

**Minutes of Meeting of Mongolia Extractive Industries Transparency Initiative
Multi-Stakeholder Working Group
(3 December 2013)**

MSWG 33rd meeting started 2.30pm, 3 December 2013, in the Conference Hall of the Open Society Forum.

Members present: Ch. Otgochuluu (Mining Ministry Strategic Policy and Planning Department Chair); Zuunnast (Mining Ministry Office); E. Sumiya (Cabinet Secretariat Senior Officer); Byambadagva (Mineral Resources Authority Divisional Chair); D. Munhsaihan (Mineral Resources Authority Officer); G. Zulai (Finance Ministry Accounting Policy Department Officer); A. Enhbold (General Taxation Department Deputy Chair); D. Enhtuya (General Taxation Department Tax Inspector); Sh. Margad (Petroleum Authority Officer); B. Munhbat (Selenge aimag Administration's Development Policy Department Officer); N. Alгаа (Mongolian National Mining Association CEO); N. Bayarsaihan (Steps Without Boundaries NGO Head); B. Batbold (Mongolian Environmental Civil Council Board Member); Gombojav (Mongolian Environmental Civil Council Member); D. Tserenjav (Transparency Foundation CEO); B. Bayarmaa (Huvsgul Lake Owners' Movement Head); N. Dorjdari (Open Society Forum Manager); G. Chagnaadorj (Ariun Suvarga Movement Head); N. Baigalmaa (Human Rights and Development Center Officer); N. Bolormaa (Boroo Gold LLC Tax Accountant); Ochirham (Baganuur Company CFO); P. Erdenebileg (Erdene Mongol LLC Community Relations Manager); Sh. Tsolmon (EITI Secretariat Coordinator and MSWG Secretary); total 22 of the 33 MSWG members (67%).

Also present; Radhouane (Moore Stephens LLC, UK, Consultant); B. Jigden (CEO of DalaiVan Audit LLC); Auditors (DalaiVan Audit LLC): Sugarmaa (Energy Resources LLC Public Relations Department Chair); B. Uranchimeg (PWYP Coalition Administration Officer); B. Delgermaa (EITI Secretariat Communications Officer); A. Otgontungalag (EITI Secretariat Finance Officer).

Sh.Tsolmon, MSWG Secretary and EITI Secretariat Coordinator, checked attendance. Cabinet Secretariat Senior Officer E. Sumiya chaired the meeting as assigned by Senior Prime Ministerial Advisor Gansuh. The quorum was satisfied; there were 4 notifications of absence.

E. Sumiya: Thank you all for coming. The meeting agenda, internal rules and relevant materials were circulated earlier. Any comments? So let's approve the agenda and rules. The first agenda item is a reconciliation report on Mongolia EITI for 2012, presented by audit consortium consultant Radhouane.

1. TOPIC: Preliminary Mongolia EITI 2012 reconciliation report

Radhouane: (presented the preliminary report for Mongolia EITI 2012 reconciliation, attached).

E. Sumiya: Thanks for that detailed presentation. Now Tsolmon will brief us on the report comprehensiveness, which we will discuss before sending to the National Council.

Sh. Tsolmon: We have just heard the preliminary findings of the Mongolia EITI 2012 reconciliation. Our previous MSWG meeting was deferred because of no quorum. We made signed the reconciliation contract on July 2013. One key issue was that the contract was signed very late; all reports are produced in June, so starting reconciliation in late July caused problems. This was commented by the consortium of auditors. This report must be approved by the National Council. We are talking about a National Council meeting in about a fortnight. Before then there are several activities required by contract to be finalized: donations study; disclosure of payments and receipts by aimags and soums; consideration of discrepancies (24 relating to companies and 6 to government agencies); and advice on how to resolve the discrepancies. These should be done in the next 14 days. Auditors must also work with the MSWG on clarifying discrepancies. Further, the report contains some errors and incorrect terminology, which the auditors must correct. I think the report has been translated well, but has some information inaccuracy; for example, it says OT has 1.5 tonnes of gold reserves. For accuracy, you should consult with Mineral Resources Authority officers and our MSWG members. I think this audit reconciliation is good, but could be even better. A large auditor team worked on the reconciliation. After we discuss this report here, we will be able to pay 80% of the auditor fee; the other 20% will be paid after National Council approval. I just warn auditors that payment could yet be delayed by the above points, so please bear this in mind and complete the task.

E. Sumiya: EITI involves three stakeholders. You can ask about anything in the reconciliation report. I think it basically focuses on more recommendations. It is a report that you can use in the countryside and in your training. If you have questions about the report content, data and recommendations, please ask. Please introduce yourself before asking a question as we have some external people present.

N. Bolormaa (Boroo Gold LLC Tax Accountant): Our company ranks high among companies with discrepancies of MNT 192.9 million. This is our third EITI report, with exceptionally high discrepancies. We worked with DalaiVan's auditors, who said that our company was very cooperative, but this high discrepancy may affect results. I record daily all taxes and donations paid by the company, and classify all transactions as tax, fee or donation; but the high discrepancy just erases my performance results. The report that I submitted to EITI shows MNT 192.2 million more than the receipts reported by government. It is important because the data should show how well our financial discipline is. So I want to ask DalaiVan: why?

Gantulga: I worked with Boroo Gold. This discrepancy is in non-cash or in-kind donations. Our consultant also mentioned it in his presentation. Reconciliation was not done on in-kind donations.

N. Bolormaa: Why don't you include cash and in-kind in the template? We took reporting in the voluntary reporting section in the template very seriously; however this reported discrepancy negates and destroys a whole year of my work. We must record cash and in-kind donations during holidays, so I request the report show the MNT 192.2 million discrepancy as in-kind or that you add a specific explanation that "in-kind donations not reconciled."

Most importantly, the reporting template required voluntary reporting data. If in-kind donations are not reconciled, we will not report them, so we have no discrepancies.

E. Sumiya: Can you make some additional comments about in-kind donations? It is the same as work that government has not yet received. Parties reached agreement, but the government has not yet received it. Maybe you can comment.

B. Jigden: I will respond. Governors get in-kind donations from companies for the Naadam festival celebration, such as a motorcycle for winners of a horse race. They think this saves public funds and is good for the community. It would be easier if government agencies reported these donations, but the problem is that they don't. Our consultant also mentioned the need to remedy this problem.

Chagnaadorj: The people that give and take must at least sign a document, don't they?

B. Jigden: Yes, our auditors and Boroo Gold had a really good cooperation. The company recorded and reported its donations, but the recipients and the administration of Baruunharaa and Zuunharaa did not report receipt.

Chagnaadorj: The soum get finance from the government budget to celebrate holidays and the Naadam festival. They also get lots of donations from gold miners.

N. Dorjdari: The report repeatedly says that companies have no unique Taxpayer ID and many state registration numbers are duplicated. I have already asked the Finance Ministry and General State Registration Agency a question from the auditors: Were there any such duplicated company registration numbers in the 2012 reconciliation? If yes, please give us examples. A recent talk on donations explained a law prohibiting government agencies from receiving donations. Why is the law unenforced? I also want to ask the Finance Ministry why government agencies don't fill out the "voluntary reporting" section in the templates.

G. Zulai: The Budget Law banned government agencies from receiving donations; it came into effect on 1 January 2013. The reconciliation report covers 2012 reports, so includes donations but not donations as from 2013. As for duplicated registration numbers, that is covered by the Tax Office.

D. Enhtuya: We don't have designated taxpayer ID. If we have many multiple IDs, like the state registration ID and taxpayer ID, it is likely that they will be lost, so we use a 7-digit

registration number. As to duplication, the General Agency for State Registration issues IDs, and it is possible there were one or two cases of coincidence; maybe one in a hundred.

B. Jigden: Our consultant says that other countries use taxpayer ID. As we have no such ID, some companies pay due from others. Let me give you an example: Erdenet has a number of names, like Erdenet, GOK etc, but we all know they refer to the same company. But no one knows about the smaller companies. We must take it seriously and take remedial action.

B. Batbold: The report says companies are not EITI-aware. We got reports from them for many years, how did we do this? Were the companies cheating us or did you find a new problem? Please give us the names of companies in these 200 reconciled ones. Next question is that you say a scoping study was not done, but we set a threshold of MNT 40 million. I don't understand what you mean by scoping. Please explain.

B. Jigden: I will explain. Companies are fine, but many staff in government agencies know nothing about EITI. For example, senior General Customs Agency officers asked what EITI is and suspected that I was going to disclose information to foreign money launderers. The reason is that there were large structural changes as a result of the election. Those who knew about EITI were replaced by new officials, many ignorant of EITI. The Secretariat and MSWG worked for 6-7 years and raised a lot of awareness. But we had to draw this conclusion because of 1-2 agencies with trouble. So you should take action to punish accountants that don't submit EITI reports. That is how to put everything in order. I have been an accountant for over 50 years. We studied the EITI rules and requirements, which make heavy demands. Scoping does not mean just putting a MNT 40 million threshold. Scoping is not just setting a MNT 40 million threshold and cut out those below. Internationally, a scoping study uses very accurate criteria for inclusion in a reconciliation - how much payment shall be considered material etc. For example, OT's customs duty is paid on exports and imports. A single customs fee may be a small amount, perhaps MNT 1,000. As such small amounts accumulate over a year may finally total as much as MNT 2-3 billion. So we should not remove customs duties from the reporting requirements as small and insignificant. We need to study international rules carefully and make next year's report more effective. That is our conclusion.

E. Sumiya: Thank you Mr Jigden for supporting our materiality level. Looks like the report outlines it differently, please check. Any other comment?

N. Bayarsaihan: At our last meeting we asked auditors to minimize discrepancies as much as possible. The report must be as clear as possible to the public. I did not understand this report very well. You also say you could not get information. Do I understand that you were not able to get information?

B. Jigden: I said that at the previous MSWG meeting. We did not want to settle on some figures, move other figures and get data by phone to match reconciliation. If we did this, the report would be less important. Ultimately, we need to find the reality. It does not really matter whether the discrepancy is MNT 70-80 million or MNT 300 million. The essence of the

report is the quality, not the quantity. Tsolmon asked for discrepancies to be kept as low as possible. I don't know if it is a task or a request, but it is not possible. I be an independent auditor. As regards data access, some agencies and companies said they could not give any information to auditors. Some prevaricated, saying that staff were on vacation, or only the accountant knows, or staff had changed, so they offered no information. We met with many problems and challenges. Our 10-auditor team worked hard for over 2 months. Petro China Daqin Tamsag LLC, for example, sent us a formal letter on 31 October 2013 saying that they were unable to explain discrepancies as they had no documents. We are not a law enforcement agency, so we reported as is.

Radhouane: Without evidence we are unable to reconcile, so it is impossible to reduce the discrepancy, because that does not comply with international standards. If necessary, we can give you the relevant documentation.

D. Munhsaihan: Olon Ovoot LLC was included in the reconciliation. As far as I know this company submitted no EITI report; we said on our website that it did not report. But here the report says Olon Ovoot mined and sold 433kg gold. Where did you get this data or did you manage to get a report from the company?

Gantulga: When we received 200 company reports from the EITI Secretariat, we found that 3 companies were reported as submitting no report at all. But they paid over MNT 40 million, so we requested a report from the companies, by phone and several emails. Olon Ovoot and Tavan Tolgoi submitted reports; Dongshin did not. Olon Ovoot used Template 1, and we included the data in the reconciliation.

D. Munhsaihan: But we had already publicized that the company did not report, so we sent a formal demand and told them fines would be imposed. Will this cause a problem?

B. Jigden: We worked hard to get reports from these companies, both voluntarily and in response to your request; this may be problematic. But these companies have a huge amount of discrepancy. Unless they are included in the report, the discrepancies will rise. You must decide if it was good or bad that we reported them. If you wish, we can remove them from the report.

N. Bayarsaihan: Who identified these 200 companies for the reconciliation? The Secretariat? Are they selected no matter if they are small or big?

E. Sumiya: If you have no questions, let's start comments.

B. Jigden: What happens with the issues we have just raised?

E. Sumiya: The list comprised companies that the Finance Ministry says paid over MNT 40 million.

J. Gombojav: You said you started work in August. Was it impossible to finish the reconciliation in a month?

B. Jigden: I was in the countryside on vacation in July. I was rung up and told that reconciliation must start on 29 July. Then our international consultant arrived and we started reconciliation. Our consultant said it could start in early September after everyone came back from holidays and could finish within a month. Under the contract, we start work when all company reports have been submitted. The last report arrived on 30 October. We did not wait for the last report to start work, and tried to submit the report to the National Council on time.

Gantulga: The main discrepancies are in donations where the amount or value is unclear. In other words, companies donate to events such as Naadam, but the amount they spend is unclear, a company may have bought something for the local government, or may have paid for a construction. A good example is Boroo Gold, who paid to build a hospital worth MNT 5 billion as a donation. We visited all agencies, including the Health Ministry, but the recipient government agencies could offer no information at all. The Ministry accepted the hospital building in 2013, but was unable to clearly track the financing. Finally we got a reconciliation letter from the Health Ministry saying that they had received a building.

E. Sumiya: Any more questions?

N. Dorjdari: To what extent, were uranium companies involved in reconciliation? Mon-Atom are not in the report: does this company have a license?

Gantulga: 14 uranium companies were involved in the reporting, all licensed.

Sh. Tsolmon: We need to check the license data for the Mon Atom company.

N. Alгаа: We have heard the presentation and read the report. Discrepancies are found every year. We need to re-visit the report or the reconciliation indicators. Every year 10-20 companies pay 80% of all taxes and fees. Lots of work are required to reconcile the other 20%. What is the importance of this? Why do we need to include all 22 types of taxes and fees? We should remove some of them to make the process quicker and simpler. I keep saying this every year. We must also improve our information dissemination. By international benchmarks, we should only include one extractive company; no country goes after every company. We also need to revise materiality levels and make the overall work quicker. Do we really need to include all taxes and fees such as customs service fees and road tolls? Some fees are never documented. We also must improve our reporting templates. A recipient should report a summer holiday sponsorship, but does not. So we need to require broad disclosure of a company's donations to local government. Before we make an EITI law, representatives of the three stakeholders should sit together and reach consensus on what to disclose. Each group needs to appoint a leader and work responsibly. Bayarsaihan could lead for civil society and I could lead for the private sector to sit with government representatives.

N. Dorjdari: The report looks good. But data in the earlier pages does not match data in later pages: for example, investment data. The study of contracts was done well. I expected you to present about it, but you did not. So I suggest explaining information in the back pages and rejigging the front pages.

D. Enhtuya: I agree with Mr Alгаа that fees don't need to be reconciled. As the presentation said, lots of government agencies collect taxes and fees, including the Land Office, the Water Authority, the Mineral Resources Authority, the Transport Authority and the State Registration Agency, but we have no integrated network; this affects government reporting and transparency. So I suggest a request/offer to government to work in compliance with a "smart state" in recording revenues.

Bolormaa: I agree with Mr Alгаа. For whom is the report dedicated? For the public. Tax is a huge system. However, we have pressing issues relating to reporting donations transparently. The law now prohibits government agencies from receiving donations. I am happy with the overall EITI 2012 report from DalaiVan. As a professional, I saw professionalism and business-mindedness. I was glad to work with you.

B. Batbold: Actually I don't agree. When we check EITI requirements, they say that everything will show much the other side receives. If we remove small fees as not material, what else can we make transparent? At the sub-national level, companies must accept the system. We must raise understanding on what a company gets from mining and how much tax it pays to local government. Citizens need to know their wages are paid from taxes. The community now doesn't know if a company has paid taxes. They think they give and receive bribes. So everything must be transparent. Can we remove payments included in international standards? Whether or not it is small, a payment must be disclosed. As long as Mongolia is a EITI member, we must comply with all requirements. Civil society members must also discuss this. Only in this way will we get the benefits of EITI.

N. Bayarsaihan: I think this year's report was fairly good. Can this report be written in a simpler language for the local community, administrations and civil society? Also you should include instruction and guidelines on how the report could be used, with information about the report's legal framework. I think it would be good to include explanations on why discrepancies occurred, whether it was due to the legal environment, particularly for conclusions and recommendations. Information on government-owned companies must be shown separately in more detail. Taxes/fees and companies must not be separated as small or big. Most importantly, it is time to talk about how we can use the report's data. Talking about how to make the report is of no help. As we agreed previously, revenues meeting requirements will be reported; we don't need to talk about removing or adding payments/fees.

Ochirham: I work for a state-owned company. I agree with Bayarsaihan. We always report our work transparently. We work with many institutions and private companies. Small private companies are using state-owned companies wrongfully. I would like to bring this to

the attention of the Finance Ministry and General Taxation Department. A forced supply/sale often occurs in our company's procurement; companies working with us and supplying goods to us are always evading tax. For example, VAT: they supply goods worth millions, but they are not registered VAT payers. Our regulations say that the company will buy only from VAT payers, but sometimes we have to buy from non-VAT payers because of high demand. For spare parts, we have little choice. Coal buyers come every year with different names, just a small name change, but the same person. As such, many companies evade taxes. I don't want to name them, but civil society and government must pay attention to this issue.

J. Gombojav: Recommendations in the report are very effective. I agree this is part of our MSWG work for 2012. However, Mongolians cannot get a fair share of natural resources as the government cannot collect all taxes. We hear rural communities talk a lot about disclosing mining sector revenue. One part of the revenue is donations. We think our reports are produced over the two years after the reporting year; this weakens the importance of EITI. At a local forum, some proposed that civil society use the data before the reconciliation report is released, two years later. MSWG must prepare a brief report as soon as reports are submitted. Also, companies report but government agencies do not. That means they have something to hide, which is why they do not report. This must be highlighted.

L. Dolgormaa: Please make our work transparent for the community. You need to clearly explain why discrepancies occurred and inform the public. Environmental reclamation is also important. Company payments to local administrations must be reported.

E. Sumiya: That concludes our comments time. Now, I give the floor to the auditors.

Radhouane: Let me summarize responses. Most issues are clear from the scoping study. We must report under international standards and within the identified scope. I understand that civil society organizations want every payment disclosed. In reality, this is difficult. If most government revenue, 99%, is reported, we can get a general understanding. The main point is to study the scope and decide what taxes to include in the reconciliation. Our report has many recommendations. The EITI report is a professional report for professionals. We can offer a handout with the most important parts of the report. Our report is in the current form to comply with standards.

B. Jigden: Our consultant highlighted the scoping study. We complied with all reconciliation standards. One problem is that completed templates are not formally validated. It is not about an audited financial report. All completed templates must be individually validated by independent auditors; all necessary documents should be attached, when reconciliation is very easy. It is important to set the materiality level correctly. International practice uses material value for thresholds. Actually, EITI is not only about taxes because the tax agency is entirely responsible. Our consultants also advise not mixing every issue with EITI. This is important to ease the work. For auditors, we have a busy 3-4 months, but it is important for EITI to ease the process.

Sh. Tsolmon: Thanks to the auditors for your information. We will send you the meeting minutes tomorrow, for your feedback. In terms of discrepancies, we do not push you to minimize. However, some of what you guys said has been contradictory, so please bear this in mind.

B. Jigden: Thank you.

E. Sumiya: We have not yet finished. The report is good. Please add the data on production and licenses by issue date. The figures are different, so please state when you received the data. If you think it is ok, make the changes we are recommending. Please revise the terminology as some seems to be wrong. One recommendation was for unique tax payer IDs, so Finance Ministry and General Taxation Department representatives should present it to your agency. Auditors must complete assignments from today's meeting and prepare the report for a National Council meeting. As Tsolmon says, please check your contract and ensure the report is comprehensive.

(E. Sumiya introduced the draft resolution of the meeting.)

N. Bayarsaihan: I have a suggestion: the resolution should say, "including MSWG meeting comments," not "considering." When we say something, they always answer. Don't return explanations because we all know we won't have results for days.

N. Alгаа: A contract is a contract. We cannot include all recommendations; for example, we cannot include a taxpayer ID right now. Put what you have in the report or leave it out. We should not punish people for good work. Our job is to produce a summary report. The government and tax office must do their work. We should not delegate our work to others. It is our duty to expand our MSWG and accelerate the process. So please retain "considering."

E. Sumiya: Thank you, now you see we have tri-partite participation.

D. Enhtuya: I have a question from DalaiVan Audit. Will it be possible to reduce the government discrepancies before the next meeting by working with the Tax Office?

B. Jigden: Yes.

E. Sumiya: Please make your presentation and report to the National Council very briefly; ministers and high-ranking officers will have to leave because of their busy schedule. Thank you auditors.

RESOLVED: 1. Discussed preliminary reconciliation report of Mongolia EITI for 2012 and agreed to include MSWG members' comments; complete outstanding reconciliations; edit mistakes and terminology; finalize contracted work; prepare the final report; and submit it to a National Council meeting.

2. Authorize the EITI Secretariat to pay 80% of the contract to auditors if the final report is available for the National Council meeting to discuss the Mongolia EITI 2012 reconciliation report.

3. Advise the audit consortium to complete the following by 15 December:

- a. disaggregated report on donations;**
- b. disaggregated report on payments and revenue by aimag and government agency;**
- c. proposals on resolving discrepancies relating to companies and government agencies;**
- d. data checks on mineral reserves, licenses and production against data available at related government agencies and prepare for publication, stating sources.**

4. Assign MSWG members and their representatives at the meeting to introduce issues raised in the reconciliation report and recommendations to the senior officer of their respective agencies, get formal agreement and stakeholder group leaders to discuss their proposals and send to Secretariat by 6 December.

5. Assign MSWG members to study problems and challenges for reconciliation relating to their agencies/companies and actions to implement recommendations in their Action Plans.

2. TOPIC: Performance and implementation status/report of Mongolia EITI 2013 Action Plan

E. Sumiya: The meeting is not yet over; we move to the next agenda item. Auditors may leave. Next is implementation of the EITI Mongolia 2013 Action Plan.

N. Alгаа: I have one main suggestion. We read the report on plan implementation and most of us were present when the plan was approved, so we are generally aware of the plan and its implementation. To speed up the meeting, we only present activities in the 2013 plan that were not implemented during the reporting period.

Members: Agreed.

E. Sumiya: So please therefore present activities that were not implemented in 2013, saying briefly what and why they were not implemented.

Sh. Tsolmon: Training is one. Another unimplemented activity was development, submission and approval of a draft EITI Law, mainly because of the National Council and circumstances beyond our control. For example, large legal documents require lots of work and care, so we are working slowly. Another is e-reporting, in Action Point 41, which is going ahead slowly. The World Bank advised us not to use small local companies. We worked with an e-reporting EBRD consultant last week for a preliminary assessment on e-reporting potential. This will go on for years. Company representatives and relevant people should have met the consultant. A second training session for media will be run, for which Tserenjav is responsible. We must also run more training for government agencies. Consultants from Interconsulting are

meeting with you for a study, and we expect the findings soon. Another activity is a proposed EBRD-financed study tour, which will not go ahead this year. EBRD suggested Ghana. MSWG members need to suggest an appropriate destination. Other activities were carried out. MSWG will probably meet again next week, to discuss establishing local sub-councils and hear the findings of an assessment by the Human Rights and Development Center on implementation/enforcement of National Council decisions. Thanks to all MSWG members for your work in rural areas and for your efforts for EITI (report attached).

B. Batbold: I want to add one activity to the 2013 Action Plan.

Sh. Tsolmon: If it can be done before the end of the year, it is OK.

B. Batbold: There is an opportunity for an MSWG study visit to the Oyu Tolgoi project, for which Oyu Tolgoi will pay all costs. As it will cost the Secretariat nothing, what about going there? We need members' comments about a possible visit this year. Oyu Tolgoi say they have a budget for it.

L. Dolgormaa: What would we go to see there?

B. Batbold: Its operations. Oyu Tolgoi's Lhamaa is in the MSWG and proposed this trip.

E. Sumiya: This may be an issue like the USD 10,000 problem we had. Oyu Tolgoi offered to host a journalist and afterwards it was reported that Oyu Tolgoi donated USD 10,000 to the Cabinet Secretariat. This might be a repeat.

Sh. Tsolmon: We are aware of this and have taken precautions. It is shareholders' money. It is up to MSWG members.

N. Alгаа: I think Lhamaa wants MSWG members to see what happens at the Oyu Tolgoi project. You can give us the names of those who want to go so that our association can get the funding and organize the tour. Oyu Tolgoi is doing great development. As a professional, I'd say the project can demonstrate many things, such as new technology, underground mining, environmental reclamation and side-wall monitoring. If not in December, we can go in January. We will organize it.

Sh. Tsolmon: We have no budget for this trip.

E. Sumiya: And Oyu Tolgoi will report it as a donation in its EITI report.

N. Alгаа: Under the law our association may receive donations, so we can resolve that.

Sh. Tsolmon: As Mr Alгаа said, the Mining Association could organize the tour. OK, that is agreed. Now, some MSWG members want to celebrate New Year. However, it is quite

difficult financially. The World Bank recommends that we may organize such events, if you agree. Like government agencies, it will involve no alcohol and the least possible cost.

N. Bayarsaihan: If World Bank agrees and we have money for it, fine.

B. Delgermaa: World Bank Consultant Enhzaya said it would be OK. Now, I want to make a brief presentation about the regional workshop we ran in rural areas in 2013 (presentation attached).

N. Bayarsaihan: What is going on with the EITI Secretariat budget?

Sh. Tsolmon: Before the next National Council meeting, quite a lot of work will have been done. Paying auditors has cost USD 190,000 of the World Bank funding of USD 250,000, and we will work with the available budget until 31 May next year. An application for funding the 4th project phase has been sent to the Economic Development Ministry, and we are waiting for the EITI law to be passed. If it does, everything will probably be regulated by the new law. EBRD financing is encountering no delay. The project gives no expenditure reportage, so we are unaware of the state of its budget. The audit reconciliation contract has cost MNT 186 million; we had budgeted for MNT 200 million, so we have underspent. If allowed, we could use the underspend for bonuses to bid evaluation committee members. We also have a small amount for MSWG members for meeting attendance, financed from the government budget. That is it.

N. Bayarsaihan: I understood that the financing will cease. I wanted to know how secure financing is for implementing the action plan. We are in a bad state in financing; the 2014 budget is estimated at MNT 180 million. I don't understand.

Sh. Tsolmon: That is the situation right now, and it is too early to say anything else. If the law is approved before May, we might be able to get funded from the government budget. We do need to find alternative financing sources, and we think that we can find them. The law's concept note is under discussion at the Finance Ministry. Comments from other ministries will take quite a long time. If possible, we want to submit it before May for discussion.

Sh. Tsolmon: We have not discussed the 2014 Action Plan.

B. Bayarmaa: True, but I suggested including this action in the 2014 Action Plan.

Sh. Tsolmon: It is not included in the plan. MSWG has spoken with Minister Ganhuyag about the discrepancies.

B. Batbold: I propose developing a separate Action Plan in response to the auditor recommendations.

Sh. Tsolmon: Understood.

E. Sumiya: We need a slide showing how many 2013 activities were planned and how many were not done. Last year the National Council asked for this, so we should prepare a list of activities done and not done to show the Prime Minister.

RESOLVED to: Authorize the EITI Secretariat to include MSWG members' comments in the Mongolia EITI 2013 performance report for submission to the National Council.

3. TOPIC: Mongolia EITI Action Plan for 2014

N. Alгаа: Parties must each agree to discuss the topics we debated earlier and submit concrete ideas. If possible, we should start work in January or February.

Sh. Tsolmon: We have a lot to talk about, even points in the general guidelines.

N. Bayarsaihan: The Human Rights and Development Center, a member of the PWYP Coalition, is carrying out a monitoring survey. Its findings will be presented at the next MSWG meeting, which we hope will be interesting. We cannot discuss many topics in one meeting, so we will have one or two extra MSWG meetings before the end of the year. So we have postponed this topic to the next meeting.

B. Bayarmaa: We need to put these in the plan and start working on them.

L. Dolgormaa: When we had a presentation on the reconciliation report, you said that discrepancies should be as low as possible. We say the discrepancies are significant. We need to identify why we have such huge discrepancies and publicize these reasons. If we all agree and work for the one goal, with words spoken at the sub-national level, it will be a good advertisement. We need to simplify the report recommendations and distribute brochures.

B. Delgermaa: Do you mean to publish and distribute the recommendations in the 2012 reconciliation report?

L. Dolgormaa: Yes. Most importantly, the reasons for the discrepancies must be clearly explained. This is related to company reputations, so it certainly influences them.

E. Sumiya: A detailed report on 2012 will be sent to all MSWG members. After the final report is released, we will also send you the summaries. We will have one unified explanation, as it is not good that everyone explains differently. Aimag data will also be sent to the respective aimag.

Sh. Tsolmon: It is said we have to work for 5 EITI sub-objectives. We plan our activities by setting objectives, then assigning activities to them. We will bear this in mind.

N. Bayarsaihan: I have a suggestion. We are talking about two things - goals and objectives. What about putting 7 standards in the goals section? We have actions for “implementing standards.” We should get the standards formally translated so that we have no way to blame the translation and everyone has the same understanding. We need to formally publish and post on websites. We should use the same terminology because presently we use different terminology, such as local economic participation - local economic content and beneficial owners-shareholders with preference rights etc. We also need to talk about how government, civil society and private companies will help in implementation of standards. Another point is that our budget cycle expires in June, but the plan has actions requiring MNT 189 million of financing. What is the financing source? Have you looked into finding such a huge amount? Do you think you will find the money?

Sh. Tsolmon: Not yet found, but it will be.

N. Bayarsaihan: So, MNT 61 million is budgeted for local operations and MNT 71 million for media action. Which will be highlight? It seems that we need to allocate more to capacity-building for local stakeholders. What will be the legacy if we spend MNT 7 million in the media? Our events in rural area and our regional workshops show that most attendees represented government and large companies. Small companies, community members and local civil society cannot attend such events, so we need to hold aimag-based multi-stakeholder dialogues, not in regions. We need to send MSWG members to the aimags.

When we run rural events, we see only government officers and large company representatives attending, not ordinary citizens. We must hold more local dialogues with community members. Let’s draw up plans for one and two months.

E. Sumiya: We need recommendations in our plan. These can be from ideas submitted by stakeholders. On 5 December, government agencies could meet and agree, and let’s develop recommendations with Bayarsaihan and Alгаа. How does that sound?

B. Delgermaa: Mr Alгаа said parties need to talk internally first, then discuss with all stakeholders.

E. Sumiya: The Finance Ministry and Tax Office must be key in this work. You can also work with Munhsaihan of the Mineral Resources Authority.

N. Bayarsaihan: Under Resolution 222, we must submit our report to parliament.

E. Sumiya: This can be submitted to the Budget Standing Committee. If they want to, they will discuss it. We should also present our report to the Prime Minister. It has already been given to Minister Ganhuyag. Government representatives must work together to develop and submit some concrete ideas before the National Council meeting.

B. Delgermaa: Should we give a deadline to parties to complete the assignments?

Sh. Tsolmon: We have one MSWG meeting scheduled before the National Council meeting. We will probably discuss some organizational issues then. We are also discussing regulation for sub-national councils at the next MSWG meeting. What about everyone brings ideas to discuss at that meeting?

E. Sumiya: Now is the end of the year, and it is hard to meet. Let's discuss it with all three sides, and discuss at a meeting before submitting it to the National Council.

N. Bayarsaihan: Let's get a good translation, to be distributed before the meeting. Then we can have a unified understanding. Because of differences in understanding, some were talking differently to others. We need to make sure we are all on the same page.

L. Dolgormaa: We say "standard." It is not an ISO standard. If we make it a formal standard, we can use this word.

Sh. Tsolmon: Actually, we call it a "requirement."

N. Bayarsaihan: Internationally, there is still a dispute as to whether it is standard or requirement. It will be good if we make it a Mongolian standard. The international civil society network advises the term "standard." That is what I mean when I say we must make sure we are all on the same page with terminology.

Sh. Tsolmon: A translation will be distributed this week. Actually it has already been translated, and we just need some minor editing.

N. Bayarsaihan: It is also called an international standard. It outlines the principle that must be complied with as a minimum.

N. Dolgormaa: It should be called a "requirement."

B. Delgermaa: Shall we put "audit recommendations" as a decision of the meeting?

N. Bayarsaihan: Conclusions and recommendations.

E. Sumiya: The government has programs called "Glass Wallet" and "Open Economy Partnership." Like EITI, these projects will help make everything transparent. The issue is how much must be considered a material payment.

Sh. Tsolmon: If the amount exceeds MNT 1 million, it is considered material payment.

E. Sumiya: We need to agree whether we consider payments of over MNT 2 million and MNT 5 million as material payments.

B. Batbold: Is the information center still planned for 2014? It looks like it is not in the draft plan.

Sh. Tsolmon: It was postponed.

RESOLVED to: 1. Assign the EITI Secretariat to include MSWG members' comments and suggestions in the draft Action Plan of EITI Mongolia for 2012 for presentation to the National Council.

2. Agree that stakeholder groups each study the coincidence of recommendations from auditors in previous years, discuss action to respond to auditor recommendations in the Mongolia EITI reconciliation report for 2012, with group leaders to send action suggestions for the draft Action Plan of Mongolia EITI for 2014 by 10 December to the EITI Secretariat.

MSWG meeting finished at 6.25 pm.

Meeting minutes reviewed by:

E. Sumiya
Cabinet Secretariat Senior Officer

Sh. Tsolmon
EITI Secretariat Coordinator and MSWG Secretary

Minutes taken by:

A. Otgontungalag
EITI Secretariat Finance Officer