

Minutes of EITI Mongolia National Council Meeting (10 November 2011)

The Mongolia EITI NC meeting of 11 November 2011 opened at 17.30 in the Local Governance Hall of the State House.

National Council Members attending: Ch. Ganhuyag (Deputy Finance Minister); Ch. Radnaa (Auditor General of Mongolia); N. Algaa (Mongolian National Mining Association CEO); L. Nyamsambuu (Confederation of Mongolian Employers President); I. Idesh (Erdenet Mining Corporation General Manager); G. Javhlantugs (OT LLC Expert); G. Luuzan (Areva Mongolia CEO); P. Erdenejargal (Open Society Forum CEO); G. Ursantsooj (Human Rights and Development Center NGO Head); N. Bayarsaihan (Steps Without Boundaries NGO Head); and B. Dolgor (Prime Ministerial Advisor); a total of 11 of the 18 EITI NC members (61%).

Also present: E. Sumiya (Government Secretariat Senior Officer and EITI MSWG Secretary); S. Myagmardash (Finance Ministry Accounting Policy Department Chair); J. Iveelen (Finance Ministry Accounting Policy Department Officer); Ch. Tsogtbaatar (Mineral Resources and Energy Ministry Mining and Heavy Industry Department Chair); D. Enhbat (Nature, Environment and Tourism Ministry Natural Resource Department Chair); D. Bathuyag (Mineral Resources Authority Chair); D. Munhsaihan, T. Tsegts, D. Lhagvasuren (Mineral Resources Authority Officers); B. Baatartsogt (State Specialized Inspection Agency Mining Department Chair); T. Tsetsegnyam (General Department for Taxation Senior Inspector); Ch. Tsendmaa (General Department of Taxation Department Chair); B. Osorgarav (Ulaanbaatar Audit Corporation CEO); B. Mendbayar, T. Otgonhuu, Ts. Bolortuya (Ulaanbaatar Audit LLC Auditors); Jeremy Weate (Adam Smith International Senior Project Consultant); Ch. Enhzaya (Adam Smith International National Consultant); D. Ganhuyag (Translator); Sh. Tsolmon (EITI Secretariat Coordinator); and B. Delgermaa (Secretariat Finance Officer).

B. Dolgor (National Council Secretary and Senior Prime Ministerial Advisor) opened the meeting: Minister Zorigt, who was supposed to chair today's meeting, is unable to attend as Parliament is discussing the Petroleum Law. He will possibly show up as the meeting progresses. So let's start. On the agenda there are 5 main topics, and all related documents have been circulated to you (agenda and internal meeting regulations approved by members).

I. TOPIC: EITI Mongolia reconciliation report for 2009, by a consortium of Hart Noirs Ltd and Ulaanbaatar Audit Corporation.

B. Osorgarav (Ulaanbaatar Audit Corporation CEO): Our consortium produced the EITI Mongolia 2009 reconciliation reports in the first half of 2011, in English and Mongolian. The report has been sent to National Council members, and we hope that you read it (a brief presentation was made on the EITI Mongolia 2009 reconciliation report - presentation attached).

B. Dolgor: Now we will hear conclusions from some agencies in relation to the report. Mr S. Myagmardash will present conclusions from the Finance Minister.

S. Myagmardash: The Finance Ministry review on the 4th EITI reconciled report offered some conclusions. For the 2009 report, 363 businesses in the extractive industry submitted reports that they paid MNT 304.3 billion in tax to the central and local governments. The 2009 reconciliation was conducted by a consortium of Hart Noirs Ltd (UK) and Ulaanbaatar Audit (Mongolia), who checked reports submitted by 101 companies that paid over MNT 50 million in tax. In the reconciliation of reports from companies and government, the auditors found discrepancies of MNT 58.2 million in 2009, a decrease of 86.2% as compared to 2008. This shows an improvement in transparency of extractive companies, says the Finance Ministry review. To ease the reporting process and ensure reports are true and accurate, we have established a working group designated to include EITI-related data in an E-balance system, for database and reporting, which the Finance Ministry is currently using, to improve reporting templates and inclusion of adjustment/clarification sections in the financial reporting template for inclusion of EITI data. Moreover, and grounded on findings of the current report, we reckon that the EITI National Council should take the following actions in the future:

1. Run training EITI reporting courses and workshops for relevant of central and local government agency staff.
2. Review the fact that much discrepancy occurs in environment protection deposits, and assign the Nature, Environment and Tourism Ministry to take necessary actions.
3. Create the legal requirement that extractive company financial reports are regularly audited.
4. Publicize the report, to raise public awareness of the importance of EITI reports.
5. Improve the work and systems of report-receiving agencies and ensure integration of activities of government reporting agencies.

Thanks for your attention (presentation attached).

B. Dolgor: Now Mineral Resources Agency Chair D. Bathuyag will present the reasons for discrepancies at the Mineral Resources and Energy Ministry and Mineral Resources Authority, and respective conclusions.

D. Bathuyag: Our agency offers comments on 3 main issues relating to the 2009 EITI report, and presents idea on potential future activities. First, the donation to our agency reported as a discrepancy in the 2009 EITI report was spent on events commemorating the 70th anniversary of the geology sector; it was all paid to the Mineral Resources and Energy Ministry. Second, our agency checked the reports from 46 companies against their mine plans, to clarify discrepancies found in the 2008 reconciliation report. The main reasons for the discrepancies were company mistakes in calculation - decimals, wrong measuring units and mixing net and gross amounts. Third, we are now checking company reports for 2009. We propose the following actions:

1. Highlight the creation of an EITI legal environment.
2. Legally regulate affairs between EITI-participating government agencies, NGOs and businesses.
3. Many companies have misunderstood EITI reporting to be voluntary; this must be changed and there should be the introduction of organizational and sanctuary systems.
4. Follow up on unresolved discrepancies in the 2008 reconciliation report.

5. As many companies provide incorrect and erroneous reports, run frequent training sessions and workshops in partnership with the EITI Secretariat (presentation attached).

B. Dolgor: Now, Nature, Environment and Tourism Ministry Natural Resources Department Chair D. Enhbat will present reasons for discrepancies in deposits for environment reclamation, and respective conclusions.

D. Enhbat: I will make first offer a presentation on issues related to environmental reclamation deposits and company costs for environment conservation, then I will ask for your comments. Under the Minerals Law (2007), companies are required to place 50% of their approved budget for environmental protection in a special bank account at the single treasury fund; in 2009, 166 companies deposited MNT 385 million. Data from 101 companies included in the EITI 2009 reconciliation report show that MNT 302 million was reported as deposited; a discrepancy of MNT 31.7 million was found. Exploration of reasons for the discrepancy revealed that a mining license holder is required by law to deposit that money in a Ministry account, while exploration license holders must place the deposit in an account at the respective soum and district, although many exploration companies deposited the money at the Ministry bank account. Second, when companies transfer exploration and mining licenses to others, they basically get permission after certification if they have completely implemented planned conservation activities and fully made the required reclamation deposits. Regardless of whether the company undertakes mining or exploration in their license area, the Mineral Resource Agency always requires a 50% deposit of environmental protection costs. Third, which bank account at the soum and local government where the deposit must be made is unclear; this produces discrepancies. Also, companies that have completed fulfilled their environmental duties get the deposit back under Minerals Law Provision 39.1.9. However, the final Inspectorate has never found a company with 100% performance; usually it is 50-60% (maximum 70%), so the deposit must be maintained in the account for the next year. But as part of EITI, the government reports the deposit as in the reporting year, plus the deposit from the previous year; this is one reason for the discrepancy. We have the following proposals on potential future actions.

1. Mining companies submit their reports to the Mineral Resources Authority and Specialized Inspection Agency, but they don't submit an environmental performance report to our ministry, and discrepancies are due this failure. To improve EITI reporting, government agencies that receive reports from companies must improve their integration and linkage, create a unified information network, and require local government agencies to submit prompt reports for inclusion in the reconciliation.
2. From 2011, our ministry has been checking mine plans and reports before approving environmental protection plans and environment monitoring programs of mining companies. As a result, possible discrepancies have decreased drastically. Actually companies report submit 3 very similar reports to three different agencies, so it is important to improve the cooperation and integration of these agencies and ensure the data in all three reports are the same and accurate.

B. Dolgor: Are there any questions in relation to the report?

G. Urantsooj: Some companies reach agreement with the local government on local development. Were there any such companies with that kind of agreement? How is the money provided under such agreement reported?

B. Mendbayar: They are mainly oil companies. When they give money to local government, they basically say it is a donation to a local development fund. We contact local governors and check if they have received a donation; we receive formal written verification, then reconcile it.

N. Bayarsaihan: I have a question from Mr Osorgarav. There were over 60 unlicensed sub-contractors doing reclamation work for the Bayarsgold company in Uvurhangai aimag's Uyanga soum. Were these sub-contractors included in the EITI reportage and reconciliation?

B. Mendbayar: At present, such sub-contractors are not part of the reconciliation report. However, we recommended in 2008 and 2009 that such sub-contractors should be included in the EITI reporting process.

B. Osorgarav: In fact, many mining companies always use sub-contractors or operators. It is therefore often unclear if the tax was due from the mining company or the sub-contractor. When we asked sub-contractors, they said they were not liable to submit a report. There is a need to highlight this and clarify where the responsibility lies.

P. Erdenejargal: Companies are currently submitting their 2010 report, but we are sitting here discussing the 2009 report. Audit reconciliation is always one year late. What difficulties do you experience because of such late reconciliation? Please share your ideas!

B. Osorgarav: I mentioned this earlier in my recommendations section. Conducting late audit reconciliation is basically difficult. For instance, company accountants change, financial documents are archived, it is unclear who is responsible. However, we managed to overcome all such difficulties to produce our reconciliation report. We are now working on the 2010 EITI reports reconciliation, and are experiencing relatively fewer difficulties than previously. I hope that such late reconciliation will not occur in the future.

B. Dolgor: Any more questions? If not, comments?

N. Alгаа: I have two proposals. I have talked about this at many meetings. We are all striving to ensure extractive industry transparency. But do we really need to track every small fee and service charge? Do these small payments need to be included in EITI reports? It is plain that such payments delay our work. Therefore, first I propose we include only the major taxes, fees and license fees in EITI reports. Second, you spoke earlier about the inclusion of sub-contractors in the report. We must consider the idea that it is likely that some large sub-contractors or operators have a percentage of royalty payments. Otherwise, inclusion of all sub-contractors would derail the EITI into other sectors, such as service.

L. Nyamsambuу: If we look at the present EITI situation, it seems to be succeeding, but detailed discussions on audit findings also show drawbacks. It is now almost year 2012, but we are still discussing the 2009 report. It is unclear what has changed since 2009 and what progress has been made. The key issue in the report is donations paid by companies. Why do government agencies funded from the government budget have to receive donations, and

why are companies pressured to give donations? If public agencies need money, they should get funded by tax paid by companies. So we must pay attention to prevention of such receipt of donations, rather than encouraging donations and just reading the report. It is also unclear for what the donations are then spent. So, we must propose serious issues and ideas, and thoroughly discuss them. The next issue is related to what you say: companies are not producing reports, you had to ask companies to produce reports retrospectively, discrepancies are found and reasons for discrepancies are not clear. Such issues could have been resolved during the last 3-4 years by setting standards, making laws and legal documents. From this point of view, I would say that the work that the National Council, us, does for implementation of the initiative is insufficient. So we must address the issue in a more responsible way. In addition, auditors have proposed some important ideas, while ministries and agencies offer conclusions and recommendations; we need to take action to turn such ideas into reality in our 2011-2013 Action Plan. We should not just continually talk about such issues. The discrepancy issue is related to the widespread issue in Mongolia of lack of responsibility and regulation. Large discrepancies occur; what responsibility must be imposed on public officials who do not report such donations and their spending. Unless we introduce regulations on such issues, we are making no progress. Finally, we must enact a law or take other legal action so that such repeated problems are stopped. Once that happens, the initiative will proceed easily, and it will be likely that there will be no need for the National Council to meet again, I believe.

Ch. Radnaa: The report showed discrepancies amounting to MNT 1 billion, then MNT 700 million, now reduced to MT 58 million; in terms of quantitative indicators, the audit consortium has succeeded. But we don't see anything relating to actions in response to discrepancies, such as requiring compensation or imposing obligations to repay. It looks as if there has been no violation, no fraud for personal gain, and all the money has been spent honestly by the local administration for local development. I'd like to ask for a closer focus on revealing these discrepancies, on identifying the exact situation. There are many violations found by auditors that have been referred to the law enforcement agencies for investigation. Even an audit of soum-based school expenditures will show many instances that must be referred to law enforcement agencies. On the contrary, there have been no cases where violations of administrations of a soum where many mining companies operate have been referred to law enforcement agencies; and that is unbelievable. Second, there is an obvious need for some detailed legal regulation covering auditors carrying out their duties. For example, companies which don't disclose reports have been asked several times, which makes the process longer. It is vital to make clear what reports companies are obliged to produce, what they should disclose, and we need to make it clear who is responsible for reporting. Otherwise, the auditors encounter difficulties. In addition, Parliament is presently discussing the Budget Law, which will be finalized soon. Under this law, government agencies - except for schools, hospitals and cultural organizations - will be prohibited from receiving donations. Once the law is passed, discrepancy issues will probably be sorted out. When sufficient legal regulations are passed, we will have some progress, I believe. Thanks for your attention.

B. Dolgor: Before we come to a decision, I have a question from Mr Radnaa. We propose that the National Audit Agency follow up the unresolved MNT 58.2 million discrepancy. Is this accepted?

Ch. Radnaa: First, I think there is no need to check, as an amount of MNT 58.2 million is quite small. Second, the EITI has announced bids, selected an auditor, and paid millions for reconciliation; we should not look to getting the remaining discrepancy checked by other auditors. It is not appropriate to tell the selected auditor we could not fund this, yet ask other auditors to check it. Third, we have no right to audit private companies.

B. Dolgor: Understood. The selected reconciler is authorized only to produce a reconciliation report, but has no right to identify violations and refer them to law enforcement agencies. That means the EITI is responsible to follow up unresolved discrepancies, so we must focus on this. Second, we must fully utilize available legal possibilities. So agencies must work towards imposing responsibilities within the legislative framework and work to prevent any future discrepancies. Another issue is the immediate need to create a new legal environment, possibly by making new laws or amending existing legislation. We proposed such work, but it was not broadly supported; we are again getting technical assistance from EBRD for the same purpose. Now, let's hear your comments and come to decisions.

RESOLVED:

1. To approve the EITI Mongolia 2009 reconciliation reports by Hart Noirs Ltd and Ulaanbaatar Audit Corporation, including National Council member comments.
2. To assign the EITI Secretariat, the Finance Ministry, the Mineral Resources and Energy Ministry, the Mongolian National Mining Association and the Open Society Forum to post make the report public on their websites.
3. To assign representatives of stakeholders, Minerals Resources and Energy Minister D. Zorigt, Mongolian National Mining Association President D. Damba and Open Society Forum CEO P. Erdenejargal to discuss the report at stakeholder meetings, and assign EITI Secretariat Coordinator Sh. Tsolmon, to provide all necessary support to stakeholders;
4. To agree to produce summation of the 2009 reconciliation report, support initiatives, and deliver the summation to governors of aimag and capital city regularly in the future.
5. To assign the Government Press Office to publicize the report in partnership with the EITI Secretariat.

B. Dolgor: Now let's finish with this topic and move to the next.

II. TOPIC: Draft resolution of the Government and Prime Minister on "Action to ensure extractive industry transparency."

B. Dolgor: The draft resolution and related presentations have been distributed (presentation attached). Any questions on the draft resolution? If not, any comments?

G. Urantsooj: My comment on Provision 7 as inclusion in the EITI: we should add "Agreements made with local governments, assessment relating to minimization of negative social impacts, and report on social impact mitigation and exploration work as in Minerals Law Article 42." You are probably aware of the agreement with local government. Just a comment on social negative impact assessment: it has started now and the 2010

Guidelines for an Environment and Social Impact Assessment include instructions. Second, we need to add to Provision 11.1 a provision on “Contract made by license holder with local government and its implementation report according to Minerals Law Provision 42.” Third, we also need to add new Provision 13.5, saying “After the EITI annual report is revised and discussed, information on mineral deposits that complies with Minerals Law Provision 4.1.11, and are listed as strategically important, shall be provided to the Government and publicized.” Fourth, I propose to add to Provision 13.6 that “Implement the imposition of sanctions and responsibilities on companies that fail to report to EITI under Minerals Law Provision 66, in partnership with the administrations of aimag, capital city, soum and district and inspection agencies, and publicize outcomes before the end of the respective year.” Fifth, I propose the addition of “donations to civil society organizations and citizens” in Provision 14.1 in case of bribery.

P. Erdenejargal: I propose a regulation relating to National Council and sub-national council operations. We are not really able to take an active part in a National Council meeting. For example, I only received the material for today’s meeting at 5pm yesterday, so I have had no time to read the material so as to make constructive comments. I want to read presentations from government agencies in advance. We waited a long time for the chair of today’s meeting; he did not show up, so we are just pretending to meet. We like to advertise ourselves internationally as a compliant country, but that is how the National Council works. We are discussing a report four months after it was finished in June. I have a proposal to sort out all these failures and assign the duty of developing regulations for the National Council, which must be complied with thenceforth.

N. Bayarsaihan: I have one comment in relation to a provision on stakeholder representation. Provisions 1.1 and 1.2 both refer to government; that means the government has 11 representatives while companies and civil society have 10 altogether. We must look at this ratio, otherwise I worry the balance of equal participation will be lost. On Provision 8, how we regulate the transfer or take-over of licensed companies: we need to consider this. My next comment is that many provisions talk about disclosure and publicizing. We must clearly state how, and provide guidelines/methodology. For instance, the law says reports will be produced and publicized no later than the end of Quarter One. It could give detailed provisions on how it should be distributed to every aimag and soum, otherwise the law is too general, unable to ensure the work is done. It seems that Resolution 80 is terminated with the new Resolution; Resolution 80 refers to establishing sub-national councils in the aimags. However, councils have not been established in all aimags; aimags with councils are not operating. Therefore, we must assess implementation of Resolution 80. In addition, Provision 11 gave assignments to aimag, capital city, soum and district governors. The instructions/assignment must also be given to local Citizens’ Representative Khurals. We say sub-national councils will be established, but they must be established in soums where the mining industry is important. The National Council must meet regularly and provide advance material to members. Reports must be easy to understand at the local level (herders) and to discuss.

Ch. Radnaa: Provision 14.1 uses the phrase ‘financially audited,’ which should be changed to just ‘audited.’ Second, if the draft Budget Law is passed, it prohibits receipt of donations, so we need to revise our donation provision or wait to see what happens with the draft law.

D. Bathuyag: Unless we are fully aware of the current legal environment, we may meet difficulties. Second, when we hear member comments, it sounds like we are imposing burdens on the private sector, which makes a significant contribution to the economy. We must pursue a policy of encouraging the private sector.

N. Alгаа: It is true that the National Council only meets once a year. But that one meeting is insufficient to allow proper and full consideration of topics and issues. We probably need to discuss issues by sector, like a policy issue in a separate session etc. Some talk about contracts that mining companies sign with local government. How many contracts have been made; have any been signed? If not, we must not talk about non-existing contracts, but find why there are no contracts. What I mean is, we add lots of provisions to the resolutions, but we do not make sure all are implemented. We must also clearly distinguish what needs to be made transparent; there is a need to disclose information for the common good, but companies also have confidential information. We have strong belief in the law working group, so I suggest the National Council provide considerable support.

D. Enhbat: Provision 10.3 says 'sub-contractors' and that should be removed, because our ministry never requires sub-contractors to report and get approval. Here it also says to check and inspect reports. At the soum level, the specialized inspection agency is responsible for inspection, so we should add 'check and inspect in cooperation with the authorized inspectorate.'

B. Dolgor: We will discuss your comments at the working group. The draft resolution will pass after Cabinet discussion. All stakeholders have commented. We need to work towards integrating these comments and include what is necessary and consistent with the legal environment in the final resolution. The draft Budget Law has not yet passed, but might be adopted by the time we submit the draft resolution to Cabinet. When it is, we will make changes in relation to Budget Law provisions.

RESOLVED: Support the Government draft resolution "Measures to ensure transparency of the extractive industry," including comments by National Council members, and submit to Cabinet for approval.

B. Dolgor: Now, let's finish with this topic and move to the next. Mr Sumiya will present the next topic.

III. TOPIC: Draft Action Plan for EITI implementation in Mongolia, December 2011 and 2013.

E. Sumiya: Copies of a draft Action Plan were circulated earlier. In the past, we planned one year ahead, now we are planning for two-years. The overall principle is to have a two-year plan, with each year approved by the National Council Chair (presentation attached).

B. Dolgor: Any comment?

N. Alгаа: We should not call it an Action Plan. Perhaps we should approve it as a Directive, then develop actions plan annually within the framework of the Directives.

P. Erdenejargal: Two comments. We have implemented the initiative for 5 years, and Mongolia was recently validated. So I propose a national forum this year. Second, will the stand-alone draft law be passed? I propose amendments to the current Minerals Law with the addition of more detailed and expanded coordination. My feeling is that as National Council members meet only once a year, they are not well informed. I'd like to ask for us to be kept more informed as to MSWG discussions and decisions.

Ch. Radnaa. Provision 4 says "with templates" - could you explain?

Sh. Tsolmon: Every year, government agencies produce EITI reports using approved templates, so that agencies verify that their reports are based on audited financial reports.

L. Nyamsambu: First, let's include the auditor recommendations in this plan, and second, it is unclear if it is an MSWG plan or a National Council plan. Some points in the plan are useless, like saying that timely issues are to be discussed at a National Council meeting. Some points in the plan are already in meeting regulations and rules, eg Provision 21. Provisions 28 and 29 also contain points relating to MSWG meeting regulations, which we can see are irrelevant here. We need to revise these coinciding clauses or omitted points, and redraft it as a general plan for two years, and amendment possible when necessary.

D. Bathuyag: Provision 38 on establishing systems refer to Zorigt and Bathuyag. Unless we revise this, the Mineral Resources Authority is an implementing agency, so I could be blamed later for not establishing a system. Here the plan lists many actions, but do we have financial sources for implementation of them all? Is there a set amount for the plan?

E. Sumiya: First, auditor payments are financed by the government. Second, costs of the Secretariat, advertisement and training are funded by the World Bank Multi-Donor Trust Fund. For the EITI stage three we have an agreement for USD 250,000 up to April 2013. Third, the EBRD will implement a project of 7 activities, allocating 500,000 euros. Fourth, National Council and MSWG members are not full time, so are included as part of costs provided by the Government.

D. Bathuyag: So we are getting considerable outside assistance. We must train 203 people very well for the initiative; otherwise, we will have lots of international consultants for the project, but will have to pay their salaries, and the legacy will be small. We must have well-trained staff remaining in Mongolia after the project.

Ch. Tsendmaa: OK, I represent the General Department of Taxation at this meeting; the General Department of Taxation is responsible for the Government report for EITI. This year we are aiming to enable mining companies to lodge reports electronically, together with tax reports. So I propose inclusion of this in the plan. Second, we must set criteria on exactly what companies should submit EITI reports; we have well over 2,000 companies registered as miners. However, only a few are submitting EITI reports, so we need criteria so that we can oblige companies meeting the criteria to report. Third, Provision 20 of the plan refers to ensuring transparency of oil contracts. Does that mean the contract itself will be disclosed or only its implementation/enforcement? Also the provision should include not just oil agreements, but also investment, stability and product-sharing agreements.

G. Javhlantugs: As to public disclosure of information, our company has set up information centers; we could also establish such centers as EITI centers, and provide information through them.

B. Bayarsaihan: Actually, EITI operations must be brought down to the grassroots level. The PWYP Coalition and the Open Society Forum are working on first reconciliation reports in Hanbogd and Tsogttsetsii soums; for the first soum level reports, we have an agreement with the Ulaanbaatar Audit Corporation. The plan must contain more provisions and actions for expanding such activity. If not at soum level, reports should be produced and discussed at the main aimag level. Also, a regional forum has been proposed. We have tried such an activity, but the community and civil society either won't or cannot participate. Instead, I propose building the capacity of aimag sub councils, where we could run forums and discussions.

G. Urantsooj: The plan has many training events, for example those funded by the World Bank and the EBRD. These may coincide in topics, so we should focus on avoiding duplication of WB and EBRD training but integrate and link them. Some WB-funded regional training sessions and meetings are planned for EITI implementation at the local level. Rather than regional, we should run them exactly where the mining sector is concentrated. On Provision 17, as I said earlier, I again propose a plan to mitigate negative social impacts, with assessments, implementation and costs to be publicized. On Provision 19, I propose to add "methodology for reporting donations to civil society organizations and citizens and disclosing information publicly." On Provision 25, add "issues related to submission of reports to the Government on mineral deposits that meet the criteria for strategically important deposits."

B. Dolgor: Thank you. The Senior EBRD project consultant and national consultants are at today's meeting, and I hope consultants will include all your ideas in their work plan. I suggest approving the Work Plan, reflecting and integrating all your comments.

RESOLVED:

1. Approve the EITI Implementation Plan for Mongolia for October 2011-2013, including National Council member comments.
2. Assign Mineral Resources and Energy Minister D. Zorigt and Senior Prime Ministerial Advisor and National Council Secretary B. Dolgor to develop annual EITI work plans grounded on the EITI Implementation Plan for Mongolia October 2011-2013, to be approved by the National Council, with implementation and oversight.

B. Dolgor: Let's move on to the next topic.

IY.TOPIC: Information on action taken in response to decisions at the National Council meeting of 24 June 2010.

B. Baatartsogt: Good evening (presentation followed - attached).

B. Dolgor: Thank you. Any questions?

N. Alгаа: Have sanctions been imposed on legal entities or individual officers?

B. Baatartsogt: On legal entities.

B. Dolgor: Now, a presentation by Bathuyag.

D. Bathuyag: My previous presentation included everything. I am happy to answer questions.

N. Bayarsaihan: The EITI 2009 reconciliation report says the Mineral Resources Authority received company donations of MNT 60 million to celebrate the anniversary; the report found discrepancies. What is the reason?

D. Bathuyag: I agree with you. Actually, donation discrepancies have decreased drastically over the last three years. I will look into this.

B. Dolgor: You asked what sanctions are imposed for discrepancy. We do not sit idly, as verified by a presentation by the State Specialized Inspection Agency on what counter actions were taken and what responsibilities were imposed. The Inspectorate must pay further considerable attention, and the Mineral Resources Agency must also focus on issues relating to donations and aid.

RESOLVED:

1. Having heard information from State Specialized Inspection Agency Chair R. Sodhuu on action taken on companies failing to submit EITI reports subject to Minerals Law 48.10, and noting that the agency has been productive and effective, to assign the State Specialized Inspection Agency to focus permanently on such issues in the future.

2. Having heard information from Mineral Resources Authority Chair D. Bathuyag about checking performance of company mines plans against total revenues generated from the sale of minerals and tax paid to local and central government (Government reports of EITI 2008 report) and tax received by government agencies (company data, 2008), and a presentation on future action, to assign him to continue the same activity annually.

B. Dolgor: Let's discuss the next topic.

Y. TOPIC: Progress of EITI 2012 reporting by government and companies.

Sh. Tsomon: (Presentation - attached).

B. Dolgor: Any questions?

P. Erdenejargal: I did not understand properly, was the government report on only 61 companies?

Sh. Tsolmon: The Government reported receipts from 477 companies; of these, we selected 61 companies that paid at least MNT 50 million for the audit reconciliation.

N. Alгаа: Just few minutes ago the General Administration of Taxation said there are 2,000 companies operating mining activity. Of them, about 1,000 have mining licenses; 30% extract raw construction materials. So we need national level consolidated figures.

D. Bathuyag: There are about 2,000 companies with exploration licenses and 1,000 with mining licenses. Actually, we need to sit together and consolidate these figures.

RESOLVED: 1. To assign the EITI Secretariat (Sh. Tsolmon) to publicize in the daily newspapers the names of companies that did not submit an EITI report in 2010.

2. To assign the EITI Secretariat (Sh. Tsolmon) to conduct a survey on non-reporting companies by 1 July 2011, and submit the names to the Mineral Resources Authority and the State Specialized Inspection Agency for sanctions and responsibilities.

3. To assign Mineral Resources and Energy Minister D. Zorigt and Finance Minister and National Council member S. Bayartsogt to warn high-ranking officers of government agencies not supplying data for the EITI 2010 report, as in their agreement with central government.

4. To assign Mineral Resources Authority Chair D. Bathuyag and General Department of Taxation Chair B. Battumur to conduct a thorough study on companies operating in the extractive industry and make the detailed data available.

National Council Meeting finished at 19.40 pm.

Meeting minutes reviewed by:

B. Dolgor
Senior Prime Ministerial Advisor
National Council Secretary

Minutes taken by: