

Minutes of Mongolia EITI National Council

13 January 2015

The 312th meeting of Mongolia EITI National Council began at 4:00pm, January 13, 2015, in the Local Governance Hall of Government House.

Attending members: S. Bayartsogt (Cabinet Secretariat Chair and Cabinet Minister representing PM Ch. Saikhanbileg, National Council Chairman); G. Otgochuluu (Mining Ministry Strategic Policy and Planning Head, representing Mining Minister R. Jigjid); G. Zuunnast (Mining Ministry Officer); G. Zulai (Finance Ministry Accounting Department officer, representing Finance Minister R. Erdenebat); S. Tumorkhuu (National Audit Agency Performance Audit Department Chairman, representing Auditor-General A. Zangad); L. Batbayar (Independent Agency Against Corruption Senior Officer, representing Agency Chairman N. Ganbold); N. Alгаа (Mongolian National Mining Association President); D. Galbaatar (Erdenet Mining Corporation Economics and Marketing Department Deputy Head); L. Davaatsudev (Mongolian Coal Association Board Chairman); S. Enhtuya (Monpolimet LLC CEO); M. Boldbaatar (MongolRostsvetmet JSV Advisor to CEO); B. Delgerbayar (Petro China Daqin Tamsag LLC CEO); N. Lhamaa (Oyu Tolgoi LLC Senior Officer, representing Andrew Woodley, CEO); Ch. Bayarjargal (Energy Resources LLC Permits and Compliance VP, representing CEO G. Battsengel); A. Bilegsaihan (Mongolyn Alt LLC officer, representing VP G. Tsogt); S. Burentogtoh (Mongolian Gold Producers' Association Secretariat Head, representing President T. Ganbold); P. Erdenejargal (Open Society Forum CEO); G. Urantsooj (Human Rights and Development Center NGO Head); N. Bayarsaikhan (Steps Without Boundaries NGO Head); G. Chagnaadorj (Ariun Suvarga Movement Head); N. Dorjdari (Natural Resources Governance Institute Coordinator); L. Dolgormaa (Responsible Mining Initiative NGO Board member); D. Erdenechimeg (Open Society Forum Manager, representing B. Batzorig, Khongor Nutgyn Duudlaga Movement Head); Z. Enerel (Mongolian Environmental Civil Council Secretariat officer); B. Delgermaa (National Council Secretary and Senior Prime Ministerial Advisor; of the 30 members, 25 (83%) attended.

Also present: D. Uuruuntuya (Mineral Resources Authority Action Chair); B. Byambadagva (MRAM Division Head); Ch. Batchimeg (General Department of Taxation Mineral Taxation Division Senior Inspector); B. Oyun (Petroleum Authority Department Chair); B. Osorgarav (Ulaanbaatar Audit LLC CEO); B. Mendbayar (Ulaanbaatar Audit LLC Senior Auditor); P. Oyunbileg (Adam Smith

International Manager); L. Tur-Od (Transparency International Coordinator); Sh. Tsolmon (Mongolia EITI Secretariat Coordinator); B. Delgermaa (Mongolia EITI Secretariat Communications Officer); A. Otgontungalag (Mongolia EITI Secretariat Finance Officer); G. Ganbat (Mongolia EITI Secretariat IT Consultant).

S. Bayartsogt (Cabinet Secretariat Chairman and Cabinet Minister) made opening remarks for the 12th National Council meeting of Mongolian EITI.

“Currently, 48 countries are implementing EITI, and Mongolia is considered to be one of more successful countries in the EITI. For such successful implementation, effective partnership and cooperation between government, the extractive sector and civil society has been central. I’d like to underline that trust and responsibility is increasing because of EITI implementation. EITI is based on cooperation between stakeholders; all the parties must recognize this and understand the importance of cooperation to resolve social and economic challenges and must devote attention to multi-stakeholder cooperation. The Law on Glass Account was adopted and came into effect on January 1, 2015. This law enables the government to make transparent to the public what the government is spending its revenues from the extractive sector on. We reckon that Mongolia took another step with this law towards the attainment and fulfillment of its international obligations. We also developed a new draft law on Extractive Sector Transparency and expect the bill will be adopted by parliament in 2015. It is expected that this new law, with the Law on Glass Account, will be successfully implemented and will open up new possibilities for civil society and international organizations to conduct oversight. We are frequently criticized by claims that statistics and data submitted by various government agencies such as the Finance Ministry, the Mongol Bank and the National Statistics Office are discrepant. At the upcoming Friday session, the Prime Minister will present all consolidated data to the parliament, and we will shift to a system whereby all government data are carefully consolidated and delivered in an understandable way. We will carry out government inspection and oversight of businesses as part of the Glass Account. The results of inspections by the taxation agency, inspectorate and state auditors will be disclosed: what senior officer was instructed to carry out the inspection, what guidelines were followed in the inspection, in what timeframe and on which company. This is expected to remove various government pressures on businesses. We hope that business will collaborate with civil society in implementation of this action. It is also necessary for the General Department of Taxation to check whether all taxes and fees are paid in full by extractive companies, MRA and the Petroleum Authority, whether they have correctly calculated taxes and fees by their internal control systems, with disclosure of findings in the 2014 government report for EITI. Agreements and

contract between government agencies and extractive companies will be disclosed. Under the Investment Law we will also start to issue Stability Certificates aside from the Investment Agreement. So far over ten companies have requested Stability Certificates. We will disclose the companies that receive Stability Certificates and submit the data to you. On the government side, we will do our best to disseminate all information to civil society and citizens. I truly hope that you will arrive at innovative ideas on the EITI, Glass Account and others from this session. To underline some of our important actions in 2015, I'd like to mention the EITI National Forum. We will host Claire Short, EITI International Board Chair, in May. There will be international validation at the end of 2015, in which all stakeholders must take part. The outcome of this validation will be important to us in helping to strengthen transparency and improve Mongolia's reputation. For civil society and all stakeholders, tri-partite collaboration in Mongolia takes Mongolia's international reputation to a higher level. There are many actions and systems that improve our country's international standing, such as the Doing Business reports, the Transparency International ranking, Anti-Corruption Conventions etc. These systems check the position of civil society and assess the country's macro-level data. Participation by civil society organizations should concentrate on a patriotic approach rather than on criticism. This will help raise the ranking and reputation of our country. Personally, I think that stakeholder cooperation under EITI has generated significant outcomes and is benchmark action. We need to advertise and promote good examples and benchmarks for the Transparency International ranking, Doing Business report, and actions under the International Anti-Corruption Convention, showing that we can work together effectively. To conclude, I'd like to say that one reason for deterioration in Mongolia's reputation has been a failure to respond and comment on negative information disseminated internationally about Mongolia. Such silence would seem to indicate that we agree with the information or makes it look as if Mongolia does not accept the position of other countries. The new Cabinet will immediately respond to any negative information on Mongolia , and will make government participation and engagement more active."

Next B. Delgermaa, Senior Prime Ministerial Advisor and National Council, Secretary, presented the meeting rules and agenda, with approval by members by vote.

1. TOPIC: MONGOLIA EITI 8TH REPORT

B. Osorgarav: Good day to the distinguished members of the National Council. The Ulaanbaatar Audit Corporation, in partnership with UK's Hart Noirs Ltd, has

completed Mongolia's 8th EITI report after an enormous amount of work by a 16-member team. Preliminary findings of the reconciliation report were presented to the MSWG on 10 October 2014, and the final reports was issued in book format and distributed to all members. I offer a short presentation on our findings (presentation attached).

B. Delgermaa: Thank you. Any questions on the presentation?

P. Erdenejargal: Why did the reconciliation start in July? What was the key reason for such a late commencement of reconciliation?

B. Osorgarav: I understand this was related to a prolonged process of reconciler selection. Mr Tsolmon could probably give you a more detailed reply.

Sh. Tsolmon: The final bid selection ended in May, but the start of work was delayed because two other bidders appealed against the bid selection.

Kh. Lhamaa: You say that some district administrations did not provide information on social insurance in response to your request for clarifications. What was the reason they offered for not providing any data?

B. Osorgarav: Two district departments of the General Agency for Social Insurance ignored the reconciliation and caused delay. This was related to staff knowledge and attitudes; not all departments were the same.

N. Bayarsaihan: The EITI report has been improving year on year. The report separates donations, investment and barter. How did you do this, or how did you separate these streams? You also say that data from some government agencies were not based on audited reports, so to what extent can this EITI report be considered thorough and accurate? How can we believe the report is true and accurate?

B. Mendbayar: This year's EITI report complies with new EITI standards. We classified donations and investment ourselves for the report.

N. Erdenetsog: In 2013, ten extractive companies provided auditor statements on their EITI reports, while the other companies did not. When we checked why no audit was made on EITI reports, the companies said they needed to pay more auditor fees as the process was time and resource consuming. We are required to identify and assess reasons for discrepancies.

P. Erdenejargal: During the reconciliation, you got copies of contracts between the government and companies from the Petroleum Authority. How can these contracts be disclosed?

B. Mendbayar: We sent formal requests for information on contracts and agreements to various agencies; the oil companies said they were unable to copy all the contracts because there were so many. Some companies sent us copies of agreements/contracts. When we asked local authorities for copies of agreements, only 2-3 provinces sent them, so we used only the summary data of agreements for the reconciliation. For example, we checked whether the agreement between the soum government and the extractive company was reviewed/evaluated. All data from the aimags was verified by signature and seal. As required, we included an attachment with contract information.

N. Erdenetsog: If it is formally required, we are able to get copies of all contracts/agreements.

B. Osorgarav: We have archived the contract copies we received, and have handed over them to the EITI. It is quite hard to get copies of contracts/agreements.

Sh. Tsolmon: They are not yet formally handed over to the Secretariat, so you must hand over the documents.

G. Urantsooj: Half the budgeted cost of environmental protection and reclamation is deposited in a special account. The report shows this in thousand MNT, but some reported amounts are quite small. Why? Are the costs for environmental protection and reclamation separately costed or in one bulk?

N. Algaa: By law, exploration companies must deposit an amount equal to one year's cost for exploration in a local administration account. If the company does not carry out any exploration, they pay no fees. The deposit mechanism requires a deposit equal to one year's cost, so companies minimize their costs so that they pay or deposit only a small amount. For mining companies, their deposits should be more realistic.

L. Dolgormaa: Costs for environmental conservation must be defined via the Environmental Impact Assessment. In other words, the amount is based on how or to what extent the company assesses potential environmental impact over 5 years; then the companies deposit half the estimated cost for the first year in a special

account. The amount must be thoroughly set according to scientific recommendations and findings, but companies often conspire to present false impact assessments. This subsequently lowers the company's reputation and planned costs for environmental protection are plainly too low. If everything is according to the rules, the total predicted cost of, for example, 60 million MNT for exploration, calls for 30 million MNT to be deposited in a special account for environmental protection. We need to devote more attention to this to ensure all stakeholders oversee such costs.

B. Delgermaa: A humming and businesslike idea.

G. Chagnaadorj: I have been attending these meetings for 7-8 years. I think that the level of stakeholder participation has been improving. I'd like to highlight the issue of responsibility. We used to criticize the Finance Ministry and the Mineral Resources Authority; now they do well in EITI. But we have an agency, the General Agency for Customs, which is a large and vehement agency. Why don't we have a Customs representative on the National Council? Companies recognize their obligations and improve participation, but government agencies remain irresponsible. Also, please explain the discrepancies in data from National Audit Agency and the Ulaanbaatar Audit company.

B. Delgermaa: We invite representatives of the government agencies to National Council meetings. For example, today we have the chairs of the General Department of Taxation, the Mineral Resources Authority and the Petroleum Authority. The Finance Minister is a member of the EITI National Council, although the agency under the Finance Ministry is not present - it should not ignore this meeting. Anyway, let's hear from a representative of the National Audit Agency.

S. Tumorhuu: I need more clarifications on what you say are discrepancies. I do not know what they are as I have not been able to check the report yet. The National Audit Agency audits financial statements of state-owned enterprises and government agencies, but not the private sector.

N. Erdenetsog: Our 2013 report said that government revenue from the extractive sector equaled 1 trillion and 565 billion MNT, paid by 96% of license holders. However, a report from the National Audit Agency on national budget revenue generation gave different figures. Probably the question is on this discrepancy.

S. Tumurhuu: Let's check it. There may be some discrepancy because the data comes from 250 companies, audited or not, verified or not.

B. Delgermaa: This must be checked and verified, else we cannot definitely say there is discrepancy. Any more questions?

N. Dorjdari: I repeat my previous question to the reconcilers. Companies paid 1.565 trillion MNT in taxes and fees, including large taxes such as corporate income tax and VAT. Can you verify or show that companies paid these taxes from their extractive operations? In other words, is the 1.565 trillion MNT purely from the extractive business or does it include taxes paid from other business such as production or service? If you cannot distinguish the various income sources, what can we do further? What is your recommendation as a specialist?

N. Erdenetsog: As to how we selected the 250 companies for reconciliation, we first consulted with the Secretariat and studied all EITI materials. Then we offered recommendations to improve selection principles. As for the 250 companies reconciled this year, they all were purely mining companies. Some paid more than 40 million MNT in tax, but these taxes were from a wide variety of business and so were removed from the reconciliation. Mr Tsolmon can probably give more detail.

N. Dorjdari: Mr Tsolmon, with what criteria did you select these companies and how did you find they run different types of business as well as mining?

Sh. Tsolmon: Delgermaa, our Secretariat Officer, will respond on this.

B. Delgermaa: With recommendations from last year's reconcilers, we made an accurate selection of companies for inclusion in reconciliation. First, the Secretariat developed 7-8 criteria and selected the 250 companies. Then we sent the list to MSWG members for comment. Comments from four members (the National Mining Association, the General Department of Taxation, the Mineral Resources Authority and Oyu Tolgoi LLC) were incorporated and companies were selected for reconciliation. We made a primary selection from the 1670 companies that had submitted reports, with a criterion of 40 million MNT tax paid. This left 578, which were then classified as mining, exploration, extraction of commonly distributed minerals and oil companies. This gave us 120 companies, which we checked with MRAM for mining plans and reports. We included 10 uranium and oil companies. The 120 companies were then prioritized by the amount of tax paid, which gave us 80 of 161 mining companies, plus 40 exploration companies of 164, totaling 250. We also checked with General Department of Taxation as to whether

their key business was mining, which removed some. The selection processes were emailed to MSWG members and their comments collected.

N. Dorjdari: The report includes a fluorspar miner, which I know also owns a large commercial center and several restaurants, but which submits just one report for taxation purposes. How was the data separated from other business? Will the taxation department representatives tell us how we separate taxes and fees from mining business only?

Ch. Batchimeg: The taxation agency does not separate tax by business type; that would be impossible. Business incomes are separated only by whether it is from a main or non-main business, as laid down by the Law on Corporate Income Tax.

N. Dorjdari: We have discussed this many times, now we need to develop a proposal and make recommendations. For instance, President Alгаа and the Mining Ministry are worth studying. Is it possible for a company to separate mining business from other business by establishing a new company? Or might there be too strict requirements? I cannot say. We could perhaps use separate recording systems for mining revenue. I understand it is not easy.

B. Delgermaa: I would suggest a primary study by a Working Group with representatives of government agencies, ministries, professional associations and civil society. Let's resolve this. Any more questions?

S. Enhtuya: Mining companies build their annual environmental management plan, which projects required costs for environmental protection. Half of this projected cost is deposited in a special account. At the end of the year, companies are evaluated for environmental performance. If they performed sufficiently, they either get the 50% deposit back or transfer it to the next year. Probably discrepancies arise in this process. Perhaps a mining business is going through hard times, so they decrease the deposit.

G. Urantsooj: It was not only this year that environmental costs were reported as low. The reported amount has been small for several years, so we must devote some attention to this issue. We need to make the deposit a realistic amount so that companies will protect the environment and get back the huge amount of the deposit by ensuring consistent reclamation. The National Council must pay attention to the costs for environmental protection. I propose a Working Group to develop specific recommendations.

S. Enhtuya: Right, that is what I was going to propose. Deposits for environmental protection truly impose burdens on mining companies. They certainly want to reclaim the environment, but they have to place a 100 million MNT deposit for planned reclamation worth 200 million MNT. But companies say it would be better to use this amount for fuel; that is why companies plan small and deposit less. We should shift to a system such as one in which larger mining companies are exempted from this deposit or to a completely different system. The existing system does not work well.

B. Delgermaa: Some good ideas have been proposed, and it is clear that we should establish working groups. It looks like we will be doing more in 2015. Now, just one more question, then we will have comments.

D. Erdenechimeg: The 2013 report contains information on beneficial ownership. How reliable is the data?

N. Erdenetsog: We asked the companies to provide information on their shareholders and received some information. Some companies provided information which we have attached to this report.

B. Delgermaa: Time for questions is over. Are there any comments?

N. Alгаа: This year's report contained more data, as required by the new standards, so I think there has been some progress and I acknowledge the work of the reconcilers. We need to provide training for companies evaluated as poor or fair. Before we make the contracts transparent, we need to have some more solid study on how many contracts are there and what are the benefits; we can talk more details later. In many countries with a developing mining sector, separate accounting systems are used to record mining company revenues. The Finance Ministry and the General Department of Taxation have established Mining Taxation Divisions, and these agencies must take action to improve recording of mining taxes and control the costs in their accounting systems; otherwise our talks will not succeed. It is hard to accomplish, but we must give it a try. In terms of environmental costs, I am more concerned about the environmental monitoring side rather than the cost of environmental protection. There are many laws and regulations, but they have not been enforced. We must have a different approach. It might be that the government accredits the 700+ environmental civil society organizations and build their capacity to monitor, or have strict requirements on impact assessment companies that disappear after they get paid so that they must conduct monitoring for three years in a row. Thanks for your attention.

D. Galbaatar: I have 2 suggestions. We have discussed these EITI reports one, two, three times. In general, I understand that the last report was good enough within the framework of the new standards. The report is as good as the improved standards. But two things must be taken into account; first, please include information on corporate governance in the report. The Erdenet Board has not approved the Erdenet plan and this must be reflected in the report. Second, for many years we have been talking about Erdenet and its benchmark benefits. The report says Erdenet paid 520 billion MNT in 2012 and 508 billion MNT in 2013. But Oyu Tolgoi paid half the tax that Erdenet paid. The reason we started the EITI relates to sustainable use of natural resources, resources that are not recoverable. I understand the EITI was formed for this purpose. How do we ensure responsibility, how ensure higher revenue and how to ensure efficiency? Today Erdenet pays 30-50% of its revenue in taxation and pays 75% of its profit in dividends. I believe this must be reflected in the report. In 2014 and 2015, Oyu Tolgoi will pay less tax than Erdenet. In 2015, Erdenet will produce 119,000 tonnes of copper while OT will produce 197,000 tonnes of concentrates. OT is expected to pay US\$61 million in royalties while Erdenet will pay US\$160 million. Can this really be so? The reasons must be clarified. What I mean is that we must have one tax regime, just as we have one legislation based on one Constitution. We say “stability” and then take 5% royalties from OT and 17-18% progressive royalties from Erdenet. Such discrepancies must be audited.

B. Byambadagva: Reporting the receipt of taxes and fees in 2013 required a huge amount of work under the new standards. We had a team of over 10 people working on the report. Our staff worked for more than a month to prepare a wide variety of research data and information. If this situation continues, it will affect the performance of key functions of government agencies. So the Secretariat will probably need to revisit the reporting templates and reporting requirements. As the scope of EITI increases, there are more inefficient activities.

P. Erdenejargal: It is actually unnecessary work. We need to work out how to integrate and coordinate the task. The report shows that there has been a huge amount of research, so we must work on how to disseminate this work to the public.

Ch. Bayarjargal: Inspectors come to our company as often as possible; there is almost no break between inspections. We have to produce many types of reports, which are verified by the finance department in the last stage. So we must work to

disseminate the information in the shortest possible time with maximum effectiveness.

L. Dolgormaa: We produce reports for everyone, so now we need to pay attention to disseminating the reports to the target audience and to whom the report should go.

N. Bayarsaihan: I think this year's report is good and is easy for civil society to apply. For instance, the donation data can be disaggregated by soum and purpose. What sanctions and consequences will be imposed on government agencies that ignore the report? What sanctions will be imposed on Mongolbolgargeo that had huge discrepancies? Without talking about responsibility there will be no results from our years of discussion. So there need to be sanctions from the report findings, and the bill does include some sanctions. Second, the reports need to be submitted to all MPs and the Economics and Budget Standing Committees. The previous reports were never submitted to MPs, who therefore had little EITI understanding when the bill was discussed at the Standing Committee. Then the EITI report must be publicly disseminated. All such actions must be included in the draft. Minister Bayartsogt said all inspections of private companies will be made transparent. That is important, but I also suggest including the contract in the Glass Account. Another important suggestion is to distinguish donations from investment. To ensure that we are all on the same page, we must hold broader discussions and debates. This is one of the recommendations made by the PWYP Coalition from its multi-stakeholder discussion at the beginning of 2014. I want these proposals included in the decisions of this meeting and acted them.

G. Urantsooj: We monitored the implementation of recommendations from reconcilers over the last 6 years as part of our work for the PWYP Coalition. We found that most recommendations were not implemented, just ignored. We are working to resolve this. I propose that the 2015 Action Plan must include specific action to implement the reconciler recommendations. Thanks.

L. Davaatsudev: The current Extractive Sector Transparency Bill incorporates many acts on negligence that are already legislated. However, discrepancies and violations today might be the result of lack of legislation. So it seems that the government must appoint a working group before the law is adopted, to check how to integrate and ensure coherence of these many reports and data.

B. Delgermaa: Thank you all. You offered good suggestions. The draft decision from the National Council meeting was circulated to you, but needs revision and

modification to incorporate what you have suggested. Mr Galbaatar, your suggestion was important. We have heard some good ideas, such as how we report on the 10 largest companies in Mongolia, on media and awareness raising, on environmental costs, and on monitoring reclamation etc. First, let's establish the working groups within the first quarter.

RESOLVED TO:

1. Approve the EITI 2018 reconciliation report (8th report) prepared by Hart Noirs Ltd (UK) and the Ulaanbaatar Audit Corporation, Mongolia.

2. Organize the following action to disseminate the report to the target audience and the general public:

2.1 EITI Secretariat (Sh. Tsolmon) should send the final report to the International EITI Board before 20 January 2015;

2.2 The EITI Secretariat and Press Office of the Cabinet Secretariat should organize a press conference about the National Council meeting in January 2015;

2.3 The Senior Prime Ministerial Advisor (B. Delgermaa) and the Mining Minister (R. Jigjid) should present the EITI report to the Economics Standing Committee and the Budget Standing Committee of the State Great Khural before the end of the current session;

2.4 Post the full report and its abridged version on the EITI website for the public;

2.5 The Open Society Forum (P. Erdenejargal) and the Mongolian National Mining Association (N. Algaa) should hold a press conference on the positions and views of stakeholders on the report in first quarter 2015, and the Mining Minister (R. Jigjid) should speak about EITI at the Transparent Mining press briefing, a regular event to publicize sector-specific information;

2.6 The EITI Secretariat should process data for target groups using the EITI report and should frequently disseminate the data according to the Action Plan.

3. Assign Senior Prime Ministerial Advisor (B. Delgermaa) to establish designated working groups on the following: separate recording of mining revenues; deposits for environmental reclamation; environmental monitoring; data to be submitted to reconcilers and included in templates; study extractive sector contracts and their benefits; and equal application of the law to the top 10 mining companies. The groups should have representatives of the National Council, the MSWG and government agencies in quarter one.

4. Assign EITI Secretariat (Sh. Tsolmon) to ask for comment and clarification from government agencies evaluated as bad or poor in reporting; send a formal letter requesting sanctions to the upper level agency; and organize all necessary training.

5. Assign the Finance Minister (J. Erdenebat) and National Audit Agency (A. Zangad) to develop and apply regulations on the National Audit Agency to verify government reports to EITI.

6. Assign EITI Secretariat (Sh. Tsolmon) to create a database of shareholders in extractive business as in the EITI report and post on the EITI website.

2. TOPIC: LEVEL OF IMPLEMENTATION OF EITI 2014 ACTION PLAN AND DRAFT ACTION PLAN FOR 2015

P. Erdenejargal: I have a suggestion. We have all read the reports on implementation of 2014 Action Plan, so do we really need to discuss it? Mr Tsolmon, do you have something to say in 2 minutes, not 5?

G. Urantsooj: Today I have to go to Selenge, so may I leave now? I am applying for leave.

D. Galbaatar: May I also leave the meeting? I support the draft 2015 Action Plan. What about allowing people from far away to leave now as it is getting late?

D. Delgermaa: OK, as Urantsooj and Galbaatar have given their comments and opinions, we will release them go as they are travelling to the countryside. Bon voyage.

Sh. Tsolmon: I have some observations on the EITI 2013 report. Currently EITI is implemented by 48 countries, although only 3 have produced a 2013 report: San Tome Principe, Kazakhstan and Mongolia. So Mongolia occupies a leading

position. Second, we planned a lot of work for 2014, but some had to wait for World Bank financing. The leading task was submission of the EITI bill, which was discussed by Cabinet and submitted to parliament. I note that the Mining Ministry, EBRD and Adam Smith International, providing technical assistance, worked hard with commitment and responsibility. In September–November we held an EITI day event in 9 soums as part of our goal to implement sub-national level EITI, to disseminate information locally and to build capacity. As a result, we have set up EITI sub-national councils in 4 soums. For local work, stakeholders are the General Department of Taxation, the Mineral Resources Authority, the Mongolian National Mining Association, the Gold Producers' Association and the PWYP Coalition, which all made good contributions. We plan to continue this work in 2015. We have not yet set up sub-national councils in Darhan-Uul and Orhon aimags; we have met the provincial administrations and submitted all necessary documents, but they have not yet established sub-councils. I suggest the National Council should send a formal letter to the aimag governors. Another important achievement was extensive training, information and education/awareness. We printed 2700 copies of the soum-based EITI reports for 2011-2013 and delivered them to the soums where we held the events. We also started using an e-reporting system. In 2014, companies and government agencies will submit their reports via the e-system. I thank the National Council and MSWG members for their cooperation in 2014 and expect that we will continue our fruitful cooperation. We have one year until World Bank financing ends in 2015. I hope that we will make the best use and benefit of this financing and will get better validation results. Thank you.

P. Erdenejargal: I have two suggestions. What about selecting a reconciler for a two-year reconciliation? If National Council members discuss and agree to this, we will lose no time in selecting the reconciler. Otherwise, we have to talk about the 2013 report in 2015. Second, what about holding a National Council meeting every quarter, without waiting for our busy Prime Minister, but inviting all who are able to attend? As a National Council member, I think the potential for effective meeting attendance is limited because we meet only once a year, but we do discuss many topics. Please consider this. Thanks.

B. Delgermaa: Let me comment on the last suggestion. As you know, a new Cabinet was established and we were supposed to meet in 2014, but in that year the new Cabinet was not able to hold a National Council meeting. We needed to discuss many important issues, such as approving the 2013 report and considering the 2015 Action Plan, so we had to organize this meeting on a very tight schedule and at a very busy period in which parliament is busy discussing amendments to

the national budget. My apologies. It is true that the national economy is in some difficulty, so we called the National Council meeting with a short notice of a fortnight, and the Prime Minister managed to find time to attend, although he had a lot of other work and government work must not stop. In 2015, the National Council must work hard. Today I attended the first meeting of a working group preparing for the 2015 ASEM summit, with 53 heads of state. It was strongly urged that Mongolia needs to establish a correct international awareness of our mining policy, a key factor for the economy. Minister Bayartsogt pointed out in his opening speech that we must have a patriotic approach, with mutual understanding and collaboration. To do our best in 2015, we and the government have a very limited time. So instead of meeting as such large numbers, we should resolve issues in small working groups, contact each other online and work towards realization of recommendations as a more effective way. Let's take into account the suggestions from Erdenejargal, and the Secretariat will consider how best to organize this. Thank you. Now, let's consolidate questions and comments for the 2015 Action Plan: I will allow an extra 20 minutes.

N. Algaa: May I leave after some suggestions for the 2015 Action Plan?

B. Delgermaa: No, now I am not going to allow anyone to leave, we will finish today's meeting together. Please ask questions and give comments on the 2014 Action Plan. I have already distributed the 2015 draft Action Plan, so there will be no presentations. Just give opinions on what action to add or remove. Agenda topics 2 and 3 are merged into one session.

N. Algaa: I personally believe that the 2015 Action Plan can be fully implemented. However there are two items that need attention. First, advertising and promotion: we need specific formats for disseminating information to target groups. That means we need to reprocess data into a simple and easy-to-understand format for target groups such as government, companies and civil society; otherwise we have a thick report and lots of paper. We need to make significant change here. Second, the National Council meeting must be stabilized, as Erdenejargal suggested. Perhaps we don't need to specify how often to meet, but we can establish small working groups for issues, and if any issues remain unresolved, then we can call a National Council meeting. That would work.

B. Byambadagva: The 2015 Action Plan says license transfer data will be posted on the EITI Secretariat website. License transfer information is updated and posted on the MRAM website monthly and anyone can see it. Do we really need to post it again on the EITI website? Second, item three in the plan says exploration data:

what type of data does it mean – is it on exploration by private companies? If so, is there any need to disclose such confidential information about the amount of exploration, this much drilling and this much reserve? I propose to remove these two items from the plan. MRAM must do its day-to-day work; we receive lots of data and reports, and we have a staff of 10 dedicated 100% to preparing the EITI report. We process data and submit it to the reconcilers, we attend training sessions and workshops, travel to countryside and provide lots of information such as license and mining reports, all under EITI. We have a lot to do aside from the EITI, so I am do not support these two items.

S. Burentogtoh: In 2014, gold producers gave considerable support to the EITI and held many events in partnership. I offer some suggestions based on our experience and knowledge as an MSWG member. We talk about making information public in an easily understandable way. The e-reporting system developed by Adam Smith International can have a stand-alone portal solely focused on the gold sector. This would improve information exchange and coherence of government agencies and information on gold production would be easily accessible. I ask you to include this in the Action Plan as a second stage of e-reporting. As long as all company data is online and digital, data can be disaggregated by type of company business. Under company law, the amount of gold production and sales is confidential, but everything is disclosed by the EITI report. What should be done about this? The National Council needs to re-visit decisions whether to close off or disclose and take action to ensure cooperation from government agencies, so that gold sector data can be made public in a timely way.

B. Delgermaa: The Mining Ministry agrees that such disaggregated data can be prepared and included in the Action Plan.

Ch. Otgochuluu: I have two questions for the Secretariat. The Canadian Foreign Minister visited Mongolia at the end of July. Canadian students and researchers studied the EITI, finding that our report was too big and thick, and they produced a three-page brochure. What has happened with this? Has it been translated into Mongolian? Second, the PWYP Coalition produced a TV program, and interviewed me: what happened with this program? Next, officials in Norway say that Mongolia included a huge amount of data in its EITI report and advised making the report easier to understand for a recent high school graduate or a rural herder. The Mining Ministry supports the EITI in increasing public awareness that mining makes a significant contribution to the national economy. Such a big report puts people off, and we keep asking for a shorter, simpler version. Is anything being done?

Sh. Tsolmon: For the 2012 EITI report we developed the contents into brochures and material that is simple and easy-to-understand. We produced a poster with infographics and brochures, which were distributed in soum-based EITI events. We also amended the website to a simpler format, opened FB and Twitter accounts and published in newspapers monthly. We plan more such work in the future.

B. Delgermaa: In terms of the way we disseminate information, Mr Algaa also offered ideas on better format. We have representatives of Transparency International at this meeting. I hope they can help us to raise public awareness. Any more suggestions?

N. Bayarsaihan: Despite financial limitations, we carried out some specific actions in 2014. We prepared soum EITI reports from the national report, which was important and noteworthy. World Bank financing stopped, but some action could have been possible if we had not waited for advice from Gansuh. We must pay more attention to continuing actions without being affected by cessation of financing. Byambadagva asked for the removal of sections 1 and 3 from the draft Action Plan. They should not be removed, but incorporated with other action. You said you have to release over 10 staff from their work to complete the reportage. Now, we should not delete action, but should think of how to more effectively use the e-reporting system and process data more quickly. We need to initiate something to link the cadaster and license registry systems at MRAM and the EITI system. I propose we do not to remove those actions, but need to change to “integrate” or “link” them. Sections 27 and 32-35 seem to cover national and regional forums. It is cost-intensive work, but what are the outcomes? We are just listing actions, but not talking about outcomes. We need to focus more on outcomes and hold forums in areas like the Gobi and the west, and change the form of the event; that is what I propose. Is it necessary to cover all 21 aimags in the National Forum? Or is it more important to cover the aimags which have mining sectors? As Algaa said, we need to focus on target groups. Next, I suggest holding a multi-stakeholder debate on donations and investment. Also, Delgermee of the Secretariat developed a good handbook on processing data for soums; sections 38 and 39 say the handbook/guideline will be delivered to soums. These are just one action, so I propose training for sub-national councils on the guidelines. Earlier, the PWYP Coalition recommended internal evaluations, which are proposed in the 2015 Action Plan.

B. Delgermaa: Your time is up.

N. Bayarsaihan: The National Council did not meet in 2014. Whenever we meet, we just talk about the report, Action Plan implementation and the next year's Action Plan. I suggest a National Council meeting in June to discuss policy issues.

B. Degermaa: There is time for only two more comments before we conclude the meeting.

H. Lhamaa: Section 2 of the Action Plan on rural promotion of the EITI report in partnership with EITI sub-national councils must also include companies and needs to be re-worded as "all stakeholders." If each stakeholder holds an individual event, there will be problems – maybe local people won't show up. We must promote EITI in rural areas using all possible resources, and work with the companies. Next, the Regional Forum: this must be held in key mining areas, not in all 21 aimags. Herders in remote aimags cannot attend a Regional Forum; a National Forum would discuss large scale policy issues, and a Regional Forum can discuss specific local issues. So we need to attract the soum community as well as aimag and soum governors.

B. Oyun: I am Oyun, and I represent the Petroleum Authority. I agree with Byambadagva of MRAM and support the removal of sections 1 and 3 in the draft Action Plan. There are just a few oil companies, 15-16 companies exploring for oil. There were no changes in 2014, so our agency must be removed from section one. Oil companies carried out almost no exploration because of changes to the Petroleum Law and the economic situation. So I again suggest removing our agency from section three.

B. Delgermaa: That concludes the agenda section for questions and proposals. We will make the necessary changes in the Action Plan and will send the final version to National Council members. Please let us have your comments. Now, let's approve the Action Plan in principle by show of hands. As to the second topic, if you approve implementation of the 2014 Action Plan as successful and sufficient, please raise your hand. Thank you. Please take this National Council meeting as belonging to 2014.

As National Council Secretary, I have something to say. In 2015, the National Council will work differently. We will not meet for hours as today. When I am abroad and call up someone in Mongolia, they always whisper that they are at a meeting. I keep sending emails, with no reply because the recipient is at a meeting. We are not going to waste our precious time on meetings. Now we are going to

take more practical and realistic decisions from the National Council, I promise everyone. Now, thank you National Council members for your time.

RESOLVED TO:

1. Evaluate implementation of EITI 2014 Action Plan as sufficient.
2. Approve the EITI Mongolia 2015 Action Plan with the inclusion of members' comments.
3. Assign EITI Secretariat (Sh. Tsolmon) to submit the EITI Mongolia 2014 report and 2015 Action Plan to the International EITI Secretariat before 20 January.
4. Assign EITI Secretariat (Sh. Tsolmon) to organize procurement and bidding for a reconciler for the EITI 2014 reconciliation, develop ToR for the reconciler, select a bidder according to law (for reconciliation of 300 companies) and report the outcomes to MSWG before the end of 2015 quarter two.
5. Assign EITI Secretariat (Sh. Tsolmon) to study the possibility of selecting a reconciler for a two-year reconciliation and inform findings to National Council members before the end of March 2015.
6. Assign EITI Secretariat (Sh. Tsolmon) to develop information and data for various target groups for presentation to the first 2015 MSWG meeting.
7. Assign EITI Secretariat (Sh. Tsolmon) to establish EITI Information Centers in Tuv, Dornogovi, Bayanhongor and Selenge aimags and report on progress to MSWG no later than the end of March 2015.
8. Assign National Council Secretary and MSWG Chair (B.Delgermaa) to oversee implementation of resolutions/decisions.

Meeting ended at 18.50.

Meeting minutes revised by: (B. Delgermee, Senior Prime Ministerial Advisor and National Council Secretary)

Meeting minutes checked by: (Sh. Tsolmon, EITI Secretariat Coordinator)

Meeting minutes taken by: (A. Otgontungalag (EITI Secretariat Finance Officer))

NATIONAL COUNCIL DECISIONS:

RESOLVED TO:

1. Approve the EITI reconciliation 8th report as prepared by Hart Noirs Ltd (UK) and Ulaanbaatar Audit Corporation, Mongolia.
2. Organize the following actions to disseminating the report to the public and target audiences:
 - 2.1 Assign EITI Secretariat (Sh. Tsolmon) to send a final report to the International EITI Board before 20 January 2015.
 - 2.2 Assign the EITI Secretariat and Cabinet Secretariat Press Office to hold a public press conference about the National Council meeting in January 2015.
 - 2.3 Assign Senior Prime Ministerial Advisor (B. Delgermaa) and Mining Ministry (R. Jigjid) to present the EITI report to the Economics Standing Committee and Budget Standing Committee of the State Great Khural before the end of the current session.
 - 2.4 Post the full report and its abridged version on the EITI website for the public.
 - 2.5 Assign the Open Society Forum (P. Erdenejargal) and Mongolian National Mining Association (N. Algaa) to hold a press conference on the positions and views of stakeholders on the report in 2015 quarter one, and

assign Mining Minister (R. Jigjid) to speak about EITI at the Transparent Mining press briefing, a regular event for publicizing sector-specific information.

2.6 Assign the EITI Secretariat to process EITI report data for target groups and frequently disseminate according to the Action Plan.

3. Assign Senior Prime Ministerial Advisor (B. Delgermaa) within 2015 quarter one to establish working groups on designated subject: separate recording of mining revenue; deposits for environmental reclamation; environmental monitoring; list of data to be submitted to reconcilers and including these data in templates; studying extractive sector contract and their benefits; and equal application of the law for the top 10 mining companies; these working groups to include representatives of the National Council, MSWG and government agencies.

4. Assign EITI Secretariat (Sh. Tsolmon) to ask for comment and clarification from government agencies evaluated as bad or poor in reporting; send a formal letter to the upper level agency requesting sanctions, and run necessary training.

5. Assign the Finance Ministry (J. Erdenebat) and the National Audit Agency (A. Zangad) to develop and enact regulations on the National Audit Agency to verify the government report to EITI.

6. Assign EITI Secretariat (Sh. Tsolmon) to create a database of shareholders of extractive business as in the EITI report and post it on the EITI website.

RESOLVED TO:

1. Evaluate implementation of the EITI 2014 Action Plan as sufficient.

2. Approve the EITI Mongolia 2015 Action Plan with inclusion of comments from members.

3. Assign EITI Secretariat (Sh. Tsolmon) to submit the EITI Mongolia 2014 report and 2015 Action Plan to International EITI Secretariat before 20 January.

4. Assign EITI Secretariat (Sh. Tsolmon) to organize procurement and bidding for a reconciler for EITI 2014 reconciliation, develop ToR for the reconciler, and

select the successful bidder according to law (for reconciliation of 300 companies) and report outcomes to MSWG before the end of 2015 quarter two.

5. Assign EITI Secretariat (Sh. Tsolmon) to study the potential for selecting a reconciler for a two-year reconciliation and inform National Council members before the end of March 2015.

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7. Assign EITI Secretariat (Sh. Tsolmon) to set up EITI Information Centers in Tuv, Dornogovi, Bayanhongor and Selenge aimags and report to MSWG no later than the end of March 2015.

8. Assign the National Council Secretary and MSWG Chair (B. Delgermaa) to oversee implementation of resolutions/decisions.