duration of three years each time.

²⁷ Payment shall be made at the given time in the Article 34.1 of the Minerals Law

6) Declaration: According to Article 19.10 of the Minerals Law, as soon as the exploration license is granted, MEGDT shall notify the respective aimag, soum, district governor and inspection agency, and given an official notice in a daily newspaper.

3.2 IDENTIFIED CORRUPTION RISKS AND THEIR RATINGS

Three corruption risks were identified in the exploration phase of mining.

CORRUPTION RISKS IN THE EXPLORATION PHASE
<ul style="list-style-type: none"> Corruption risk related to granting the exploration license through application Corruption risk related to granting the exploration license through tender Corruption risk related to receiving response from local governors

The corruption risks mentioned above were assessed in accordance with the risk assessment methodology, and described below.

RISK 1	Corruption risk related to granting the exploration license through application
---------------	--

The corruption risk related to granting the exploration license through application was assessed as follows, based on the information received from the research respondents.

Table 9 Rating of the corruption risk related to granting exploration license through application

RISK	REASON	KEY STAKEHOLDERS	LIKELIHOOD	IMPACT	RISK LEVEL
Corruption risk related to granting the exploration license through application	Interests of companies to obtain exploration license is high because it provides the right to apply for the mining license on a priority basis	MRAM Cadastre Department of MRAM Aimag and soum governors Presidium of aimag Citizens' Representatives Khural Soum Citizens' Representatives Khural	Medium (2)	Medium (2)	4

The existing exploration license holder would have the opportunity to obtain a mining license on a priority basis, however, exploration work requires a high amount of payment for several years, and entails high risks and expenses. So, the interest of stakeholders was assessed as "medium".

Exploration work has a lower impact on the environment than the mining process but it is the basis for starting mining operations. Thus, the potential impact of the corruption risk was assessed as "medium". Therefore, the identified corruption risk level was 4, which means effectiveness of control is low and there is a need to mitigate the risk.

The following are the main factors influencing corruption risks related to granting an exploration license.

Table 10 Factors contributing to the corruption risk related to granting exploration license through application

CORRUPTION RISK RELATED TO GRANTING THE EXPLORATION LICENSE THROUGH APPLICATION	Information about eligibility of the applicant in question, including the extent to which it met the requirements is not transparent to and accessible by the main stakeholders (aimag, soum governor, CRH)
	Databases are not updated regularly

The process of granting the exploration license involves a very high corruption risk. To conduct mining operations, an exploration license must be obtained first, and a deposit must be made. After that, it will be possible to obtain a mining license. Thus the first phase has the highest corruption risk. Anyone who has money can obtain a license. Also, the company must get permission from the governors of the aimag and the soum. The Governors may disagree with the proposal at first and change their decision when the company gives them money. Even, if this does not directly affect mining operations, it must be controlled because it is the initial stage.

Representative of a mining company

According to the Minerals Law, **seven different documents** - including a copy of the National Registration Certificate of legal entity, site map, and a proof that the company has professional experts able to conduct minerals exploration - shall be attached to the application form for the exploration license.

However, information about how well these materials and applications meet the criteria, how well-grounded or accurate the selection commission's assessment on them is not available to other parties, most notably, to local authorities who are required to provide their consent. Therefore, there is a potential risk that the organization where an application is received, assessed and the final decision is made may take a decision giving undue favour to one of the applicants.

According to Article 17.2.2 of the Minerals Law, 'area mentioned on the application shall not overlap with areas prohibited to conduct exploration and mining operation, or listed as reserved and special need areas'.

Our department cannot incorporate potential areas for exploration and mining in our land management plan, because we do not receive such information. Exchange of information between government organizations is poor. Also, according to the Minerals Law the local governor should respond to the notification about granting a license in 30 days and failure to do so is automatically considered as agreed. But in real life, it takes 10 days for aimag governor to receive the notification and to transfer it to the soum. Thus, 30 days is not enough; before we have time to conduct any research and respond, exploration and mining licenses are provided automatically. So, there is very little or no involvement from local authorities.

Representative of a local authority

Information on areas reserved (and listed as special needs areas) is sometimes inconsistent and not regularly updated. Because of this, licenses get granted on areas where mining operations are prohibited, including agricultural land and land taken for local special needs.

RISK 2 **Corruption risk related to granting the exploration license through tender**

In accordance with Article 20 of the Minerals Law exploration licenses are granted through tender, on areas where: the previous license holder who conducted mineral exploration has returned the whole area with his/her own consent, the license is expired, or government agency has terminated the original license. MRAM is responsible for conducting the tender and notifies the respective local governor in writing.

The governor shall respond within 30 days of receiving the notification; reflecting comments from the Citizens' Representatives Khural of the soum or district, and the Presidium of the Citizens Representative Khural of the aimag (or Ulaanbaatar). If the governor does not respond within 30 days, it shall be automatically considered as agreed and a decree to conduct the exploration licensing tender shall be issued. The composition of the tender committee is approved by decree from the Director of MRAM. Members of the tender committee shall assess the tender proposals in 10 working days and make their conclusions. Participants who propose the highest price will be awarded 50% of the total score of the tender. In other words, the company that proposes the highest price is likely to be granted the exploration license.

Table 11 Rating of the corruption risk related to granting exploration license through tender

RISK	REASON	KEY STAKEHOLDERS	LIKELIHOOD	IMPACT	RISK LEVEL
Corruption risk related to granting the exploration license in the tendering process	Interest of obtaining exploration license through tender is high because it is a way to obtain mining license on a priority basis	Director of MRAM Cadastre Department of MRAM PCM Tender committee Aimag, soum Governors Presidium of aimag Citizens' Representatives Khural Soum Citizens' Representatives Khural	Medium (2)	Medium (2)	4

Research participants expressed that corruption can occur in getting the approval for exploration, exploration expenses, plans, and the amount of mineral deposit reserves. Exploration licenses provide opportunities to obtain a mining license later. As such, one way of obtaining an exploration license is through tender.

However, the interests of particular companies may differ because of the types of mineral resources, and features of that area where tenders are announced. Also, the chance to get an exploration license of companies that propose the highest price increases by 50%. Therefore, the degree of companies' interest is "medium". Exploration work has a lower impact on the environment (than the actual mining process) but nevertheless, is the basis for starting the mining operation process. Thus, the potential impact of the corruption risk is assessed as "medium". Overall, the identified corruption risk level is rated 4, which means effectiveness of control is low and there is a need to mitigate this risk.

Table 12 Factors contributing to the corruption risk related to granting exploration license through tender

CORRUPTION RISK RELATED TO GRANTING THE EXPLORATION LICENSE THROUGH TENDERING	Process of selecting tender committee is unclear
	Information about the extent to which materials submitted for tender meet the requirements is not transparent
	One organization holds dominant power

Article 6 of the 'Regulation on Granting License through Tender Process', provides procedures for the tender committee's appointment and its roles. However, there are few details and this may contribute to corruption risk.

The tender committee is appointed by the Director of MRAM, and members of the commission have not changed since March, 2015. It has eight members and one of them is the Head of Geology Committee, as a public representative. All other seven members are appointed from MRAM.

Representative of a government agency

According to Article 6.4.3 of the regulation ‘Tender proposals which met the requirements shall be assessed and concluded in accordance with the form approved by Ministry of Mining’. The assessment decision must be approved by a decree of Director of MRAM. Since decision of the tender committee is an important factor for granting a license, the procedure of appointing the tender committee members should be clear.

Article 5 of the above mentioned regulation provides requirements for the tender proposal and the process of receiving proposals. Companies participating in the tender shall attach 11 types of documents with the tender form for the exploration license approved by MRAM²⁸. However, there is no provision regulating if these documents meet the requirements to other parties and the public.

A day after the deadline for submitting tender materials are due, participating companies and the tender committee meet at 9 o'clock. The committee reviews the completeness of documents submitted and assesses the technical proposals. The committee awards up to 50 points out of 100 and the other 50 points are given based on the price proposals.

Representative of a government agency

The conclusion of the tender committee is endorsed by the decree of the Director of MRAM and the decision to grant a license is made. The tender committee is appointed by the Director of MRAM, and seven members of the committee are officials from MRAM. This indicates that one organization holds a dominant amount of power and influence in the process of granting license through tender.

RISK 3

Corruption risk related to receiving response from local governors

MRAM sends a notification requesting a response from local governors of areas on which exploration licenses shall be granted. The governor of the aimag must respond within 30 days, reflecting comments from the Citizens’ Representatives Khural of the soum or district, and the Presidium of the Citizens Representative Khural of the aimag (or Ulaanbaatar). Interviewees in the assessment mentioned that in cases where local authorities give negative responses, companies interested in the area visit them and obtain their consent by giving bribes to local authorities.

²⁸ Tender proposal form of conventional minerals exploration license, MRAM

Usually negative responses are received from the local governors and the company interested in that area goes to that local area to give money. Then, they alter their original replies giving their consent. This has become a common practice, which happens all the time.

Representative of a government agency

Table 13 Corruption risk related to receiving response from local governors on granting exploration license

RISK	REASON	KEY STAKEHOLDERS	LIKELIHOOD	IMPACT	RISK LEVEL
Corruption risk related to receiving responses from local governors	Responses received from the local Governor can directly influence the decisions and a risk for corruption may occur when the governor sends a response rejecting the request.	Cadastre department of MRAM Aimag, soum Governors Presidium of aimag Citizens' Representatives Khural Soum Citizens' Representatives Khural	High (3)	Medium (2)	6

The likelihood of the corruption risk is “high” because there is high level of interest among stakeholders, and they are sufficiently capable of influencing the decision by sending a negative response. The potential impact of the corruption risk is “medium” because even though there is less negative impact on the environment, the rights of local people can be violated. Therefore, the level of corruption risk related to receiving responses from local governors on granting an exploration license is 6 or “high”.

Table 14 Factors contributing to the corruption risk related to receiving response from governors on granting exploration license

CORRUPTION RISK RELATED TO RECEIVING RESPONSE FROM LOCAL GOVERNORS	Information on mining among local residents is negative
	Citizens' Representatives Khural cannot hold its meeting immediately
	There is no detailed provision in the law about how the aimag and soum will communicate with each other on this issue

One of reasons local authorities reject local applications for mining is the negative perception of mining among local residents, and adverse impact of mining operations on environment and local people. As of 27 January, 2016 MRAM had sent 1,778 notifications requesting response from local governors and 1,334 of them were responded to; of which 767 of them were negative and 567 were accepted²⁹. Reasons local governments' refusal include the overlap of the exploration areas with pasture land, land of historical or cultural heritage, the violation of protected land areas, or the absence of research conducted by professional archaeological and palaeontology organizations in accordance with Land Law.

²⁹ Statistical information from Cadastre Department, MRAM

In accordance with the Law of Minerals, the governor of the aimag must respond within 30 days, having reflected comments from the soum Citizens' Representatives Khural and the Presidium of the aimag Citizens Representatives Khural. However, due to budget deficit for gathering citizens' representatives and the short notice, holding a CRKh meeting becomes a challenge. For example, as of January 27, 2016, a total of 1,778 requests from MRAM had been sent to local governments. Out of this, 20.9% or 373 of the requests were pending, which shows this problem exists in practice. If there is no response from the local government, the request is deemed as approved, and the exploration license is granted.

Due to the overlap of the powers and responsibilities of government ministry, agencies, and governors and aimag, soum CRKhs, there is a risk of making decisions on issues which conflict each other. Even though local Citizens' Representatives Khurals have the right to decide on license applications, their practical power to influence the final decision is limited.

We receive many complaints that 30 days provided in the law is not enough. So we checked the Postal Law of Mongolia and given it will take 5 days to reach the destination, we added 10 days, considering return time, and making the total duration 40 days. So, basically, on the 41st day it will be automatically considered as agreed.

Representative of a government agency

We have the right to call an auction or to grant the land when individuals and organizations submit requests to obtain it if the given company did not fully register the 10,000 hectare area in accordance with the Land Law; even if the area was granted permission for mining operations and have right. Legal consultants of mining companies demand the land referring to the permission given by the tment. This is the biggest conflict we have. Throughout the country land departments will say the same thing.. Our department will work in accordance with the Land Law. Mining companies say they will follow the Minerals Law. According to the Land Law, there can be a wintering place on an area of mining. This is possible.. There no distinction between use of land surface, and use of subsoil; and it creates lots of contradictions.

Representative of a government agency

At all levels of government, the data on land ownership by individuals and entities, registration of land taken for special needs, areas where exploration and mining licenses were granted are not regularly updated, resulting in government agencies issuing licenses on overlapping areas and permissions on the same land. This causes conflict of interest among organizations and leads to uncertainty. While according to the Minerals Law, the final decision rests with the government central authority, there is a risk to misuse this legal provision, violating legitimate interests of some groups.

3.3 CONCLUSIONS

- **The lack of details in the legal acts regulating the process of granting exploration licenses entails corruption risks.** It is important to have detailed and effective regulation in place as the granting of exploration licenses constitutes the foundation of future mining operations. The main legal acts regulating the exploration licensing process are the Minerals Law and the 'Regulation on Granting License through Tender'. However, the provisions about granting the exploration license by application and tender, the process of appointing the tender committee, and decision-making are not detailed, creating a lack of transparency and resulting in corruption risks.
- With respect to obtaining responses from local governments, there is a need for detailed regulations related to the exchange of information between aimag and soums governors and Citizens Representatives Khurals to come to a unilateral decision that does not contradict each other; delivering the request for response swiftly to local authorities within 30 days specified; and ensuring full reflection of aimag, soum governors and CRKh views and preventing them from not being able to provide their response due to time constraints, and facilitating the holding of CRKh meetings on this subject.
- **Government information databases are not interconnected and are not regularly updated, creating a corruption risk.** Because the government-run information databases are not connected with each other and not regularly updated, areas given for exploration, mining or taken for special needs overlap, resulting in contradicting decisions and arguments. Such loopholes increase the risk of corrupt actions by government organizations.
- **There is a corruption risk related to obtaining response from local authorities.** There is a need to specify in detail those grounds on which local authorities can refuse the application for mining license, and ensure the consistency with other laws. Most responses received from local authorities are negative, but after a while the original decision is changed and licenses are granted.

FINDINGS: PRE-OPERATION PHASE

This chapter describes the process of obtaining mining licenses, legal acts regulating pre-operation activities of mining and presents the corruption risks of the pre-operation phase.

4.1 PRE-OPERATION PHASE STAGES

The stages of the pre-operation phase include the following.

Figure 7 Stages of the pre-operation phase



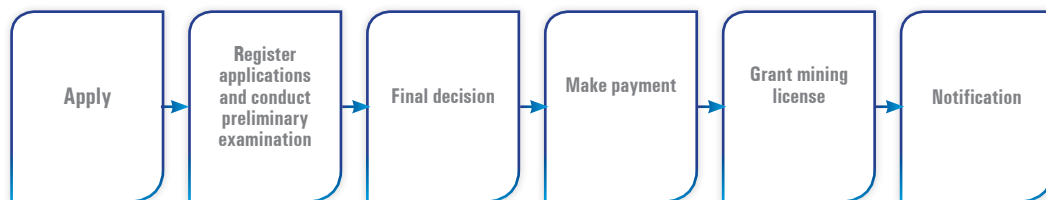
According to Articles 24.1 and 24.2 of the Minerals Law, a mining license shall be granted to the exploration license holder of the area, or on areas where the existing exploration license is expired, or when the exploration license holder did not re-apply for a mining license on that area. Therefore, the mining license granting process starts when a legal body applies for a license.

The preparation of the pre-operation phase begins when the legal body becomes a mining license holder, and proceeds to obtaining permission for mining activities. As soon as the preparation is fully complete, a committee appointed by the MoM in accordance with the decree 32 of the Mining Minister dated 29 October, 2012 registers the mine. Then, the mining license holders can start their mining operation.

MINING LICENSE: According to Article 7.1 of the Minerals Law, exploration and mining licenses shall be granted to legal entities established and operating in accordance with the laws of Mongolia, and must be a taxpayer in Mongolia.

As provided in Articles 24, 25 and 26 of the Minerals Law, the process of granting a mining license consists of the following stages.

Figure 8 Process of granting a mining license



1) Apply. According to Article 24 of the Minerals Law, which provides the requirements for obtaining a mining license the applicant must be a legal entity and eight documents shall be attached to the application form. Three of these documents are decisions and decrees related to the exploration process, four are supporting documents (e.g. certificate of legal entity, site map and payment receipt) and one is the Environmental Impact Assessment (EIA) report.

The EIA³⁰-is an important document because the involvement of many parties is required in its development and approval. Therefore, a detailed explanation is provided below.

Technical and Economic Feasibility Study (TEFS). The TEFS is one of the main documents for the general and detailed environmental assessments. The conclusion on the TEFS received from the mining license holders is made by the Professional Council of Minerals (PCM). PCM reviews and discusses the TEFS of mining companies, oil research, projects related to other operations, plans and results. The PCM provides recommendations and conclusions on whether the above documents are consistent with related laws, regulations and research methodology. The conclusion made by the PCM is attached to the General and Detailed EIA.

General and Detailed EIA: The general and detailed EIA is regulated by the Law on Environmental Impact Assessment; and the Environmental Impact Assessment Regulation should be followed in conducting the assessment³¹-r According to Article 7.3 of Law on Environmental Impact Assessment, the project implementing company shall provide: a technical and economic feasibility study (TEFS) confirmed by relevant authorities, site maps, certification of the current condition of the project area, the consent of the local Governor of the given territory and other related documents; and shall conduct a general EIA via the MEGDT or the Environmental Department. An evaluation expert, appointed by the MEGDT shall conduct the general EIA within 14 working days and make conclusions. If the expert conducting the general EIA is of the opinion that the project may have a negative impact on the area, a further assessment is required, where he/she provides the scope of work and schedules for detailed EIA, in accordance with Article 3.2.3 of 'Guidance to Conduct Environmental Impact Assessment' approved by Appendix 3 of the Decree of the Minister for Environment #119 of 2006.

These two main documents shall be prepared and approved together with other related documents attached and shall be registered with MRAM.

2) Register application and conduct preliminary examination. When the application is received, MRAM conducts a preliminary examination of the application and attached documents; determining whether they meet the requirements provided in Articles 24.3, 24.4 and 25.1 of the Minerals Law.

³⁰ Article 3.1.6, Law on Environmental Impact Assessment

³¹ <http://www.legalinfo.mn/annex/details/6137?lawid=9681>

3) Final decision. According to Article 26.3 of the Minerals Law, after the preliminary examination is conducted in accordance with Articles 26.1 and 26.2 of the law, MRAM shall make a decision whether to grant the license or not, and send notification about the decision to the applicant within 20 working days.

4) Make payment. According to Article 34.1 of the Minerals Law, the applicant shall pay the first year's the mining license fee within 10 working days. If the exploration license holder for the area did not apply for the mining license; and if it is not prohibited to conduct exploration and mining operation on the area mentioned in the application, and as long as the area is not listed as reserved and the special needs area does not overlap with valid license areas.

5) Grant mining license. According to Article 26.5 of the Minerals Law, MRAM shall grant a 30 years mining license within three days of the applicant's payment for the first year in accordance with Articles 26.3.2 and 26.3.3 of the Law and shall register information about the mining area in the records of licenses and site maps.

6) Notification. According to Article 26.7 of the Minerals Law, MRAM shall send notification letters about the license to the MEGDT, GDT, governors of aimag (soum or district) where the license is granted, and to the Inspection Agency and shall publish this in a daily newspaper, within seven working days of the license being granted.

LICENSES RELATED TO CONSTRUCTION ACTIVITIES: As soon as the mining license is granted, mining companies need to obtain related licenses from responsible agencies and ministries; to conduct construction of the mine and its infrastructure in accordance with law. The number of mandatory licenses and permissions differ, depending on the size of the mine, types of minerals being extracted and the local infrastructure. For example, permission is required for importing explosives for mining purposes, for blasting work, for disposing mining material, for use of roads, to transport bulk cargo, to start construction (and to continue), and for water usage. Around 10 ministries and agencies responsible for issues related to mining, construction, electricity, blasting, machines and transportation, are involved in providing the approval process. Infrastructure construction may start when the company has received all related permissions.

According to Article 35.4 of the Minerals Law, the license holder shall be eligible to start mining operations once the commission appointed by the Ministry of Mining registers the mine.

CONTRACT WITH LOCAL ADMINISTRATION: According to Article 42.1 of the Minerals Law, license holders shall make a contract with the local administrative organization, on environment protection, operation of the mine, industrial infrastructure and the creation of workplaces. For details, see Risk 8.

4.2 IDENTIFIED CORRUPTION RISKS AND THEIR RATINGS

There are three types of corruption risks associated with the pre-operation phase

CORRUPTION RISKS IN THE PRE-OPERATION PHASE

- Corruption risk related to underestimating the total reserves of the deposit
- Corruption risk related to obtaining the conclusions on the TEFS promptly
- Corruption risk related to obtaining construction work permissions promptly

RISK 4 Corruption risk related to underestimating the total reserves of the deposit

As explained in Section 4.1 of this report, 'General and detailed environmental assessment' is one of the main documents required in the pre-operation preparation stage of the mining. According to Article 7.3 of the Environmental Impact Assessment Law, the mining project implementer shall provide the TEFS other related documents approved by the relevant authority. According to Article 10.1.9 of the Minerals Law, the PCM shall discuss issues such as: all resource estimation of the exploration work results (received from the exploration and mining license holders), report of the economical assessment, projects, plans and results related to other activities in the TEFS of the mining operation; and shall give professional recommendations and make conclusions about whether these documents are consistent with the laws, regulations, and research methodology. Operational procedures of the Council are regulated by 'Rules of Professional Council of Minerals', Annex 1 of the Decree 369 of the Minister for Mining dated 3 December, 2012.

'Regulation on preliminary assessment of mineral resource and opportunities for using mineral deposit resource, general requirements for TEFS of mining projects, and receiving TEFS' is approved by Annex of the Decree #74 of the Minister for Minerals and Energy (its old name) of 17 April, 2012. According to Article 4 of the Regulation - 'requirements for development of preliminary technical and economical assessment of mineral deposit' - resource estimation and assessment shall be reflected in the TEFS. Mining companies reflect resource estimation and assessment in their TEFS in accordance with this requirement, and the PCM appoints accredited and qualified experts, or group of experts, legal bodies who will conduct resource estimation, make conclusions and reviews of (through re-inspection) the TEFS on behalf of the Council.

Previously, mineral resource reserves were wrongly estimated. For example, resources of the deposit at Olon ovoot in Mandal-Ovoo soum of Umnugobi aimag, was estimated inaccurately. The inspections conducted by related ministries and agencies revealed several issues such as the company starting mining operation when the resource estimation and mining work plan were not approved, and the company did not work in accordance with the TEFS and the mining work plan³².

In cases where mining companies have used in the TEFS an inaccurate or lowered estimation of resource reserves, they may give bribes to the experts assigned to draw a conclusion in order to conceal their error upon its discovery by the PCM. This corruption risk is rated as follows.

³² <http://www.uuluurhai.mn/?p=5107>

Table 15 Rating of the corruption risk related to underestimating the total reserves of the deposit

RISK	REASON	KEY STAKEHOLDERS	LIKELIHOOD	IMPACT	RISK LEVEL
Corruption risk related to under-estimating the total reserves of the deposit	Companies are interested to have lowered resource reserve estimation in order to gain more revenue or to avoid the risk of not reaching the extraction level required for each year	PCM Members of PCM Experts' team	Medium (2)	Medium (2)	4

Estimating mineral resources accurately is a key factor for the company to be economically efficient. According to 'the State Policy on Minerals Sector' the amount of mining and processing shall be planned taking into account national economic and industrial conditions, and internal and external market prospects. Therefore, government and private organisations have high interests and power in the process of mineral resources estimation. However, the main parties involved are civil servants who are subject to the Law on Regulation of Public and Private Interests in the Public Sector and Prevention of Conflict of Interest. Therefore, the likelihood of the corruption risk is rated as "medium".

The potential impact of the corruption risk is also "medium" because it has lower direct impact on the environment and the rights of local residents, but can lead to costly loss of resource asset. Thus, the overall corruption risk level is "medium".

The following are the main factors contributing to the corruption risk related to underestimating the total reserves of the deposit.

Table 16 Factors contributing to the corruption risk related to underestimating the total reserves of the deposit

CORRUPTION RISK RELATED TO UNDERESTIMATING THE TOTAL RESERVES OF THE DEPOSIT	Advisory engineer conducting mineral resource estimation has weak capacity and limited experience
	Experts and council members conducting inspection over resource estimation have weak capacity and limited experience
	Methodology and technology for undertaking resource estimation and the the system to check this is underdeveloped
	The representation of multiple stakeholders in PCM is unequal
	The accountability system of imposing liability to experts and members who made the wrong conclusion is weak

Decisions and conclusions of the PCM present a relatively low risk of corruption because they are made jointly by all members. However, as provided in Article 10.4 of the Environmental Impact Assessment Law, MEGDT shall make decisions about whether to implement the project or not by reviewing proposals provided in Article 10.4 of the law, detailed assessment report of the impact, and conclusions of the experts and PCM which conducted the inspection. This provision of the law creates a risk of experts making decisions in favour of personal interests.

It takes time to change and re-conduct the mineral resource estimation and assessment, they are found inaccurate. Usually, 60 to 70 percent of TEFSs received from companies need corrections and resubmission.

Representative of a government agency

The sanctions are unclear and the accountability system is weak in the Working Procedure of the PCM for cases where experts make incorrect estimation and validate such incorrect estimation. On the other hand, mining license holders are interested in the having estimates of the mineral resource area being underestimated in order to reduce the risk of extracting less than the estimated amount and to gain more revenue. This points out to the weakness of the accountability system and the flawed legal environment which creates the possibility of influencing conclusions and decisions through bribes.

If the mineral resource is estimated incorrectly, actions to be taken include returning the assessment report, conducting re-estimation and re-appointing experts from the PCM. The expert has to focus on making estimations accurate. In order to increase the amount of the mining resources, companies conduct the exploration again. . If they reveal more resource, a meeting will be conducted to discuss it, amendments will be made and an approval process will commence on the new resource estimation. Sometimes, they cannot find more resources and sometimes the previous estimation is lowered. If the deposit has small resources, companies are interested in lowering the actual amount.

Representative of a government agency

Today, discussing the TEFS has become a process for unprofessional people who have not worked in the actual field to discuss the assessment conducted by people with a high level of professionalism. There have been cases of rejecting the submission without even reviewing it and demanding money from the company. There is no independent accreditation in Mongolia to provide assurance of professional skills of experts. The bureaucracy is still excessive because most of the PCM members are government officials. The quality control will be better when consultants from the private sector and CSOs are involved.

Representative of industry association

The lack of capacity and experience of engineers preparing the TEFS, experts issuing conclusions, and members of the PCM result in conclusions and decisions that are contradictory.

It is important to stipulate the responsibilities accorded to officials responsible for conducting and general inspections and those involved in the detailed environmental assessment. Currently, those individuals who have the right to conduct assessments, and company experts are mostly those who have previously worked for the PCM or government organisations, which weakens the control mechanism. Furthermore, the oversight over the compliance of the environmental management plan is weak from the companies that originally conducted the assessment and approved the plan.

RISK 5 **Corruption risk related to obtaining the conclusions on the TEFS promptly**

The 'Regulation on preliminary assessment of mineral resource and the potential for using mineral deposit resource, general requirements for TEFS of mining projects, and receiving TEFS' was approved by the Annex to the Decree #74 of the Minister for Minerals and Energy (old name). According to Article 8.9 of the Regulation on receiving the TEFS, the PCM shall conduct its meeting on Thursdays of the first and third weeks every month, each time focusing only on specific types of minerals.

According to the statistics and information from the Monitoring and Analysis, Assessment and Statistic Information³³ Department of MRAM (December 2015) 87 applications for mining licenses were received in that year. Since 2009, on average 99 mining license applications were received. In order to apply for a mining license, the EIA, TEFS (which is part of the EIA) and other related document shall be provided. The comparison of the above statistics and the frequency of PCM meetings shows there could be significant loads of applications, hence, a backlog. Such circumstance creates the risk for mining companies to give bribes in order to have their TEFS conclusions promptly and start their mining operations as soon as possible.

Table 17 Rating of the corruption risk related to obtaining the conclusions on the TEFS promptly

RISK	REASON	KEY STAKEHOLDERS	LIKELIHOOD	IMPACT	RISK LEVEL
Corruption risk related to obtaining the conclusion of the TEFS promptly	Companies are interested in starting their operation quickly. As soon as the mining license is obtained, companies must submit their plans, therefore, they aim to start their operation on time, and submit their plans before the deadline set by the law	PCM Members of PCM Experts'team	Medium (2)	Low (1)	2

³³ http://mram.gov.mn/mram_new/images/stories/mram/statistek/2015/monthly_report_2016.01.04.pdf

The likelihood of the corruption risk is “medium” given the number of TEFSs reviewed every year. Applicants are interested to get their TEFS approved, get the mining license and start their operations as soon as possible; because of their tight scheduling and financial planning.

I am aware of cases where companies requested officials in the sector to influence decisions so that their TEFSs gets reviewed and discussed quickly. It happens five to six times a year. For example, people within the circle of friends explain that the company situation and and request to discuss their TEFS promptly.

Representative of a government agency

The working procedure of the PCM is not detailed enough, and does not specify, for example, the order by which the PCM will review and decide on the TEFSs. This weakens the prevention from corrution. However, there is some control mechanism as the main parties involved are civil servants who are subject to the Law on Regulation of Public and Private Interests in the Public Sector and Prevention of Conflict of Interest. Therefore, the likelihood of the corruption risk is assessed as “medium”.

The potential impact of the corruption risk is assessed as “low”, because it is about speeding up the process rather than intervening in the conclusion or the final decision. Thus, the risk level is assessed as “low”.

One of the main factors contributing to the corruption risk is the legal provisions about reports and plans of mining companies. For example, Article 48.6.2 of the Minerals Law sets the deadline for submission of the main indicators of the next year’s production and mining work plan as 1 December each year, without considering the date when the license was obtained. This provision causes significant challenge to mining companies as they have to adjust their plans to the relevant law.

Sometimes, mining licenses are granted after the date provided in the plan has passed. Then contentious issues arise as to when and how to submit the plans and reports. For example, licenses are granted for one year or until the following 1 December. However it is difficult for us to plan that way. If the license is granted in June, it is assumed that the second year will start the same month of the next year. According to the Law, reports should be submitted prior to 15 February and plans shall be submitted by 15 April. And that causes many conflicts. Companies are interested in counting from the date the license was granted, and they say they would like to make the payment in the second year (say, in June). Our suggestion on this matter gets lost at the upper level administrative bodies and never gets resolved.

Representative of a mining company

Thus, companies engage in corruption and approach officials of relevant government officials in order to obtain their license, start their operations without any disputes, and meet the deadlines set by the law.

RISK 6**Corruption risk related to obtaining construction work permissions promptly**

After obtaining the mining license, the mining company needs to get permissions related to the construction of infrastructure. The number of mandatory permissions and their scope vary according to: the size of the mining company, types of the minerals being extracted and the status of local infrastructure. For example, permissions are required to import explosives for industrial purposes, to conduct blasting work, to use roads, to construct specialized roads and areas, to transport bulk cargo, to start and proceed with construction work and to use water etc.

License holders must get permission from 10 authorities - including ministries, agencies and local administrative bodies - who are responsible for issues related to mining, transportation, buildings, electricity, blasting and machinery. Interviewees mentioned that some companies might offer bribes to related decision makers in order to expedite the burdensome process of getting permission. Therefore, the corruption risk is assessed as follows.

Table 18 Rating of the corruption risk related to obtaining construction work permissions promptly

RISK	REASON	KEY STAKEHOLDERS	LIKELIHOOD	IMPACT	RISK LEVEL
Corruption risk related to obtaining construction work permissions promptly	Mining companies aim to start their operation as soon as the mining license is granted. They have to submit yearly reports and plans on time, which prompts their interest to accelerate the process of obtaining permissions.	License granting ministries, agencies and decision makers; Responsible local authorities	Medium (2)	Low (1)	2

The likelihood of this corruption risk to occur is "medium" because the interest of key stakeholders and the powers they possess are high, but Law on Regulation of Public and Private Interests in the Public Sector and Prevention of Conflict of Interest provides a control mechanism and contains the risk.

As to the potential impact of this corruption risk, it does not have a direct impact upon the environment and local citizens' rights but can lead to loss of assets if a bribe is involved. So the impact is assessed as "low".

Interviewees stated that the main contributing factor of this corruption risk is the legislative provisions which allow decisions to be made based on the conclusion of one official. This provides a room for that official to misuse power and make a discretionary decision driven by narrow interest.

Mining license holder must submit reports as specified in Article 48.6 of the Minerals Law. Section 48.6.2 and 48.9 (related to mining license holders) and Articles 48.1.1. 47.1.2 and

48.1.3 (about reports of exploration license holders) set forth specific dates for submission of reports without considering the date licenses are granted. This, in some cases, it becomes a factor leading to corruption.

An exploration license holder who has not collected required documents and plans, wanted to start their operation, and offered me money (MNT100.000-1.000.000) and requested me to help them. Of course, I didn't accept it and insisted that they have to provide all required documents to be able to start the operation. This is probably common in local areas with mining.

Representative of a government agency

4.3 CONCLUSIONS

- The corruption risk is higher for organisations which have the power to make decisions on their own. Most corruption risks at the pre-operation phase are related with officials who make decisions which affect the granting of the license, especially those who make decisions unilaterally, or with unilateral signing authority. The legal acts regulating preparation activities of the pre-operation phase provide for a decision-making system that relies on the conclusion made by a single person. When the decision is made with the involvement of multiple parties (such as the government, CSOs and the private sector) there can be relatively lower risk of companies influencing the decision because of checks and balances and mutual accountability between the stakeholders.
- Lack of disclosure of the grounds on which decisions on granting the licenses were made and lack of transparency on the extent to which license applicants met the requirements. Information on licenses granted and areas covered by the licenses are open to the public. However, information about whether the documents submitted by the license holders demonstrates the capability of the applicants to carry out the other activities meet the legal requirements is not transparent to local governors and Citizen's Representatives Khurals who must give their consent, leading them to perceive that applicants who do not meet the requirements may have obtained the license by exercising undue influence on decision makers.
- Information databases are not interconnected and integrated, which results in contradictory decisions and increasing the vulnerability to corruption. There is no integrated databases among organizations involved in the licensing process to show data on licensed areas and areas under local special needs. This contributes to ministries, agencies and local authorities making decisions which contradict each other, and increases corruption risks, especially among the stakeholders who make final decisions.
- Concentration of powers, overlapping mandates and obligations contribute to making decisions which contradict each other, raising the vulnerability to corruption of those making the final decision. The final decision of the mining license and other permissions are made by MoM, MRAM and MEGDT, and as the local administrative bodies are obliged to fulfil the resolutions and decisions of the above organizations, the power of local authorities is limited. In particular, when decisions made by the ministries and agencies are contradict with those of the local authorities, the final decision of the higher level authority must be followed.

FINDINGS: EXTRACTION PHASE

This chapter provides an overview of the extraction process, statistics, and the legal framework and identifies corruption risks that arise during the extraction phase.

5.1 EXTRACTION PHASE STAGES

The extraction phase begins after the license for mineral extraction has been acquired. In accordance with the Minerals Law, mineral extraction is defined as: exploring and separating minerals from the soil, sub-soil, stockpiles, waste, and water, enriching its content, manufacturing, selling products and other related operations. The minerals extraction phase involves the following steps.

Figure 9 Stages of the extraction phase



Soil removal: The soil removal step creates the pre-conditions for extraction. In order to perform extraction, obstructions in the soil - such as waste rock - need to be excavated. Depending on the deposit formation, some deposits do not have any waste rock (such as sand or gravel which are common mineral resources) and require no soil removal for extraction. A considerable amount of expenses arise during soil removal; and mining project's expenditures are highly dependent on this. According to the TEFS and detailed EIA report the original sub-soil removal and treatment must be included in the annual mining work plan and conducted in accordance with the other documents of the project.

The soil removal step may utilize explosives, which requires 'Special permit to utilize blast operations for production purposes.' A total of **14 documents**³⁴ are required for acquiring and extending the special permit, the Ministry of Mining provides the permissions after obtaining the responses from the local Governor, Police Department, Central Intelligence Agency, and General Staff of Armed Forces.

During the soil removal step, the local environment inspector and state inspector monitor and measure the area. They mainly focus on ensuring the mining company's soil removal and stockpiling take place within the permitted area. Also GASI and environmental inspectors organize annual planned inspections regularly.

³⁴ <http://www.mm.gov.mn/news/page/214>

Extraction: In accordance with Article 4.1.7 of the Minerals Law, minerals mining is defined as operations that include extracting, cleaning and sorting minerals (except for radioactive minerals) from soil, its sub-soil, stockpiles, waste, and water; according to the approved TEFS and plan. In the mineral exploration step, the mining work report, plan and environmental management plan must be approved annually.

Mining work plans provide information needed for ensuring the mineral extraction operations meet the relevant legislation and standards, for compilation of national statistical indicators of the mining industry, assessing its impacts on economy and society, the investment environment, appropriate technology, equipment used for enrichment and processing in mines and mountains, and information necessary for developing the state's natural resources policy³⁵. The mining work plans and reports must include monthly performances and deposit utilization timelines that determine the detailed scope of the mining work, shall be reviewed by MRAM's reserves specialist, specialist on metals and non-metals mining work plans, and specialist on enrichment, and approved by the Head of the Department of Mining. According to MRAM statistics, 265 reports and 355 plans were received in 2014, and 455 plans were received in 2015³⁶.

The environmental management plan is the main environmental document permitting the start and continuation of the project operations for the given year. The plan is developed by the project implementing individual or entity, its assessment is reviewed and approved by the MEGDT and local (or capital city) environmental department³⁷. The approval page of the annual environmental plan is to be signed by either the head of MEGDT's Environment and Natural Resources Authority (ENRA), or the head of the local (or capital city's) environmental department. . The specialist from MEGDT's ENRA or local, capital's environmental department also signs the cover page, and monitors the fulfilment of the plans.

The fulfilment of the environmental management plan is accepted by a working group, which will fill out a review sheet. The working group shall be headed by the soum or district governor and its seven members shall include the state environmental inspector from the aimag GASI, a representative from the Department of Environment, a representative from River Basin Authority, the soum environmental inspector, a local ranger, a citizens' representative and a land officer. After acquiring the aforementioned reports and plans, scheduled and unscheduled inspections are performed by the government organisations, including aimag environment, tourism department, GASI, and MRAM.

As for GASI, 232 inspections carried out in 2014 on operations of license holders revealed 3,809 violations and 78 entities paid MNT118.2 million in fines to the state budget. Also in 2015, 304 inspections were conducted, revealing 5,813 violations, and 34 entities were charged fines totalling MNT92.9 million³⁸.

The GASI is one of the government agencies which consistently ranks among those causing challenges to business entities, according to the Study of Private Perceptions of Corruption.

Production: In accordance with Article 4.1.7 of the Minerals Law, mineral production is defined as operations that aim to increase the content and value of minerals, such as cleaning, melting, enriching minerals (except for radioactive minerals), and manufacturing products. The mineral production step is performed simultaneously with extraction, therefore most documents combine the two steps into the combined extraction and production step, because Mongolia only exports its mining goods raw or semi-processed. The need for building

³⁵ http://mram.gov.mn/mram_new/images/stories/mram/Mayagt/Tuluvluguu%20tailangiin%20zaavar%20batlah%20tuhai.pdf

³⁶ АМГ-аас авсан тоон мэдээлэл

³⁷ <http://www.legalinfo.mn/annex/details/6153?lawid=9725>

³⁸ МХЕГ-аас авсан тоон мэдээлэл

production factories to export value-added products into the international market remains high. For example, processing coal into coking coal creates over 10 types of co-products. Furthermore, those 10 co-products could create over 30 types of chemical products.

Currently, over 40 mining production factories are operating in Mongolia. But most of them operate within primary production only, such as crushing and sorting.

Production, enrichment factories must possess and retain 21 documents³⁹.

Transportation: Mining transportation is grouped - by destination - into domestic and foreign. Foreign transportation is used for transporting minerals (and concentrates) directly to the customer. Domestic transportation is used for transporting minerals, and concentrates to destinations such as conveyers and enrichment factories, which differ by the technologies they use. Different modes of transportation are used in mining, such as roads, railroads, and conveyers.

Demand for transportation increases with the need to move minerals to the market, to provide the local citizens and factories with goods, materials and services.

Transportation permit is acquired based on the transportation plan included in the TEFS. The Ministry of Road and Transport issues the permits for international freight transport, the permit for building and fixing of roads and road structures. The permit for domestic inter-aimag transportation is issued by the aimag, capital (or soum) governor.

The state road transport inspector has the authority to perform transportation inspections and the right to confiscate, rescind driver's license, and transportation documents.

The following laws and regulations apply to mining transportation:

- Law on auto transport⁴⁰
- Regulation on intercity freight, passenger transportation via road vehicle⁴¹, and
- The TEFS

These documents must be reflected in mining transportation operations and requirements, and regulate relations of road transportation and use of vehicles.

Mongolia has 13 border points with China and 29 border points with Russia, of which Zamiin-Uud, Ereen tsav, and Sukhbaatar border points are used for transportation of coal by rail⁴².

Sales: Mining companies pay over 20 types of taxes, fees and charges, including mineral resource utility payments, value added tax, and entity income tax, to the state budget.

Sales of mining products are regulated mainly by regulations issued by the Chair of GTO 'Method for calculating sales of mining export goods' and the regulation 'Method for calculating and imposing the fee for use of mineral resource reserves' and by Articles 27 and 47 of the Minerals Law and other government resolutions.

³⁹ <http://www.mm.gov.mn/news/page/212>

⁴⁰ <http://mrt.gov.mn/erhzui/1/7>

⁴¹ http://www.traffic-institute.mn/f_order/f-01/f-01-14.html

⁴² http://immigration.gov.mn/new/?page_id=3411

5.2 IDENTIFIED CORRUPTION RISKS AND THEIR RATINGS

There are six types of corruption risks associated with the extraction phase.

CORRUPTION RISKS IN THE EXTRACTION PHASE

- Corruption risk related to the inspection of mining companies' operations
- Corruption risk related to donation and assistance to local areas
- Corruption risk related to conflicts between citizens and mining companies
- Corruption risk related to the plan and report of mineral extraction operations
- Corruption risk related to the approval of the environmental management plan.
- Corruption risk related to the sales of minerals

RISK 7

Corruption risk related to the inspection of mining companies operations

Organizations authorized to conduct inspections in the mining sector, such as GASI, Department of Environment and Tourism, and local government, conduct scheduled and unscheduled inspections in accordance with laws and regulations. GASI and local organizations perform annual inspections taking into account the risk assessment results. In addition, in response to requests, complaints from citizens and organisations, spontaneous inspections are performed as well.

Inspections are effective only when they are done in cooperation with the specialized inspection, police and the Prosecutor's office. Around six to seven scheduled and unscheduled inspections are conducted annually by such joint teams.

Representative of a local authority

By 2015, 304 audits were conducted by GASI on mining license holders, a total of 5,813 violations were revealed⁴³.

The corruption risk relating to inspections were evaluated below.

Table 19 Rating of the corruption risk related to the inspection of mining companies' operations

RISK	REASON	KEY STAKEHOLDERS	LIKELIHOOD	IMPACT	RISK LEVEL
Corruption risk related to the inspection of mining companies' operations	No information is provided prior to inspection Lack of knowledge about the inspection templates Guidelines and methodology related to inspection are not sufficient	No information is provided prior to inspection Lack of knowledge about the inspection templates Guidelines and methodology related to inspection are not sufficient	Medium (2)	Medium (2)	4

The level of corruption risk relating to inspections are assessed as 4. Inspection results are critical for the decision to continue mining operations. The likelihood of corruption occurring is "medium", as all stakeholders' interest is high and their decision can stop operations. Nevertheless, the Law on Inspection provides the rationale for inspection and clearly states the rights and responsibilities of parties involved, therefore, there is some prevention mechanism. The impact of this corruption risk is "medium", as it can lead to some loss of resources and assets.

If scheduled and unscheduled inspections performed on mining companies during the extraction phase reveal violations, the company's operations are suspended for three months and if the violation is not rectified the company's license gets invalidated.

The following four factors mainly contributed to the corruption risk related to inspections.

Table 20 Factors affecting the corruption risk related to the inspection of mining companies' operations

CORRUPTION RISK RELATED TO THE INSPECTION OF MINING COMPANIES' OPERATIONS	Mining companies have limited information about inspections conducted by government organizations.
	Mining companies do not have sufficient legal knowledge about the inspection or the inspector's rights and duties.
	There is no information about the inspection methods (scoring)
	Failure to operate in accordance with the laws, codes and guidelines, unpreparedness and irresponsibility of mining companies

In accordance with the Law on State Inspection, five days prior to the scheduled audit the company must be notified via mail, phone, or in person, but in reality most inspections are conducted unannounced and create difficulty for the mining companies.

EITI 2010 reports mentioned that the GASI itself received bribes to issue conclusions favourable to companies. There are **16 inspection checklists** related to environmental safety, **7 checklists** related to geology and mining. It was observed during the data collection that companies' knowledge about these inspection checklists and related documents were limited.

They immediately start their operations after acquiring the license. When the government organizations come to inspect, they find themselves unprepared and engage in corruption.

Representative of a local authority

Some inspection related articles and clauses in legislations of Mongolia creating a situation where corruption can arise. For example, according to the Law on Environmental Impact Assessment (regarding the environmental management plan and impact assessment), Minerals Law (regarding mining extraction operations), and Law on Environmental Protection (regarding the environment) the following government and local organizations have the authority to conduct inspection.

LAW ON ENVIRONMENTAL IMPACT ASSESSMENT	MINERALS LAW	LAW ON ENVIRONMENTAL PROTECTION
Governors of all levels of administrative units (9.12), (8.8)	Parliament of Mongolia (8.1.2)	Aimag, the capital city Citizens' Representative Khural and Governor (16.1, 16.3)
Government central administrative organization (9.12)	Government central administrative organization (10.1.8)	Government central administrative organization
Government administration organization in charge of geology, mining issues (8.8)		Aimag, capital Governor (16.2.4)
Entities authorized to conduct detailed environmental impact assessment	Government administrative organization (11.1.14)	Soum, district Citizens' Representative Khural (17.1.1),
Environmental non-government organization(9.12)	Specialized inspection agency (11.3),	Bagh, khoroo Citizens' General Meeting (18.1.2)/,
State environmental inspector (19.1)	Local administrative and local self-governing organizations (12.1.3)	Specialized inspection agency (26.1),
Local ranger(8.8)		Ranger (28.2.3)

Government agencies conduct inspections which overlap with inspections carried out by their lower level entities, which on the one hand, results in duplication and bureaucracy, and on the other hand, demonstrates the lack of trust and coordination within and among government organizations and multiple audits and reviews which creates some redundancy, increase in bureaucracy, and reveals flaws within inter-agency coordination.

Nearly 35 audits and inspections are conducted by the local government, ministry or agencies. Their main goal is to find violations and to put pressure. When the operations get suspended due to violation or shortcomings, the salaries of 500-1,000 people are put at risk.

Representative of a mining company

Interviewees mentioned that inspection outcomes are decided at the discretion of given inspectors. Inspection related regulations are included in many laws which increases the number and frequency of inspections and provides opportunity to undertake separate rather than combined inspections. Compared to separate inspections, combined inspections' corruption risk is low. The purpose of the government, aimag and soum inspections overlaps, causing difficulty for mining companies. There is no internal database on inspections conducted, and the number and results of inspections are not open to the public.

Furthermore, information on inspection checklists are not always clear, and the dissemination of inspection related information, regulations and guidelines, is insufficient.

Some interviewees believe that mining companies' failure to conduct their own internal inspection, to prepare necessary documents in a timely fashion, and their carelessness contribute to corruption risks. Mining companies do not have a channel to share information among them regarding the inspection and practices that can be adopted.

RISK 8

Corruption risk related to donations and assistance to local governments

According to the EITI report, the mining industry in Mongolia is subject to 25 different types of taxes and fees, of which around 10 are payable to local governments. The 2014 EITI report, disclosed that 'donations, aid to government organizations' totalled MNT19.7 billion according to the government records, and MNT19.7 billion according to companies' records.

Companies without any conflict of interest make payments and under the transparency initiative, they report the amount given to local governments, but local governments say they have not received any and a gap emerges. Here issues arise related to legal prohibitions. Such issues were widespread in the past, and now have decreased. The local hospital built by Boroo Gold has not been accepted for operation until now. The reconciliation report would show a gap because one party claims they have given, and the other party claims they have not received a response. The company has already built it, but the government did not accept and did not record the asset hence a gap. No matter how big or a company is, the share of revenue that goes to local governments is small, therefore, requests and demand for donation come frequently. .

Representative of a government agency

There is high probability of this type of corruption to occur, the reason being that local interest in donations and contributions is high, soum authority's power is high, and the control mechanism is weak. As for the impact, this risk could lead to some loss of resources.

Table 21 Rating of the corruption risk related to donation and assistance to local governments

RISK	REASON	KEY STAKEHOLDERS	LIKELIHOOD	IMPACT	RISK LEVEL
Corruption risk related to donation and assistance to local governments	Request for donations for soum activities Model contract between local administration and mining company Request for investment to LDF	Soum governor Soum environmental inspector Soum land officer	Medium (2)	Medium (2)	4

Mining companies face pressure from local governments to provide donation.

They do request. The government organizations. . It’s illegal, but they constantly send requests for donations.
How many times a year?
Almost once a month.

Representative of a mining company

As stated in Article 25.2 of the Budget Law, only educational institutions, hospitals, cultural institutions are allowed to receive a donation, and not the other government agencies. Therefore, the probability of corruption to occur was rated as “medium”. Unfortunately, hidden or not, donations to local government and residents continue to take place.

Although it is clearly stated in the law that it is illegal for government agencies to receive donations they still request it. They say ‘we have recently built a new office please donate’, or they say that they know about the law, but their budget is insufficient that’s why they are asking for help. Every single day.

Representative of a mining company

The impact of this corruption risk is rated as “medium”, because this corruption risk creates moderate amount of loss for mining companies

The following are factors affecting the corruption risks related to the donations and contributions to local governments:

Table 22 Factors affecting the corruption risk related to donation and assistance to local governments

CORRUPTIN RISK RELATED TO LDONATION AND ASSISTANNCE TO LOCAL GOVERNMENTS	Lack of model cooperation agreement with local governments
	Contribution and additional investment into the Local Devlopment Fund
	Soum operations (festivities, refurbishment of offices, construction)

According to Article 42.1 of the Minerals Law, a license holder must sign an agreement and collaborate with the local administration in order to protect the environment, to create infrastructure for mining operations or building factory, and creating workplaces, but there was no model agreement, which has lead to aimags and soums interpreting this provision differently. Moreover, the law does not specify whether the local administrative organization refers to aimag or soum. This creates difficulties for companies. In some soums, baghs also consider themselves local administrative organisations and demand companies to sign contracts with them. Thus, the corruption risk is raised.

According to recent trends, local governments appear to be very risky. Companies say that they receive pressure to contribute to LDF even when they have not begun their operations. This is a corruption risk.

Representative of a government agency

There is a high chance of corruption risk at the soum level. For example, soum governors, soum Citizens' Representatives Khural constantly receive and call it intelligently as donation. A collaboration contract template needs to be developed. The government still hasn't provided a collaboration contract template. It would be different if it did. Operating in a local region requires collaboration with the local administration in some form or fashion. A regulation on this relationship would be useful.

Representative of a local authority

That issue will be resolved depending on which kind of guideline the MoF will adopt. Yet the locals puts pressure referring to local needs. They demand anything they want or donation. It is illegal to donate to anybody besides school, and kindergartens according to the Law on Budget. Yet they want donations for Naadam, horse races, wrestling competitions, and so on.

Representative of a government agency

Due to the lack of clarity of regulations on collaboration between the local government and mining companies, there are many hidden and unhidden corruptions under the guise of supporting the community. Most donations from mining companies are spent on organising celebrations, festivities, Naadam, construction, building renovations and others.

Soum governor, and chairs of Citizens' Representatives Khurals have a high risk of corruption. This issue is very common. For example: soum governor, soum's CRKhs simply go to a mine to refill their gasoline. That gasoline is an expense for the mine.

Representative of a local authority

Interviewees believe that there is a high risk for corruption to occur in relation to those with power and those local government organisations with whom mining companies directly collaborate, such as the local governor, CRKh, environmental inspector, water specialist, and others.

Citizens' Representatives Khurals send a demand not to excavate mountains. Also, they visit the mines to provide instructions. For example, a decision was made to prohibit the use of water starting from 2016. Overall, they are quite powerful.

Representative of a local authority

The size of investments to be made by mining companies within local areas - based on their scope, operating level and production reserves – is not specified by law. This provides a pre-condition for donation and assistance to local events.

While this study was underway, a model template for company-local government agreements on "Protecting environment, developing infrastructure related to mining and its' construction, and Increasing employment" was approved by the Government Resolution #179, March 28, 2006. As stated in the contract template, it allows mining companies to provide support on activities and projects related to environmental protection, mining, infrastructure development and employment. Because of recent approval of the contract template, it is too early to assess the quality of contract template and its impact.

RISK 9

Corruption risk related to the relation between local CSOs and mining companies

In order to ensure stability of their operations, mining companies must engage with local residents and local civil society in addition to local governments. These consultations with local residents is beneficial for both parties. The World Bank funded project 'Social impact of mining and local development' was implemented by the Responsible mining for initiative for sustainable development (2011-2012), and raised issues, including clarifying roles and responsibility of parties for improved cooperation, increasing access to information and transparency, enhancing direct participation of local residents, and strengthening relations between parties. Yet during the data collections of this study it was observed that these issues remain to be resolved.

Before the Law (with the long name) mining was enacted, companies used to receive pressure from civil movements. During the inspection visit, somebody told me that if they were given what they wanted they would not come back. I don't know of a single instance when they actually rallied for the environment. Their name sounds nice though! The movement is there where money is. Those with genuine commitment for the country are rare.

Their main goal is to get money. Since we are a national company, we won't give it to them. They probably thought it was no use after that. Later, after they have realized we are a national company they admitted that they resisted because they thought we were a foreign company. . In general CSOs and movements are very difficult to deal. For example in 2009, when there was a fire, we stopped our operations for 14 days all staff were mobilized to work with the emergency agency to douse the forest fire, yet there was no one from the civil society members to be found.

Representative of a mining company

Interviewees mentioned that pressure is exercised on mining companies under the name of civil society organization or movement, which also involve conflicts of interest.

Table 23 Rating of the corruption risk related to the relation between local CSOs and mining companies

RISK	REASON	KEY STAKEHOLDERS	LIKELIHOOD	IMPACT	RISK LEVEL
Corruption risk related to the relation between local CSOs and mining companies	Interest to restrict mining operations Lack of sufficient information Negative perception Environmental protection	Local movements NGO Local citizens	High (3)	Medium (2)	6

The likelihood of this corruption risk was assessed as “high”, because local residents voice can make a strong impact on mining companies, parties involved are not government organisations, so there is no system to prevent from corruption. The impact of this risk was assessed as “medium”, because of the effect on the environment, potential violations of rights, and some loss of resources and assets.

Although the issue of payments between companies and local residents and movements does not involve government organisations and is outside of the corruption definition specified in the Law against Corruption, this issue was considered as corruption risk because it may affect oversight of local residents over the negative impact of mining on local socio-economic situation and the environment, and also it affects common interest of local public.

The following are factors affecting conflicts between local residents and mining companies.

Table 24 Factors affecting the corruption risk related to the relation between local CSOs and mining companies

CORRUPTIN RELATED TO THE RELATION BETWEEN LOCAL CSOS AND MINING COMPANIES	Lack of transparency of information and trust between mining companies and local residents
	Lack of coordination among parties
	Mining companies do not have a system of reporting or providing information to local residents

According to the Minerals Law, the license holders can collaborate with the local government to organise public discussion, and the citizens can select a representative from among themselves to exercise public oversight over the mining company's operations and its environmental rehabilitation activities.

As mentioned above, regarding oversight, organisations with no relevance to the given local area come to oppose mining operations. Therefore, there is a need to strengthen mining companies social responsibility to local communities, clarify responsibilities, and establish a system where mining companies regularly provide information and report to local residents.

Oversight from NGOs is in principle, a good thing, but the pressure they exercise makes people think that in some cases they have economic interest behind it.

Representative of a government agency

Some interviewees believed that oversight over mining operations by local CSOs and movements is mostly not productive and does not go beyond criticism. This points out to the need to differentiate between national and locally established CSOs, which work within the relevant legal framework and regularly report their activities to the public from interest groups.

Interviewees also think that there must be a system for improved oversight from citizens, but they have to be formally elected by citizens and be knowledgeable about mining operations and its legal environment. This can improve the quality and effectiveness of citizens' oversight over mining companies.

There is no mechanism for mining companies to provide information directly to citizens, report or consult with the local community. There is a need to improve legal regulations to improve reporting and dissemination of information to local residents.

I believe that local oversight is a better solution. But lately NGOs have been taking a wrong approach. Since the oversight system is not proper and orderly yet, they exercise pressure under the name of oversight, and become quiet after they get what they wanted. So the oversight structure is incorrect. Since government organizations consist of different units, the mining company has to work with each one of them to get the issue resolved, and this creates a corruption risk.

Representative of a local authority

Publish What You Pay coalition is a participant the EITI, conducts aimag, soum level multilateral open workshops. This initiative is being regularized in those soums with several mining operations, which is a good starting point.

RISK 10

Corruption risk related to the plan and report of mineral extraction operations

Mining work plans and reports provide information needed for ensuring the mineral extraction operations meet the relevant legislation and standards, for compilation of national statistical indicators of the mining industry, assessing its impacts on economy and society, the investment environment, appropriate technology, equipment used for enrichment and processing in mines and mountains, and information necessary for developing the state natural resources policy. The annual targets of extraction and mining enrichment, and processing, mining work plan or extraction operations plan and its fulfilment report or extraction operations report shall be based on the TEFS of the deposit's extraction, enrichment and production⁴⁴.

'Guidelines for receiving mineral extraction operation plans, reports, and information' was approved by the Decree #a/98 of the Director of MRAM, dated 20 November, 2015. Before the adoption of the guidelines, the regulation for the mining work plan and acceptance of reports was used.

The minerals' extraction operations plan and its fulfilment report is delivered to MRAM's unit in charge of mining. Contracts are signed with the relevant government organization in charge of geology, and mining Submitting the minerals extraction operations plan requires contractual cooperation

According to the revised guidelines, the mining work report must be submitted annually, monthly and weekly. The annual report is required one year after acquiring the license, the monthly report is required on the third day of each month, and the weekly report (regarding manufacturing, and exporting data) must be sent every Thursday by phone or email.

The approval of annual plans and reports allows for continuation of operations. Therefore, mining companies are highly interested in speedy approval of plans and reports without any obstacles. As of 1 December, 2015, MRAM had received around 250 reports and by 18 January, 2016, the reports were reviewed 488 times and of these 112 were approved. These statistics show that the approval of plans and reports requires large amounts of work, and many plans and reports are returned for correction. Therefore, mining companies may resort to corruption in order to save time and to get their plans and reports approved.

⁴⁴ http://mram.gov.mn/mram_new/images/stories/mram/Mayagt/Tuluvguguu%20tailangiin%20zaavar%20batlah%20tuhai.pdf

Table 25 Rating of the corruption risk assessment related to approval of plans and reports of mineral extraction operations

RISK	REASON	KEY STAKEHOLDERS	LIKELIHOOD	IMPACT	RISK LEVEL
Corruption risk related to the plan and report of mineral extraction operations	Accelerating the approval process Submitting false reports Lower the amount of fines	Mining companies MRAM Aimag' specialized inspection agency	Medium (2)	Medium (2)	4

The likelihood of the corruption risk related to approval of annual plans and reports was assessed as “medium”. Both sides have a high interest in this matter, but since the government organisation is subject to the Law on Regulation of Public and Private Interests in the Public Sector and Prevention of Conflict of Interest, some mechanism of oversight exists. The impact of this risk was assessed as “medium”, since besides accelerating the process, there is a risk to get false reports approved. The plans and reports contain important calculations and information on the environment, contract, license, extraction process and the economy. The above guidelines do not provide any provision related to inspection on verification of plan and report of mining extraction operations.

According to Article 48.6.2 of the Minerals Law, the licensed companies must submit their next year’s main production targets and mining work plan by 1 December, to the government administrative organization. However, no deadline was specified for the approval of plans and reports, resulting in delays of approval

Since the continuation of company’s operations and issues related to tax payment are directly dependent on the mining work plans, setting a specific deadline for approval of plans and reports would improve coordination.

Article 66.1.2 of MRAM states ‘failure to submit information, plans and extraction operations report shall result in a penalty equal to around 10-20 times the minimum wage for individuals and 30-50 times the minimum wage for entities’. So, to avoid fines companies may prepare false data or reports or resort to corruption to lower or avoid penalty.

Resistance from the locals halted all operations. Yet MRAM demands the plan, so there is no choice but to provide a false one. Still the fee has to be paid. In my opinion, in this situation it can be waved or put on hold until a final decision has been made.

Representative of a government agency

If the mining work plan is not approved, all the subsequent operations come to a halt and create a business risk. Failure to submit on time incurs a large fee, so the companies will sometimes try to get around it. The fee is just a bargaining chip. All sanctions involve a large amount of fines. The company of course has to fulfil its legal requirements. There has to be another way. Should fines always be mandatory? Who is suffering from the lack of a mining plan?

Representative a government agency

From 20 November 2015, MRAM's specialist in charge of plans and reports started to receive all mineral extraction operating plans and reports, and send them to other relevant specialists, senior specialists and department heads with a review sheet. Interviewees stated that the previous process required the approval from GASI, which used to prolong the approval process and create additional bureaucracy.

[It is important to] make the legal acts correct and remove 'signature collecting' mechanisms. Signatures cost money! When the mining plan is submitted to more than two or three agencies for review, suggestions and statement etc, the signatures become more "expensive".

Representative of CSOs

Submission of mineral extraction plans and reports by mining companies close to the deadline increases the workload for the government organisation that reviews and approves them, and prolongs the approval process. Also the opportunity to receive comments regarding their mistakes on the plans and reports, to get advice on how to avoid mistakes, and to receive methodological advice on preparing complete and accurate plans and reports, gets lost.

If companies provide the required documents there wouldn't be any difficulties. If companies develop their TEFs properly and get their mining plans approved, get detailed assessment done by a specialized organization, and the environmental plan approved, and stick to these documents, there would be no difficulty.

Representative a government agency

RISK 11

Corruption risk related to approval of the environmental management plan

The entity that conducted the detailed environmental impact assessment shall develop an environmental management plan in order to: protect and ensure appropriate use and rehabilitation of the territory where the project is to be implemented, to ensure the implementation of recommendations specified in the strategic assessment, mitigate, eliminate and prevent negative impacts that are identified by the detailed impact assessment, and monitor, identify potential negative consequences that may arise in the proposed project environment⁴⁵. The environmental management plan is the main document that permits the start and continuation of the project.

⁴⁵ <http://www.mne.mn/mn/887>

The MEGDT and environmental agencies of the aimag and capital shall review and approve the environmental management plan.

The environmental management plan must be consistent with the approved exploration and mining plans. According to the environmental management plan, performance report of environmental management plan shall be submitted annually to the environmental agencies of aimag and capital, by 1 November. The performance of each of the 10 components of the report shall be evaluated and given 0-100% score. The working group established to accept the report and issue the assessment sheet shall have seven members including the head of the working group (soum governor, or the appointed official), state inspector, rangers and representatives from the local areas.

The environmental management plan shall include impact assessments related to soil, water, air, flora and fauna. The annual environmental management plan includes important issues such as evacuation, compensation, chemicals and waste and rehabilitation related issues. Therefore, mining companies are interested in getting their environmental management plans approved quickly, without any problem.

Table 26 Corruption risk related to approval of the environmental management plan

RISK	REASON	KEY STAKEHOLDERS	LIKELIHOOD	IMPACT	RISK LEVEL
Corruption risk related to approval of the environmental management plan	Accelerate the approval process To get the damages assessed as minimal Develop false plans	Aimag environmental agency MEGDT MoM	Low (1)	High (3)	3

The likelihood of the corruption risk related to the approval of the environmental management plan is "low", as there is a mechanism which prevents from corruption. The environmental management plan requires eight signatures, the authority of each person is relatively low. Moreover, when reviewing the implementation of the plan, explanations and grounds for the scores are provided under each component, in addition to the performance assessment in percentage. However, there can be a "high" level of negative impact. In other words, this risk can lead to a loss of considerable amount of resources and assets, damage to the environment, or violation of human rights.

The environmental management plan clearly specifies biological rehabilitation, technical rehabilitation, rescue plan and hazardous waste. Works should have been done on all of these things. Also, the inclusion of specific issues such as resettlement or residents, makes it easier to communicate with companies holding the license.

Representative of a local authority

In the Law on Environmental Impact Assessment, issues related to rehabilitation, which is a main part of an environmental management plan, is specified as follows:

9.9 The project implementer other than those specified in 9.10 shall deposit, as a guarantee, a sum in the amount of no less than 50% of the total budget of the annual environmental protection management plan in the designated account opened by the local soum or district governor's office for centralizing local environmental protection and restoration funds and shall annually report on the implementation of the plan.

9.10 The project implementer engaged in mining, smelting and production of minerals and chemical shall deposit, as a guarantee, a sum in the amount which is equal to 50% of the total budget of the annual environmental protection management plan in the designated account opened by the state administrative body for centralizing rehabilitation funds until the end of exploitation activity.

Mining reports, detailed environmental plans and environmental management plans are presented annually. It means we are shifting from wild or uncontrolled mining to responsible mining,

Representative of a local authority

Public perception that the enforcement of environment protection and restoration is not enough and is related to the lack of provision of accurate information by environmental inspectors. This eventually becomes one of the sources of conflict between mining companies and the local community. For example, in 2015, 124 complaints and comments on issues of MEGDT mandates were received by the Parliamentary Petitions Standing Committee and half of them (52%) were related to protection, restoration and sustainable use of the environment⁴⁶.

Articles 9.11. and 9.15 of this law stipulate that:

9.11. The guarantee specified in Article 9.10 shall be refunded to the project implementer at the mine closure stage in accordance with a specific schedule if the project is deemed to have satisfactorily complied with the requirements of its environmental impact assessment and implemented annual environmental management plans of the mine operation and upon consideration of the progress the project is making in the implementation of the closure management plan referred to in Article 14.1.3.

9.15. The procedure for monitoring transactions of the designated account for centralising funds for environmental protection and restoration, specified in Article 9.9 and 9.10 shall be approved by the state central administrative organization in charge of nature and environment.

Most of the interviewees had doubts about if anyone gets the refund of money for rehabilitation; this may be due to companies not meeting the terms and conditions for refund and the annual rehabilitation targets.

⁴⁶ Statistical data received from Petitions Standing Committee, Parliament of Mongolia

The environmental management plan is approved by MEGDT. Professional organizations executing environmental assessment should focus more on quality.

Representative of a government agency

Some of the interviewees consider the rehabilitation process may be improved if local citizens from the affected area participate in the review and monitoring of performance of annual environmental management plan.

The Minerals Law specifies that:

39.6. If license holder fails to transfer the deposited funds set forth in Article 39.1.9 of this law within the period required by Article 39.5 of this law, the soum or district governor shall have the right to halt the annual mining activity.

39.7. In case of a failure to complete annual reclamation, the governor of the relevant soum or district and the professional inspection agency jointly hold the right to prevent the commencement of mining activities for the next year.

The proceedings of professional committees who make final conclusions and decisions on the detailed assessment of the environmental impact and the environmental management plans are not transparent, regulations and rules they follow are unclear. Also, any citizens and CSOs who want to participate as observer must make formal requests, and can do so only when their requests are approved.

Improving the participation and partnership of professional associations, general public in the process of decision-making, inspections and monitoring will contribute to mitigation and prevention from corruption. It would also enable monitoring of the expenditure of money transferred to local governments.

RISK 12

Corruption risk related to sales of minerals

Mining tax means the rates to be followed when a country sells their natural resources (minerals) to others. Mining companies pay more than 20 taxes and fees, including royalty for every type of minerals, and tax for minerals exported and customs clearance fees.

The regulations related to sales of mining products include 'Methodology to estimate sales price of mining products to be exported' issued by the General Department of Taxation and 'Methodology to estimate a percentage of royalty and impose a fee' issued by the Government. In addition, the export of mining products is regulated by Articles 27 and 47 of the Minerals Law and other resolutions issued by the Government.

In Mongolia, an equal percentage of tax applies to every entity. However, the percentage is a little higher for the mining sector. One the one hand, this increases the contribution of mining companies to the state budget, but on the other hand, it may increase the pressure and affect the sustainable operations of mining companies, and increase the risk of false financial statement, tax evasion and corruption.

Table 27 Rating of the corruption risk related to sales of minerals

RISK	REASON	KEY STAKEHOLDERS	LIKELIHOOD	IMPACT	RISK LEVEL
Corruption risk related to sales of minerals	Tax evasion	General Department of Taxation General Customs Office Mining company	Medium (2)	High (3)	6

The likelihood of the corruption risk related to sales of minerals is “medium”, because the interest of stakeholders is high and the amount of money involved is considerable. However, the prevention of corruption is regulated by the Law on Regulation of Public and Private Interests in the Public Sector and Prevention of Conflict of Interest.

This corruption risk may lead to a loss of considerable amount of asset, affect access to services by the public, and human rights violations, thus, the impact of the risk is assessed as “high”.

The parties involved directly or indirectly in the implementation of policy on export of mining products include General Customs Office, GDT and GASI (its border inspection unit).

In addition, the laboratories play an important role for the sales stage of mining, as the products need to be tested at high level of precision and the chemical elements and content of mining products need to be accurately established. Laboratory testing and “samples that cross the border” present some corruption risks.

According to the existing regulations, there is no tax imposed on exports of mining products. But as stipulated in Article 26.2 of the Law on Customs, guidance given by the Finance Minister and by Decree of the Head of the General Customs Office (23 July, 2010) customs clearance fee was estimated at a rate of MNT1,000 per tonne of mining products and MNT1,500 per tonne of coal.

Customs clearance fees were reduced on 1 February, 2016, by the government decision. Consequently, the budget income from royalties and customs fees were reduced, but on the other hand, decision makers considered that this action will lead to an increase in other corporate taxes and fees, and extend the tax base. Also, it is assumed that the decision will reduce the amount of products to be exported and the risk of corruption for tax evasion.

Article 27.1.4 of the Minerals Law specifies ‘Special permit holder and legal body which has a exporting right sell mineral products from the mining claim at international market prices’.

There is a working group in charge of informing the standard price for the sale of mining products to the public. It uses coal (import) price from northern China where coal is cheap as the benchmark. There are cases where the working group issues different benchmark prices for different border points.

5.3 CONCLUSIONS

- Inconsistency in the laws and regulations leads to bureaucratic red tape and corruption risks. There are many laws and regulations that apply to the extraction phase of mining. Constant changes in regulations and the legal environment, and reforms (good or bad) affect the efficiency of the extraction operations and undermine the sense of integrity in the sector.
- While reporting, planning and monitoring mechanisms which apply to the extraction phase are optimal in some ways as stipulated in the laws, there are also negative effects, such as overlapping inspections and ineffective inspections. This puts pressure on companies and affects operations, and increases hidden conflicts of interest. Laws, regulations and rules for the extraction phase should be developed based on consultations with stakeholders, instead of limiting these discussions to Parliament, government and ministries. This would give an opportunity to improve coherence between legal regulations, make adequate improvements based on practices, and to remove or reformulate unnecessary provisions.
- Lack of an integrated database results in misunderstandings between ministries, agencies and local governments. Due to the absence of an integrated mining database shared by government organisations at different levels, data processing is cumbersome and conflicting decisions are made because of insufficient information sharing. This is one of the biggest obstructions to transparency in mining. An integrated database would save time and reduce the above-mentioned risks.
- A shortage of geology and mining professional specialists results in outside political influences during the selection and hiring of officials. This is one factors which affects the reputation of the mining sector, and increases the risk of corruption. Strengthening geological and mining knowledge and capacity of those working for MoM, MRAM, state inspection agencies and local administrative bodies, ensuring qualified individuals are appointed to professional posts are the challenges to be addressed in the mining sector. The cooperation of mining companies in organising joint cost-effective technical trainings to address efficiency are needed.

FINDINGS: POST-EXTRACTION PHASE

This chapter presents challenges and corruption risks which can occur during the post-extraction phase.

6.1 POST-EXTRACTION PHASE STAGES

The post-extraction (or closure) phase, starts when the production work of the mining permit holder is completed on the permitted area. Stages of the post-extraction phase are shown in the following graphic.

Figure 10 Stages of the post-extraction phase



Reclamation: Depending on the characteristics of mines, mine closure and restoration works are carried out simultaneously, with the production activity (starting in the extraction phase). But in some mines, most of the restoration work is done after closure⁴⁷. Mine closure policy and restoration, or reclamation work, is required to be stipulated in the mine project, planned and carried out during the extraction process. In Mongolia, technical and biological rehabilitation work are made for the land damaged by mining operations. Technical restoration is done at the mine and affected areas, depending on whether the designated use of the land area is for business or environmental protection. Technical restoration mostly includes activities such as filling, levelling of the surface and preparing for biological restoration by covering with fertile soil⁴⁸.

Biological restoration work includes the process of planting on technically restored areas. Within the scope of technical restoration work, engineering works have to be done as well, to ensure safety of the mine being closed as specified in the closure policy or to prepare the land for later use for business purposes.

The damaged land can be restored and used for many purposes such as agriculture, forestry, recreation, environmental protection, sanitation or construction. As for the underground mine, it can be restored to be used as an underground warehouse, medical facility and training sites, or it can be closed and sealed. According to the mine closure policy, herbaceous plants, trees and bushes shall be planted on the rehabilitated land and shall be cared for.

⁴⁷ С. Цэдэндорж ба Л. Пүрэв, Уул уурхайн үйлдвэрлэлийн технологийн үндэс, 2014, хуудас 239

⁴⁸ Уул уурхайн үйл ажиллагааны улмаас эвдрэлд орсон газарт техникийн болон биологийн нөхөн сэргээлт хийх аргачлал, БОНХАЖЯ ба Дэлхийн банк, 2010

As part of the restoration work, it is important to increase the exhausted ground's water resource to the initial level and ensure appropriate structural composition; including physical properties, chemistry and bacteriology. In order to carry out mine closure and restoration work, results and recommendations provided in the environmental assessment of the mining extraction should be properly followed.

Closure: The closed mine, creation of a safe environment in the affected area and artificial environment built in connection with the closed mine should serve efficiently for current and future generation. It is required to develop a mine closure project before starting the closure itself. Reclamation operations should be stipulated in full in the mine closure management plan. Sometimes, a particular circumstance can force a stoppage or temporary halt of the mine (even though it has not run out of reserves). This can be caused by economic, natural or legal factors⁴⁹. As specified in Article 2.12 of 'Procedure for temporary and permanent closure of mine', mines will be closed temporarily or permanently if an official decision to stop excavation comes from a higher authority; or license holder has fully implemented requirements for temporary and permanent closure of mine. Temporary mine closure means halting mining production and other related activities temporarily, when the license is still valid.

A mine may be closed temporarily by a dry or wet method. Temporary closure by the dry method is to leave the mine drainage equipment as normal, to disperse water from the mining excavation and to leave the main excavation and other facilities for further use of the entity. Closure by the wet method means withdrawing all drainage equipment, stopping water dispersal and leaving the excavations with water.

Permanent closure means stopping mine production and other related activities completely. In the closure phase of mining production, mines will be closed completely. Apart from Nalaikh and Berkh mines, there are no mines that were transferred to closure phase. However, these mines have not been closed yet⁵⁰. Guidance of closure operation is specified in the general and detailed environmental impact assessments.

Monitoring after closure: After mine closure and reclamation is complete, the influence on the ecosystem and progress on how the original landscape condition is restored shall be monitored continuously for a definite period. To ensure an opportunity to fulfil social and economic responsibility (within the scope of sustainable development of the ecology) restoration goals shall include potential environmental impact, provide the highest possible level of restoration and also arrange land-use after closure (under condition approved by the public, local administrations and other legally recognized interest groups)⁵¹.

As specified in Article 5.1 of 'Procedure for temporary and permanent closure of mine', the governor's office shall monitor temporary and permanent closure of mines and the normal condition of mountain excavation. There is no specific regulation about monitoring after closure.

Relinquishment: After closure, restoration work is carried out and the mine is closed, the land used for mining production will be relinquished. Larger companies relinquish the land to the state, and smaller ones relinquish it to local government. Currently, there are no legal acts that specify the procedures and requirement for relinquishment. Therefore, there is a

⁴⁹ С. Цэдэндорж ба Л. Пүрэв, Уул уурхайн үйлдвэрлэлийн технологийн үндэс, 2014

⁵⁰ УУЯ-ны ажилтнуудтай хийсэн ярилцлага

⁵¹ <http://www.naturefriendly.mn/?q=mn/node/23>

need to approve appropriate laws and regulations which precisely state who should receive the land from larger and smaller companies and according to what procedures.

6.2 IDENTIFIED CORRUPTION RISKS AND THEIR RATINGS

There is a lack of laws regulating the post-extraction phase in the extractive industry. In particular, there are no legal acts regulating the process of closure and relinquishment, perhaps due to lack of experience of complete mine closure and relinquishment. Also, procedures for closure restoration have not yet been approved. Therefore, the assessment of corruption risk within the post-extraction period is based on Article 45 of Minerals Law, other relevant provisions, and articles of the Law on Environmental Impact Assessment, and Procedure for temporary and permanent closure of mines.

There are three corruption risks associated with the post-extraction phase.

CORRUPTION RISKS IN THE POST-EXTRACTION PHASE

- Corruption risk related to the mine closure decision-making process
- Corruption risk related to the unclarity of legal acts on mine closure
- Corruption risk related to collateral for reclamation

RISK 13

Corruption risk related to the mine closure decision making process

According to the procedures for temporary and permanent closure of mine, the license holder completes operations as part of the preparation of mine closure, delivers an official letter which specifies the reason for temporary (or permanent) closure to the local governor's office, adjacent mining entities, implementing agency and monitoring organisations within no less than two months before closure. MRAM and the local governor's office will review the documents for temporary (or permanent) mine closure and set up a joint committee which includes representatives from MRAM, local governor's office, GASI and the license holder. Members of the Committee shall be appointed by the decree of the Director of GASI. The Committee will inspect the implementation of the preparation work for temporary (or permanent) mine closure (at the site) and take notes. Then, members of the Committee and state inspectors will write a conclusion on whether to close the mine⁵². GASI will review the conclusion by inspectors within 14 days and make an appropriate decision. When the Committee checks the implementation of the preparation work (for temporary or permanent mine closure) at the site, the company may resort to corruption in order to get the decision made for their benefit. The same risk can also take place with regard to GASI decision. In addition, the process for appointing members of the committee is not specified, which creates a risk.

⁵² Уурхайг түр болон бүрмөсөн хаах журам, 2003 он

Table 28 Rating of the corruption risk related to the mine closure decision making process

RISK	REASON	KEY STAKEHOLDERS	LIKELIHOOD	IMPACT	RISK LEVEL
Corruption risk related to the mine closure decision making process	Guidelines, methods for reviewing fulfillment are insufficient No system for cross checking	Local Governor's office MRAM GASI Local ranger State environmental inspector Environmental NGOs	Medium (2)	Medium (2)	4

As production work would have already been completed in the post-extraction phase, parties have a high interest in closing the mine. Although relevant laws apply to the issue, they are not sufficient, hence, the likelihood of this corruption risk is "medium". Due to potential indirect negative effect on environment and violation of human rights, the impact level of the risk was assessed as "medium", and the overall rating of the corruption risk related to the decision making process of mine closure is 4, and there is a need to mitigate this risk.

Table 29 Factors affecting the corruption risk related to the mine closure decision making process

CORRUPTION RISK RELATED TO THE MINE CLOSURE DECISION MAKING PROCESS	Lack of guidelines and methods to oversee the mine closure stage
	Procedure for appointing the committee to oversee the fulfillment of the preparation work for the mine closure is not regulated in detail
	One organization has a dominant power

As mentioned above, a joint committee shall be appointed to check on the ground the implementation of the procedure for temporary (and permanent) closure of the mine. But there are no specific provisions on how to appoint members, and what guidance they will follow, which create a risk of corruption.

The provision stipulating that the GASI will review the conclusion made by inspectors within 14 days and make an appropriate decision, suggests that the decision-making power may be over concentrated in organisation only, with no mechanism for cross check.

RISK 14 **Corruption risk related to the lack of clarity of legal acts on mine closure**

It was mentioned above that the post-extraction phase is quite new in Mongolia; so relevant regulations and laws are insufficient. Existing regulations for the phase are unclear, and there provisions may lead to a corruption risk, as described below.

LAW ON ENVIRONMENTAL IMPACT ASSESSMENT	MINERALS LAW
Organizations in charge of mine closure management plan (9.12)	Requirements for mine closure (45 clause)
	To remove technical equipment from the site (45.1.3)
	To map out and relinquish potentially dangerous areas (45.2)

Article 45 of the Minerals Law specifies the requirements for mine closure. Article 45.1.3 which provides to 'remove all machinery, equipment and other property from the mining area except as permitted by local administrative bodies or the professional inspection agency' may lead to a corruption risk. As the cost of transporting bulky tools and equipment is high, and a transportation permit should be obtained, companies may use bribes in order to lessen their burden and leave the equipment on the site.

Article 45.2 states 'Mining license holders shall prepare a detailed map of an appropriate scale showing dangerous or potentially dangerous areas created by mining operations by placing necessary warnings and markings in the vicinity of the mining claim and shall submit the map to the professional inspection agency and the local Governor'. So, mining companies may fabricate these maps when they do not know about dangerous or potentially dangerous areas. The absence of provisions specifying inspections and sanctions creates a basis for mining companies not to take this issue responsibly, avoid sanctions, and resort to corruption.

The Law on Environmental Impact Assessment provides that 'Local rangers, state environmental inspectors, governors of all levels, the relevant state central administrative organization and NGOs shall monitor the implementation of the environmental management plan and the mine closure management plan.' This provision may result in overlapping of inspections, and a burden for companies by delivering duplicated or conflicting demands.

Table 30 Rating of the corruption risk related to the lack of clarity of legal acts on mine closure

RISK	REASON	KEY STAKEHOLDERS	LIKELIHOOD	IMPACT	RISK LEVEL
Corruption risk related to the lack of clarity of legal acts on mine closure	Creates a condition to avoid responsibility Uncertain, vague clauses Overlap of rights and duties Insufficient clauses regulating inspection	Soum, bagh, district governors GASI	High (3)	Medium (2)	6

The likelihood of this risk was assessed as “high” due to the lack of an accountability mechanism and loopholes for mining companies to evade responsibility. Apart from the provision which stipulates ‘...dangerous or potentially dangerous areas created by mining operations by placing necessary warnings and markings in the vicinity of the mining claim and shall submit’, the other provisions have a low risk of to the environment and citizens’ interest, so the impact of the was assessed as “medium”. The overall corruption risk level is 6 or “high”

There are three factors that contribute to this corruption risk .

Table 31 Factors affecting the corruption risk related to the lack of clarity of legal acts on mine closure

CORRUPTIN RELATED TO THE LACK OF CLARITY OF LEGAL ACTS ON MINE CLOSURE	Conditions for avoiding responsibility
	Lack of provisions regulating inspections and sanctions
	Overlap of powers

RISK 15 **Corruption risk related to collateral for reclamation**

As specified in Article 9.10, the project implementer engaged in mining, smelting and production of minerals and chemicals, shall deposit (as a collateral) a sum in the amount that is equal to 50% of the total budget of the annual environmental protection management plan. The deposit is to be made in the designated account opened by the state administrative body for centralizing restoration funds (until the end of the exploitation activity). If a mining license holder fails to fully comply with the measures of the environmental reclamation, the government ministry in charge of the environment shall use the deposited funds to implement reclamation work, and the license holder shall provide any additional funds required⁵³.

The size of collateral is not likely to be enough to cover the reclamation work, and the lack of detailed regulations give mining companies an opportunity to avoid the real cost of the reclamation. Thus, the deposit itself may represent one form of corruption.

Table 32 Rating of the corruption risk related to collateral for reclamation

RISK	REASON	KEY STAKEHOLDERS	LIKELIHOOD	IMPACT	RISK LEVEL
Corruption risk related to collateral for reclamation	Creates condition for avoiding responsibility No oversight mechanism	MEGDT Mining companies Local governors	High (3)	High (3)	9

⁵³ Law on natural minerals, clause 39.3p

The likelihood of this corruption risk to occur and its impact were both assessed as “high”, because this creates a condition for mining companies to leave areas without performing environmental reclamation, which results in negative impacts on the environment and local citizens. The lack of an oversight mechanism also increases the likelihood for this risk to occur. Therefore, the overall level of this risk was rated 9 or “high”.

The following factors affect above corruption risk.

Table 33 Factors affecting the corruption risk related to collateral for reclamation

CORRUPTIN RISK RELATED TO COLLATERAL FOR RECLAMATION	Lack of oversight mechanism
	Conditions for avoiding responsibility
	The provision itself is regarded as corruption

Placing a collateral for environmental reclamation makes mining companies more irresponsible and less likely to perform reclamation. In cases where companies fail to perform environmental reclamation, there is no oversight mechanism on whether the local government used the collateral to do reclamation.

There is shortage of professional organisations to oversee and monitor the implementation of the ‘mining work plan’ and ‘general and detailed assessment of the environmental impact’. Also, mining companies have limited financial capacity, and do not take initiatives to conduct environmental reclamation. Therefore, mining companies try to give bribes to those bodies and committees responsible for monitoring mining operation and accepting the mined areas. Local governors and public officials are likely to be replaced regularly and there is no database that registers the history of communication with mining companies. This situation undermines the effectiveness of oversight over mining companies and weakens incentives for companies’ responsible operations.

6.3 CONCLUSIONS

- There is a high chance of corruption due to insufficient legislation and regulation. Currently there is no past experience in Mongolia regarding complete environmental rehabilitation and relinquishment after mine closure, and this is why no description of corruption risks related to this phase were mentioned during the data collection of this study. Mine closure is a relatively new activity for Mongolia and there have been many related issues in the past few years. But regulatory provisions on oversight, inspection and sanctions are missing, creating conditions for corruption. Therefore, it is imperative to adopt the laws, regulations and guidelines relating to the mine closure, and increase the number of inspections for this phase.
- The existing legal acts related to mine closure are unclear and over-generalized. Although regulations on the post-extraction phase are insufficient, there are some provisions in the Minerals Law and Law on Environmental Impact and the guidelines for temporary and permanent closure of mines that regulate this phase. However, these provisions are too general, do not provide clear roles and responsibilities of parties, and create a loophole so that mining companies can avoid responsibility. Therefore, there is a need to make existing laws more detailed and revise provisions that provide too much authority to one organisation or position, but rather re-assign the authority to many organisations.

It is crucial for the mining sector to improve its governance, transparency and accountability, and to be free from corruption and bureaucratic red tapes, as it is a leading sector of the Mongolian economy.

There has been no study which focused on identification of corruption risks of the mining sector by analysing government regulations, registrations, licensing and inspection mechanisms of the mining sector in detail. The conclusions that the sector was vulnerable to corruption were based on studies tracking public opinion. The 'Corruption Risk Assessment in the Mining Sector of Mongolia' - conducted by the Independent Research Institute of Mongolia - can be considered to be the first study that identified corruption risks (in the exploration, pre-operation, operation and post-operation phases of the mining sector) and analysed them with respect to the legal regulations of the sector.

As a result of the assessment, 15 different corruption risks - common in the exploration, pre-operation, operation and post-operation phases of the geology and mining sector were identified and associated risk levels are estimated.

- RISK 1.** There is a corruption risk related to decision-making activities in the process of obtaining exploration licenses by application. It is related to: the absence of an integrated data system, lack of detailed regulation in the process of receiving proposals from local stakeholders and non-transparent information about how the materials provided with the application meet (or otherwise fail to meet) the requirements.
- RISK 2.** There is a corruption risk related to granting exploration licenses through tender process. Factors contributing to this corruption risk are: lack of details in regulations regarding the appointment of the tender commission members (and their responsibilities), and that most members of the commission are officials of the Mineral Resource Authority of Mongolia. In addition, there is no detailed procedure on the process of making decisions on either approval or rejection in response to the applications submitted by mining companies in accordance with relevant regulations. Therefore, in order to mitigate the corruption risk, there is a need for a detailed legal provision to regulate the appointment process of the tender commission, its final decisions and the transparent reporting of its final results and to make related documents more transparent to other government and local authorities. .
- RISK 3.** There is a corruption risk in the exploration phase, related to receiving proposals from local governors and Citizens Representative Khurals. Local governors and land departments follow the Law of Land whereas mining companies follow the Minerals Law when they comment on an area the subject of granting an exploration license. However, the two laws contradict each other. Local stakeholders usually give negative comments on the exploration license granting notifications sent to them from MRAM, but after a while changes have often turned positive. Also, it is unclear how to calculate the period of time allowed to get proposals from local stakeholders; and communication between aimag and soum CRKhs requires detailed regulations (which is directly linked to soum CRKh financial capacity to conduct meetings). Therefore, such

relations need to be regulated in advance.

For MRAM, it is important to regularly update the data system of the land and area registrations, and to have an integrated database (between MEGDT and the Cadastre Division of MRAM). Also, it is critical to implement an integrated structure to share information with local administrative authorities.

- RISK 4.** There is a corruption risk related to affecting conclusions of the mineral resource's estimation and assessment. Mining companies are interested in having a lesser resource estimation (than the actual resource value) in order to increase their profits and to avoid the risk of extracting less minerals than they target. In this case, corruption risks are created which affect the conclusion of the resource estimation and assessment. Also, more than half of applications are returned because of having inappropriate estimations and assessments which are related to limited methodologies and technologies to conduct mineral resources estimation and assessment and engineers' low capacity and skills. Furthermore, there is a weak accountability mechanism for wrong mineral resources estimations and assessments, and the Professional Council of Minerals (involved in the final decision making process) should have transparent and responsible decision-making and working procedures.
- RISK 5.** There is a corruption risk related to having the conclusions of the TEFS promptly. This corruption risk is created because of the lack of regulatory provisions on which commission to approve the TEFSs from mining companies and what procedures to follow. It creates conflict of interest because committee members and experts, who are conducting assessments, analysis and inspections during the stage of the general and detailed assessment of environmental impact development and approval process, are able to work for both sides.
- RISK 6.** There is a corruption risk related to affecting the decision to issue construction work permissions immediately. In the pre-operation phase, mining companies are required to obtain permissions from ten different organizations and to provide not less than 90 documents (depending on the size of the mining company and type of minerals they are extracting). Corruption risks also exist related to getting mandatory documents reviewed immediately, having a decision in favour of the company and to obtain permission (to conduct construction activity) in as short a time as possible. Decision making authorities have heavy workloads because they receive many applications, and there is limited transparency of information about discussions held on applications and the decision making process. Also, there is a risk to give bribes in order to get applications and supporting documents which do not meet quality requirements approved
- RISK 7.** There is a corruption risk related to the inspection of mining operations. The number of overlapping and insignificant inspections affect companies' sustainable operation and create increased hidden interests among officers who conduct the inspections. Specifically there are corruption risks related to unscheduled inspections by the General Agency for Specialized Inspection and local governors. Even though there are some legal restrictions, corruption risks are created because of unscheduled inspections conducted without informing the companies, and unclear inspection guidelines and methodologies. Companies have limited legal knowledge about the inspections activities and permission granting processes, and this leads to the risk of conducting illegal

activities or exposure to illegal inspections. Therefore, companies should focus on improving their governance, accountability and internal capacities.

RISK 8. There is a common corruption risk related to local donations and assistance. The model agreement with local administration referred to Article 42 of the Minerals Law was adopted on 28 March 2016. In this respect, capacities and skills of the CRKh and local administrative offices should be improved and they should be provided with training and advisory services. Also, good practices (examples) of the local model agreements should be promoted.

One important factor to reduce corruption risks related to donations and assistance is EITI. The Initiative should be strengthened, opening more solutions for effective implementation. Likewise, legal acts to regulate this relationship should be approved and activities of local branches should be institutionalized.

RISK 9. There is a corruption risk related to conflicts between citizens and mining companies. The main conflicts between local citizens and mining companies are created because of local citizens' negative perceptions about the industry, and weak reporting system of the mining companies to the local community. Using this gap, some citizens are creating a corruption risk to get bribes from the companies. Therefore, it is crucial to improve companies' social responsibilities, the strategy to work with the local community and skills of their experts. Also, it is important to create a reporting mechanism to provide accurate information to local citizens and to conduct monitoring on water issues (with citizens' participation).

There is a need to support operations and capacities of mining professional associations and increase the participation of independent experts in the license granting and inspection stages.

RISK 10. There is a corruption risk related to the planning and reporting of mineral extraction operations. In the operation phase, companies give bribes to related authorities to: accelerate the time of approval (in order to save time), to approve reports and plans of inadequate quality, or to reduce the amount of fines imposed for such reports. Most companies submit their plans and reports when the submission deadline (provided in the laws and regulations) approaches. This creates a sudden overload of work for MRAM. Therefore, it is critical for companies to plan ahead and focus more on improving their accountabilities and internal capacities for developing these plans and reports.

RISK 11. There is a corruption risk related to approval of the environmental management plan. Generally companies: give less importance to development of the environmental management plan, develop misleading plans, and submit reports reflecting less damage than they actually made. Mining companies have less skills and capabilities to prepare required reports and documents in accordance with the standards provided in laws, and (commonly) heads of the companies do not give much importance to the issue. Most mining companies do not give much importance to crucial assessment works such as environmental assessments, and this contributes to the social reputation of the mining sector decline.

MEGDT should implement provisions on improvement of procedures to conduct environmental assessments and to increase public involvement in it.

- RISK 12. There are corruption risks related to sales of minerals. This group of risks is very common but hidden, and mostly related to taxation, reports and customs issues. Only corruption risks related to taxation issue is reflected in this report. Therefore, the assessment team recommends to conduct a detailed study on them.
- RISK 13. A corruption risk related to the mine closure decision making process is being created because of limited provisions in 'Regulation on temporary and permanent closure of mine', about how to appoint members of the mine closure commission and which guideline the commission should follow when they conduct the closure activity inspection. Local governors and General Agency for Specialised Inspection who make decisions on whether to give permission to conduct mine closure or not, create the corruption risk by making disputed decisions.
- RISK 14. There is a corruption risk related to unclear legal acts. The current laws and provisions regulating mining closure activity are too general and unclear, and this enables companies to avoid their liabilities in conducting rehabilitation of affected areas to local authorities. Therefore, there should be new legal acts brought into force to regulate the post-operation phase of the mining operation.
- RISK 15. Corruption risk related to the rehabilitation collateral fund is being created because of limited provisions to regulate this relation. The collateral fund does not meet the principles of transparency and accountability, and there is insufficient cooperation between MoM and MEGDT. Therefore MEDGT should improve the management of rehabilitation collateral fund, and should make it more transparent and responsive.
- The EITI international policies contain measures required for improving governance and preventing from corruption. These need to be reflect in anticorruption plans of relevant ministries and agencies.

IDENTIFIED CORRUPTION RISKS AND THEIR RATINGS

№	CORRUPTION RISKS	LIKELIHOOD	IMPACT	RISK LEVEL
1	Corruption risk related to granting the exploration license through application	Medium (2)	Medium (2)	4
2	Corruption risk related to granting the exploration license through tender	Medium (2)	Medium (2)	4
3	Corruption risk related to receiving responses from local governors	High (3)	Medium (2)	6
4	Corruption risk related to underestimating the total reserves of the deposits	Medium (2)	Medium (2)	4
5	Corruption risk related to obtaining the conclusions on the TEFS promptly	Medium (2)	Low (1)	2
6	Corruption risk related to obtaining construction work permissions promptly	Medium (2)	Low (1)	2
7	Corruption risk related to the inspection of mining companies operations	Medium (2)	Medium (2)	4
8	Corruption risk related to donations and assistance to local governments	Medium (2)	Medium (2)	4
9	Corruption risk related to relations between local CSOs and mining companies	High (3)	Medium (2)	6
10	Corruption risk related to approval of plans and reports of mineral extraction operations	Medium (2)	Medium (2)	4
11	Corruption risk related to approval of the environmental management plan	Low (1)	High (3)	3
12	Corruption risk related to sales of minerals	Medium (2)	High (3)	6
13	Corruption risk related to the mine closure decision making process	Medium (2)	Medium (2)	4
14	Corruption risk related to the lack of clarity of legal acts on mine closure	High (3)	Medium (2)	6
15	Corruption risk related to collateral for reclamation	High (3)	High (3)	9

APPENDIX 1. GLOSSARY

CORRUPTION- means abuse by a person⁵⁴, specified in Article 4.1. of this Law, of his/her official power in private interests, affording preferences to others, and any violation of law, expressed in action or failure to act, that enables an individual or a legal person to benefit from such preferences⁵⁵;

CORRUPTION PREVENTIVE ACTIONS- means a set of activities aimed at detecting and identifying the root causes of corruption, and eliminating and bringing them to an end;

ECONOMIC ENTITY -refers to a company, partnership, cooperative, or an enterprise with state and local property registered with the state register and that conducts business activities, and other similar legal entity obliged to pay income tax;

MINERAL- means any usable naturally occurring mineral concentration that was formed on the surface or in the subsoil as the result of geological evolutionary processes;

MINERAL MINING- means the entire range of activities that include separating and extracting minerals from land surface and subsoil, ore stockpile, waste or tailings, increasing the concentration of its usable contents, producing products, marketing those products and other activities related therewith;

MINERAL DEPOSIT- means mineral concentration that has been formed on the surface or in the subsoil resulting from geological evolutionary processes, where the quality and proven reserve is economically feasible to mine by production methods;

MINERAL DEPOSIT RESERVE- means a mineral resource - the size, form, content and mineral composition of which has been determined by exploration work, and which is technically and economically viable to extract;

MINING LICENSE- means a document granting the right to conduct mining as set forth in this law;

ENVIRONMENT - shall include the geosphere, water, biosphere, and atmosphere within the territory of Mongolia directly or indirectly affecting the lives and activities of human beings, and the relationships between them⁵⁶;

ENVIRONMENTAL PROTECTION – shall include activities - prevention of environmental pollution, sustainable and proper use of natural resource without compromising its' ability to recover naturally, rehabilitation and monitoring;

ENVIRONMENTAL DATABASE /HEREINAFTER REFERRED TO AS DATABASE/ - means an information technology to provide activities such as to collect, gather, transfer, process, use, save, enrich, change, upgrade and protect, environmental data and information;

DAMAGE TO THE ENVIRONMENT – shall include any extraction and processing activity of natural resource without any license, or polluting, degrading and damaging the environment beyond established norms of the environmental potential and permissible maximum limit, and causing shortage of natural resource, and disturbing ecological system;

ENVIRONMENTAL DAMAGE COMPENSATION PAYMENT - means monetary expression set in accordance with methodology of environmental and ecological-economic evaluation which is compulsory instrument to eliminate environmental damages caused by citizens, companies and officials, and to prevent from further risks;

POLICY DOCUMENTS - shall include Mongolian Sustainable Development Concept – 2030, State Policy in the Natural Resource Sector, Government Action Program and Implementation Plan, National Program and General Approaches to develop Mongolian Economy and Society;

TO OWN LAND- means to be in legitimate control of land with the right to dispose of this land;

⁵⁴ Persons who hold executive or managerial position in the political, administrative or special office of the state; . Persons who hold executive or managerial position in the public service, or who is the general or senior accountant at such place; Managers or authorised employees of legal entities in which the state or the local administration has full or partial equity interest; . The National Council Chairperson and the General Director of public radio and television; Managers and executive officers of non-governmental organizations, temporarily or permanently performing particular state functions in compliance with legislation; Candidates for President of Mongolia, Parliament or all levels of Citizens' Representative Khural; Directors and representatives from all levels of Citizens' Representative Khural; and Public officials who have been included in the list approved by an authorised entity

⁵⁵ <http://www.legalinfo.mn/law/details/8928>

⁵⁶ <http://www.legalinfo.mn/law/details/8935>

TO POSSESS LAND- means to be in legitimate control of land in accordance with purpose of its use and terms and conditions specified in respective contracts;

TO USE LAND- means to undertake a legitimate and concrete activity to make use of some of the land's characteristics in accordance with contracts made with owners and possessors of land;

COMPLAINTS- means a applications except the claim about illegal administrative acts to upper level of the institution, officials and the court;

PRESSURE-means to establish illegal cooperation by threatening with danger based on information about vulnerability, property and money

TRANSPARENCY - Making information of public officials' activity accessible to the public;

CADASTRAL MAPPING-Action to create all kinds of cadastral mapping based on geodetic measurements, description and development results

TECHNICAL EXPERT AND SPECIALIST -means a nationally and internationally-recognised individual who has been accredited by mining and geological non-government organisations

REHABILITATION - complex action of restoring and fertilizing damaged land and poor soil structure

PUBLIC AWARENESS AND EDUCATION ACTIVITIES- means a set of activities aimed at making the public aware of the social gravity and the threat posed by corruption, instilling intolerance of corruption, and mobilizing public participation in combating corruption;

LOCAL BUDGET-means a budget approved by aimag, capital city, soum and district Citizens' Representative Khurals and money collected, allocated and expended by general budget governors subordinated to the budget of the respective level;

MINING AREA- means the area granted under a mining license of Article 4.1.16

MINING CLAIM- means part of geological formation overlapping with mining area and where mining is to be conducted;

EXPLORATION LICENSE- means a document granting the right to prospect or conduct exploration as set forth in this law;

EXTERNAL EVALUATION- means a monitoring and evaluation of the implementation of the State policies and State administration and local administration's activities conducted by external and professional organization and researchers;

LEGAL PERSON – shall mean organized unity with clear goals and sustainable operation, and has certain assets in its possession and ownership, obtained right to his name and responsible for it, responsible for its' operational consequences by its assets, and potential to be plaintiff and defendant;

SUPERVISION AND INSPECTION- shall mean complex of measures designated to inspect providing activities that have being undertaken /acts and omissions/, manufacturing and selling goods and products, works and services by citizens and legal entities, whether they comply with the requirements specified in the legislation;

PROJECT-shall mean the establishment of new, or renovation and expansion of any existing production, services, facilities and activities related to mining and building construction;

PROJECT IMPLEMENTER shall mean a legal body responsible for the project implementation;

LICENSE HOLDER-means a person who has obtained a license from an authorized body to conduct a particular type of business.

RISK⁵⁷ -action that might lead to sudden loss

RISK ASSESSMENT shall mean prior identification of potential impacts of chemical, biological and physical factors and natural hazards on human, flora, fauna and he environment;

RISK MITIGATION- Means identifying, selecting and implementing activities which aimed to reduce risk at acceptable level;

APPENDIX 2. LIST OF DOCUMENTS REVIEWED

MINING	
1	Minerals law
2	Industrial Activities Licensing Act
3	Law on Prohibiting Mineral Exploration and Extraction Near Water Sources, Protected Areas and Forests
4	Law on the Rule for Compliance of the Law on Prohibiting Mineral Exploration and Extraction Near Water Sources, Protected Areas and Forests
5	Government resolution of Mongolia based on Article 3 of the Law on the Rule for Compliance of the Law on Prohibiting Mineral Exploration and Extraction near Water Sources, Protected Areas and Forests
6	Law on Common Minerals
7	Instruction for receiving mineral mining action plan, report
8	Mineral mining action plan, report
9	Resolution to revoke licences
10	Assessment of organizational justice
11	Environment, Green Development and Tourism Ministerial order on Approving Anti-corruption Action Plan-2015
12	Corruption index (IAAC)
13	General rewuive on integrity assessment of governmental organizations (IAAC)
14	Survey on Corruption Perception of Political and Law Enforcement Agencies (IAAC)
15	Regulation on establishing safety-zone
16	Regulations for licence tendering
17	Statistical data of common mineral exploration licenses issued in Umnugobi aimag
18	Statistical data of common mineral exploration licenses issued in Selenge aimag
CORRUPTION	
1	Anti-Corruption Law
2	Information Transparency and Right to obtain Information Law
3	Glass Accounts Law
4	Law of Regulations on Public and Private Interests in Public Sector and Prevention on Conflicts of Interest
5	Law on Promoting Economic Transparency
6	Anti-corruption Action Plan of Umnugobi aimag
7	Anti-corruption Action Plan of Selenge aimag
8	Monitoring and Evaluation report of the action for creating organizational transparency

CIVIL SERVICE	
1	Law on Civil Service
2	State Policy in the Natural Resource Sector
3	Common regulation of monitoring and evaluation of the administrative organizations
4	Law on State Audits
	Local administration
1	Law of Mongolia on administrative and territorial units of Mongolia and their governance
2	Annual Monitoring and Evaluation report of the Ministries, Aimag's governor's office and Ulaanbaatar City Municipality
PROFESSIONAL INSPECTIONS	
1	Law on State Audits
2	Control of Explosives and Blasting Law
3	Law on hazardous and toxic chemicals
4	Regulation on Professional Committee
5	Regulation on Professional Committee for the Control of Explosives and Blasting
6	Common regulation of organizing internal monitoring of entities
ENVIRONMENT	
1	Law on Environmental protection
2	Law on Environmental Impact Assessments
3	Law in Land
4	Law on Subsoil
5	Law on land fees
6	Order of actions on implementing law on land fees
7	Law on protection of cultural heritage
8	Mongolian Law on forest
9	Mongolian Law on Water
10	Law on Waste
11	Regulation on collecting, spending, report of the income for environmental protection and rehabilitation
12	Order of setting rate and reducing water usage payment
13	Regulation on rehabilitation and undertaking relative actions on special licensed areas where exploration is taking place on water reservoir land of regular protected areas and cancelling licences given near water sources.
14	Model contract of rehabilitation and undertaking relative actions on special licensed areas where exploration is taking place on water reservoir land of regular protected areas
15	Regulation on developing, reviewing and reporting of the annual environmental management plan to be implemented by entities and individuals
16	Content, conclusion and templates for the environmental management plan

17	Regulation on following the rules of regular, special protection of water sources and water reservoir land and health zones
18	Regulation on Public Participation in environmental impact assessment processes
19	Regulation of monitoring on special account transmission for environmental protection and rehabilitation
20	Checklist for returning cash from special account for environmental protection and rehabilitation
21	Regulation on installation of water meter for use and consumption of water
22	Regulation on plant compensation payment
23	Act form of the plant compensation payment
24	Regulation on putting sign and establishing regular protection zone with a water reservoir
25	Methodology to assess the cost for rehabilitation of damaged land resulted from mining activities
PARLIAMENTARY STANDING COMMITTEE ON PETITION	
1	Law on Resolving Complaints from Citizens to Civil Servants and Civil Institutions,
2	Medium-term strategies for the implementation of industrial policies
TAX	
1	Tax Laws
2	Law on Water Pollution Fee
3	Law on Fees for use of natural resource

APPENDIX 3. LIST OF PARTICIPATING ORGANIZATIONS

UMNUGOBI AIMAG		
1	Governor's Office	Officer responsible of mining, minerals, energy and information technology.
2	Specialized Inspection Authority	Head of Inspection department of infrastructure, environment, mines.
3	Specialized Inspection Authority	Environmental inspectors
4	Aimag Citizen's Representative Khural	Officer responsible for environment, mining and land
5	Urban Development and Land Affairs Policy Department	Officer responsible for land management and land ownership
6	Branch of the "Mongolian National Association Of Bags and Soums" in Umnugovi	Head of the branch in Umnugobi aimag
7	Tax Department	Head of Tax Department Senior tax inspector
8	Transportation and Road Authority	Head of Transportation and Road Authority
9	Audit Office	Auditor, Senior auditor
SELENGE AIMAG		
1	Governor's Office	Deputy Local Governor
2	Governor's Office	Deputy Head of Soil Department
3	Tax Department	Tax inspector
4	Environment and Tourism Authority	Mining specialist
5	Environment and Tourism Authority	Forestry officer, Head of "Shinemandal" NGO
6	Environment and Tourism Authority	Water specialist
7	Customs General Administration	Head of the customs control and risk management
8	Association of non-governmental organizations	Board member
9	Citizen's Representatives Khural	Secretary of Citizen's Representatives Khural
10	Specialized Inspection Authority	Geology and Mining Inspector
11	Audit Office	Auditor, Senior auditor
UMNUGOBI AIMAG, TSOGTTSETSII SOUM		
1	Governor's office	Deputy Local Governor
2	Governor's office	Officer responsible of mining, minerals, energy and information technology.
3	Specialized Inspection Authority	Environmental inspectors

4	Soum Citizen's Representatives Khural	Chair
5	Soum Citizen's Representative Khural	Representative
6	"Tsetsee gun" NGO	Members of non-governmental organizations
7	Energy Resource	Community Relations Manager
SELENGE AIMAG, MANDAL SOUM		
1	Governor's Office	Deputy Local Governor
2	Governor's Office	Land officer
3	Governor's Office	Deputy Head of Soil Department
4	Environmental Department, Inspection Unit	Head
5	Soum Citizen's Representatives Khural	Chair
6	Tax Department	Tax inspector
7	Boroo Gold LLC	Information officer responsible for law enforcement Officer responsible for security and internal inspection
8	"National Umbrella Union Of Artisanal Miners Of Mongolia" NGO	Board member
ULAANBAATAR		
1	Parliamentary Standing Committee on Petition	Consultant
2	Ministry of Mining	Head, Monitoring and Evaluation Department
3	Ministry of Mining	Head, Mining Policy Division
4	Ministry of Mining	Senior specialist, Mining Policy Division
5	Ministry of Mining	Senior specialist, Strategic Policy and Planning Department
6	Minerals Resource of Authority of Mongolia	Head of Coal Department
7	Minerals Resource of Authority of Mongolia	Head of Mining Department
8	Minerals Resource of Authority of Mongolia	Head of Geology Department
9	Minerals Resource of Authority of Mongolia	Head of Cadastre Department
10	Professional Council of Mineral Resource'	Member
11	Ministry of Finance	Income division specialist
12	Ministry of Finance	Budget spending specialist

13	Ministry of Finance	Specialist responsible for special fund
14	Ministry of Environment, Green Development and Tourism	Environmental specialist
15	Ministry of Environment, Green Development and Tourism	Specialist, Environmental Impact Assessment and Environmental Audit Department
16	Ministry of Environment, Green Development and Tourism	Head, Natural resource management Department
17	Ministry of Environment, Green Development and Tourism	Department of Environment and Natural Resources
18	General Department of Taxation	Mining tax specialist
19	General Agency for Specialized Inspection	Mining inspector
20	Mongolian National Mining Association	President
21	Extractive Industries Transparency Initiative	Chair of the working group
22	Extractive Industries Transparency Initiative	Coordinator
23	Erdes Holding LLC	Chief engineer
24	"ERM" LLC (Environmental audit)	Director

1. "Mining and Money" мэргэжлийн сэтгүүл . <http://www.uuluurhai.mn>
2. Independent Research Institute of Mongolia. <http://irim.mn/web-monitoring>
3. InfoMongolia.(2013).<http://www.infomongolia.com/ct/ci/6046/139/Resource%20Governance%20Index%202013:%20Mongolia>
4. Mongolian Mining Journal. (2009 оны 6 20). <http://www.mongolianminingjournal.com/content/14763.shtml>
5. Nature Friendly . <http://www.naturefriendly.mn/?q=mn/node/23>
6. Sant Maral Foundation. (2013). <http://www.santmaral.mn/sites/default/files/SPEAK16thSurveyMNG.pdf>
7. TheAsiaFoundation.(2013).<https://asiafoundation.org/resources/pdfs/STOPPreportmongolian.pdf>
8. The World Economic Forum. <http://reports.weforum.org/global-competitiveness-report-2015-2016/competitiveness-rankings/>
9. Transparency International . (2016). <http://www.transparency.org/cpi2015>
10. Transparency International . (2016). <https://www.transparency.org/cpi2014/results>
11. Ашигт Малтмалын Газар. (2016 оны 2 25). Ашигт Малтмалын Газар: http://mram.gov.mn/wp-content/uploads/2015/04/monthly_report_2016.02.25-LAST.pdf
12. Байгаль орчин, ногоон хөгжил, аялал жуулчлалын яам (2016). <http://www.mne.mn/>
13. Зам Тээврийн Яам . (2016). <http://mrt.gov.mn/erhzui/1/7>
14. Замын хөдөлгөөн судлалын хүрээлэн. (2016). HYPERLINK "http://www.traffic-institute.mn/f_order/f-01/f-01-14.html" http://www.traffic-institute.mn/f_order/f-01/f-01-14.html
15. Иргэний харьяалал, шилжилт хөдөлгөөний ерөнхий газар . (2016). http://immigration.gov.mn/new/?page_id=3411
16. Монголын Олборлох Үйлдвэрлэлийн Ил Тод Байдлын Санаачилга. (2016). <http://www.eitimongolia.mn/>
17. С. Цэдэндорж, Л. П. (2014,). Уул уурхайн үйлдвэрлэлийн технологийн үндэс.
18. (2015). Статистик мэдээ . Улаанбаатар: Ашигт малтмалын газар, Хяналт-шинжилгээ, статистик мэдээллийн хэлтэс.
19. Статистик Мэдээллийн Нэгдсэн Сан . <http://1212.mn/>
20. Статистик мэдээллийн нэгдсэн сан. (2016). УЛСЫН БҮРТГЭЛ, СТАТИСТИКИЙН ЕРӨНХИЙ ГАЗРЫН ВЭБ САЙТ: www.1212.mn
21. Уул уурхайн үйл ажиллагааны улмаас эвдрэлд орсон газарт техникийн болон биологийн нөхөн сэргээлт хийх аргачлал. (2010). Улаанбаатар: БОНХАЖЯ, Дэлхийн банк.
22. Уул уурхайн яам . (2016). Уул уурхайн яамны вэб сайт: <http://www.mm.gov.mn/infos/view/294>
23. Эрх зүйн мэдээллийн нэгдсэн систем. <http://www.legalinfo.mn/>
24. Авлигатай тэмцэх газар. <http://www.iaac.mn/>



“Мөнхийн Үсэг” ХХК-д хэвлэв.
Утас: 319658, 320807, 321316
Вэб хаяг: www.munkhiin-useg.mn