

**Minutes of 11th meeting of National Council of Mongolian Extractive Industry Transparency
23 December 2012**

The 10th meeting of the EITI National Council opened at 5pm, 23 December 2013, in the Government House 'A' hall.

Present: N. Altanhuyag (Prime Minister of Mongolia); D. Damba (President, Mongolian National Mining Association); D. Galbaatar (Chair, Erdenet Mining Company Marketing Bureau); S. Ehntuya (CEO, Monpolimet LLC); M. Boldbaatar (Chair, , Mongolroostsvetmet LLC Supply Department); G. Urantsooj (Human Rights and Development Center head); N. Bayarsaihan (Steps Without Boundaries NGO head); B. Bayarmaa (Huvsgul Dalain Ezed [Owners of Huvsgul Lake] NGO head); G. Chagnaadorj (Arun Suvarga NGO head); J. Gombojav (Mongolian Environmental Civil Council NGO board member); B. Batbold (Mongolian Environmental Civil Council NGO board member); L. Gansuh (Secretary, EITI National Council and Senior Prime Ministerial Advisor); Ch. Otgochuluu (Ministry of Mining Strategic Policy Planning Department Chair [representing D. Ganhuyag, EITI National Council Deputy Chair and Minister of Mining]); D. Nergui, Ministry of Mining Division Chair; G. Zulai, (Ministry of Finance Accounting Department officer [representing Ch. Ulaan, Minister of Finance]); Senior Commissioner L. Suh-Ochir (Independent Agency Against Corruption Division Chair [representing N. Ganbold, Independent Agency Against Corruption Chair]); H. Lhamaa (OT LLC Multi-Stakeholder Relations Officer [representing Cameron McRay, OT LLC President and CEO]); Otgontuya (CSR and PR Department of Energy Resources LLC officer [representing G.Battsengel, Energy Resources CEO]); B. Buyant [representing D. Oyunbileg, Urmun Uul LLC CEO]; Uranchimeg (PWYP coalition officer [representing L. Dolgormaa, Responsible Mining Initiative NGOhead]); B. Otgonsaihan (My Mongolia-Motherland Movement NGO CEO [representing N. Dorjdari, Open Society Forum manager]).

20 of the 30 EITI National Council members were also present, making a meeting quorum of 66%.

Also present with EITI invitation: G. Altansuh (Mineral Resources Authority Chair); S. Battulga (MRAM Mining Department Chair); D. Munhsaihan (MRAM Mining Department officer); D. Enhtuya (General Administration of Taxation Deputy Chair); D. Enhtuya (General Administration of Taxation Senior Inspector); B. Jigden (Dalaivan Audit LLC CEO); B. Gantulga (Senior Auditor); Ts. Ganbold, T. Otgonbat, B. Munguntulga and D. Bolorbayar (Auditors); P. Oyunbileg (Adam Smith International Coordinator); Sh. Tsolmon (EITI Secretariat Coordinator); B. Delgermaa (EITI Secretariat Communication Manager); A. Otgontungalag (EITI Secretariat Finance Manager).

N. Altanhuyag, Prime Minister of Mongolia and EITI National Council Chair, gave opening remarks (attached).

Meeting Chaired L. Gansuh (EITI National Council Secretary and Senior Prime Ministerial Advisor) opened by presenting 4 agenda topics with a vote on approving meeting rules and regulations.

I. TOPIC: Mongolia EITI 2012 Audit Reconciliation Report, produced by the Moore Stephens, UK/Dalaivan Audit, Mongolia, consortium.

B. Jigden: Saluted participants briefly spoke on the 7th Mongolia EITI (2012) reconciliation report (presentation attached).

L. Gansuh: Our discussion on the report on the MSWG Meeting concluded that the report is generally fine. So, does anyone have questions regarding the report?

J. Gombojav: Environment protection payments must be deposited in special accounts. How much has so far been deposited in how many agency accounts? It is commonly suspected that government ministries and agencies open these special accounts and use them for undesignated purposes, so I would like to hear breakdowns. Second, I am interested in breakdowns of donations and aid received by ministries and agencies. Third, you reported that 129 of 200 companies failed to submit environmental protection and reclamation reports. Can we say that the companies which failed to report their environmental performance did nothing in terms of reclamation? These companies include 4 uranium miners. Please answer these questions.

B. Jigden: As with donations, there is a discrepancy of MNT 5 billion in unsettled accounts between Boroo Gold LLC and the Ministry of Health. Boroo Gold built a hospital for the Ministry of Health; this was reported by Boroo Gold, but not reported by the Ministry. In other words, the government did not report this as a receipt, but Boroo Gold has clearly seen as it as a donation of a hospital worth MNT 5 billion. In terms of reclamation, it is true that 129 companies did not submit their reports. This falls under our Terms of Reference, so we have checked this. However, our international consultant says it is not a sort of payment that must be included in the reconciliation report. He advised this must be carried out by a different agency; we did our best and reconciled reports from 70-80 agencies. Our Terms of Reference do not say that reconciliation should be made by soum. For 2,307 companies, you can see this in Attachment 6, which shows results by aimag.

L. Gansuh: Mr Altansuh, please comment on this question: 2,323 companies have exploration licenses, but some appear to be not using their license. Could you clarify if these companies do not have to pay deposits as they are not extracting.

G. Altansuh: Exploration license holders deposit 50% of their environment reclamation costs in a special bank account at the soum level. Presently, some companies are complying with the rule, some not.

L. Gansuh: Does the rule have to be complied with only if the company is undertaking exploration? Or must every licensed company pay a deposit for environmental reclamation? Mr Gombojav says that all 2,323 companies must have paid a deposit for reclamation. You, as professionals, must give us answers. As I understand it, if a company does no exploration, it need not pay a deposit. I believe that they should pay a deposit when they undertake work in accordance with geological exploration plans. In addition, we hear that 129 companies failed to submit environmental reclamation reports. How can a company with license type A, which did no mining activity, submit a report on reclamation? Is there an agency that can clarify this? We must talk about matters of proper ownership. That is why I called all government agency representatives for this meeting. You need to give us concrete answers. If you have no data to report at the moment, give the data to Mr Gombojav later. Mr Jigden says this must be in the form of various statistics. EITI aims to reveal revenues from exploration or extraction, and for what such revenues are spent. If we say they must report everything once they have a license, we must have a different

discussion. For instance, this data could probably be produced at MRAM. In 2013, we could not get the draft EITI law approved, so representatives may have various ideas and comments. By making everything subject to the proposed law, we expect to sort out existing problems. We have important activities for 2014: first, implementation of an online system; second, get the EITI bill adopted; this will be great impetus for our work. If a company fails to submit an EITI report, we will be able to take action such as suspending/terminating the license, or imposition of other type of penalties. The main reason that we have discrepancies in the report is that one side provides work or service, but the other side reports it as not received or does not report at all. I think that all three stakeholders discussed this issue thoroughly and understand each other very well. This must be reflected in the law and the online system must be introduced, so that we will have fewer difficulties.

B. Otgonsaihan: Slide 12 of the reconciliation report says of the MNT 15 billion that the General Taxation Administration reported it as accepted at the local level. How can we understand this?

B. Gantulga: I am a senior auditor of Dalaivan Audit and was head of the Mongolian team in the reconciliation. All government revenues were classified as paid to the central government budget and were paid to the local government budget. This amount was paid to local government. It mainly comprised compensation paid as a result of tax inspection and payment of loss for unpaid taxes etc. In other words, it is the amount that companies reported as taxes paid to local government.

L. Gansuh: What does that mean? For example, the Umnugobi aimag government must have received tax revenue for its budget. I ask why it is said that General Tax Administration paid Umnugobi aimag.

B. Gantulga: Simply put, companies have misreported that they paid to local governments; when we tracked it, we found it was paid to General Tax Administration.

L. Gansuh: Then you should exclude this from the report. Maybe you need to amend the report or at least explain the payment in brackets: for example, "water fee to the Ministry of Environment and Green development to local subsidiaries." The report looks confusing. At least you could say it was misreported. But you did this in response to a request from CSOs, so it must not be included. So put payments to named larger aimags and put the rest as "other." Correct this in the final report.

A. Chagnaadorj: To answer Mr Gombojav, government levies taxes on every license. We see a public announcement in newspapers that licenses will be terminated unless companies pay license fees.

L. Gansuh: What you say is not an answer to Mr Gombojav. He asked how many companies had paid the environmental reclamation deposit. This should be part of other statistics, because our report includes the whole amount; 7 businesses were included in the report because they have licenses although they did no exploration at all.

B. Batbold: Do mining companies pay the local government administration if they have an agreement with the government? I understand they make contract in order to supply something.

L. Gansuh: Companies reach an agreement when they start operations. Larger companies protect the environment as a benchmark and offset. In other words, they reclaim certain plots of land today in order

to demonstrate they will carry out reclamation, perhaps in 30 years. We are not going to disclose environment reclamation data in this transparency report. It must be reported in a different way.

D. Damba: Every company with a license pays 50% of total reclamation in advance. They have to. By law, a license is terminated if a company doesn't submit an exploration plan every year. Where does this 50% go? The Ministry of Environment has a special bank account, where I believe the money goes. If there is anyone here from the Environmental Agency, s/he could explain. This data belongs to the 2012 report, so must have been submitted to MRAM. It must be clear now how many companies have paid how much in deposit. In terms of any discrepancy, it must have gone to the Ministry of Environment. I understand that Mr Gombojav asked how much that involves.

L. Gansuh: I think Mr Gombojav asked how much was paid to local governments, namely soums.

J. Gombojav: Both. But you have not sufficiently prepared for this meeting. Why did not you bring those ministers? We are all members of the National Council. Why aren't the Minister of Mining and the Minister of Environment here? If they cannot attend, where are their deputy ministers? We are talking about transparency, but why are we not running this meeting in a transparent way?

L. Gansuh: Chairman Otgochuluu and chairman Nergui are present, representing the Ministry of Mining. Minister Oyun represents the Environment Ministry. Enhbat is a member of MSWG so he need not attend this meeting. We must announce this report and other activities through the media, but it is incorrect to disseminate unfinished things to the public. Even now, we see a need to change the report. I think we should disseminate information only after that. In addition, let's inform National Council members. Let's ask the Prime Minister to speak to ministers and other members who do not show up for a meeting.

So, if you have no further questions, you can give comments and suggestions.

P. Erdenejargal: I am glad we are discussing the report of the previous year. I am also grateful that we are strengthening our tri-partite cooperation. However, I don't want to agree with recommendations made by consultants in the reports. Mongolia has a specific context as regards benchmarks of other countries. I don't know who the international consultant was. I do not agree with his/her conclusion on how we comply with an average benchmark. For instance, the report says that there was no scoping study prior to reconciliation. We set specific thresholds and agreed to cover the companies that were above the threshold. This is our 7th report, so I think we have gained considerable experience. My next issue is in regard to donations. We were especially concerned that local donations may not be recorded, so we included such donations in reporting requirements. Environmental reclamation costs must be included in the report. It is a different issue as to whether these must be reconciled. I think that all must keep producing reports in a unified way. We are doing something useful for Mongolia, so we must produce a report consistent with the Mongolian context, not necessarily following international examples. My next thought is that we are talking about how companies get their financial reports audited and then produce their EITI reports, but not about getting such EITI reports audited. Maybe I misunderstood. Mr Jigden, could you please clarify? We actually have a goal to improve our finance and accounting.

B. Jigden: On the bottom of the three templates and on supporting documents, it must be stamped that the financial reports were audited. The purpose of financial reporting for business entities is different; they have different standards and methodologies. This is a report produced once a year. Data contained

in the existing 7 templates are inappropriate, so such data must be verified and audited. Information on donations is also disclosed once a year. As to the threshold, we should not say it is specific to the Mongolian context. Setting an MNT 40 million threshold must not be thought of as a large achievement. A scoping study involves detailed indicators and thorough studies. I think we must do further scoping studies. As with donations, it is a different issue as to whether these must be included. Actually, the EITI is not an institution acting like the Anti-Corruption Agency or the Tax Authority. It rather discloses what was paid and received; if the donation money is stolen or evaded is another issue. I believe it is vital to make the law and regulate everything by law.

L. Gansuh: It is also an issue that needs to be included in the draft law. Companies just pick figures from their reports, so it is likely there won't be any need for an audit. The company accountant must be responsible for this. If the accountant acts incorrectly, s/he must be liable for this. Otherwise we are making more work for the agencies.

N. Bayarsaihan: I have already spoken on this at the MSWG meeting. Data is provided in a reconciliation report. We must disclose the overall data, showing what percentage of government revenues from the mining sector is paid by these companies and what percentage unreconciled companies should pay. Then we disaggregate by aimag, showing which aimags are self-sustaining in terms of finance from the sector. As such, we must include data of interest in the report, which should comprise information that the community, civil society, media and researchers can use effectively. Please clearly note the term "local transaction." I want the report to offer information that a local community can use in a correct and clear way, in user-friendly terminology. The Section "Issues encountered" and the conclusion say that some stakeholders have unclear/uneven knowledge on the initiative and are less willing to implement the initiative. It must be clear, to avoid misunderstanding and unwillingness to implement, to make the report effective.

J. Gombojav: Being a license holder imposes responsibility. They pay license fees, which means they must improve their mining activity. Paying the license fee means they are responsible. The rationale for the 1997 Minerals Law requires 50% of total environmental reclamation costs in advance, in a special account. We know that some companies acquire licenses just to sell. If government agencies fail to do their job, then the task must be given to NGOs. In 2014, we carried out checks and inspections in 138 soums where mining is taking place, and we found that it is quite possible to oversee mining operations. Of 200 audited companies, 149 had no contract. When we checked more closely, four companies signed a contract to improve their implementation of environmental legislations; 16 reached a contract on water use; and 83 made contracts on land use; the others did not sign any contract at all. We have data from only 20 companies. How much data could we get from 2,303 license holders? The figures show that some companies could have their licenses terminated. They also show that a need to reduce the number of companies holding multiple licenses. We represent the Mongolian Environmental Civil Council. My proposal is to include action in the 2014 Action Plan to be carried out by the Civil Council and other civil society organizations.

D. Damba: Some progress has been made since the EITI started implementation. This must be made optimal and effective. We commend action to increase coverage; but we still lack action to encourage active companies and impose responsibilities on inactive companies. For example, you say that Donhshin LLC did not submit its report. What measures should we take in response? Keep favoring such

companies? Is it fair that some don't submit a report while others submit reports that disclose everything? There are many potential responses, such as terminating licenses of companies that fail to submit reports. We must take the initiative. It is also unclear what we mean by 'contract.' Do we mean a tri-partite agreement made locally, or just a supply contract between a company and other agencies, or water and land use contracts with government agencies? This must be clarified. For example, if a private company supplies spare parts to another private company, do we really need to reflect this in the report? We must consider this. The report may contain too much redundancy and intervene in deals between private companies. There should be enforcement in state-owned companies. That is why we need to clarify what we mean by contract/agreement. In particular, contracts between government agencies and agreements with the State Property Committee must be clear and transparent.

Environment reclamation deposits are unclear. It is unclear how much to pay. Companies pay what they want. Some say MNT 50,000. I know that companies put deposits in the local government account, but it just disappears. If a company has completed reclamation and formally transfers the area back to the local government, the deposit should be returned, but there is no money and no account. We must have a mechanism defining how the money must be used, or put into financial turnover. Government agencies are much too bureaucratic in providing services; they receive quickly, but deliver slowly.

Our National Council aims to ensure public transparency. But the present situation shows that we are not achieving our goal. Advertising is carried out badly, all materials stay with the people sitting here, while some get their information from the EITI website. By contrast, the local community doesn't understand and has no information access. So we must announce decisions via TV and radio. We should meet journalists for interviews. It is vital to disseminate information about initiatives and what we are talking about here to the local community and disclose revenues to local people.

Ch. Otgochuluu: The Minister is not able to attend this meeting as it clashes with another meeting. He has promised to show up if the other meeting finishes early. I have some information to share. The government policy on the mineral resource sector will probably be approved next week. The draft policy document has a provision about transparency and says a stand-alone law will be passed. There is a Working Group for the EITI Law at the Ministry. However, we are striving to get the policy document approved first. In 2013, ministry representatives attended two important events, in Norway and Sydney, Australia. The Minister of Mining attended himself. I recently attended a G8 meeting, where they discussed the same issue we are talking about here. Developing and poor countries are talking about a free market, but companies from developed countries operating in those undeveloping countries have insufficient transparency; that is the issue. There is a development organization called Oyu City, which has been asked to make recommendations to resolve such transparency issues over the next 2-3 years. Disputes like those we have with OT also exist in other countries, in larger countries: the US, Japan, Canada and poor countries like us. We discussed issues such as where the problem lies, how to resolve it, possible sample agreements, development of transparency, and making local mining beneficial to local communities. They also wanted Mongolia to join this work and become a model country. Four Working Groups are tasked for issues such as defining how to use of global resources up to 2030, how the industrial sector will develop, how to reduce poverty and how to improve transparency and fight corruption. Some action undertaken by our ministry includes a mining governance index. Mongolia has had a falling ranking on a mining sector governance index. Currently, we are developing a strategic plan

to improve this situation. We have agreed to cooperate with Oyu City. We are also planning to run a public dialogue entitled Mineral Resources 2015. At present, exploration is permitted on 30% of the country, while mining is taking place on less than 1%. We are holding this dialogue to provide accurate public information about our mining sector. We are also considering a separate discussion on transparency. Our Ministry is working actively towards implementation of the initiative, and will be even more active next year.

G. Urantsooj: The National Council meeting has made progress year to year. We pay attention to the 50% environmental reclamation deposit. A previous report said that MNT 25 million had been deposited; the 2012 report indicates a MNT 25 billion deposit. This looks progressive, but the speed has not yet come up to expectations of a desired level. We spend time and resources working at the National Council, MSWG and Secretariat. Annual reports suggest possible policy recommendations, but these have not yet been developed. Current recommendations do not yet meet requirements, so must be further improved. We could look at recommendations in previous reports; offer policy recommendations; describe why the current legal environment does not work and why it is inappropriate, so that we could use such findings to develop a more optimal and efficient mineral resource sector policy. Such action is necessary. In response to an assignment from the PWYP Coalition and recommendations from the previous six reports, we are monitoring what the National Council did and did not do. We hope to be able to present the findings of the monitoring in the next meeting.

As to 2012 report recommendations, we must do additional work for implementation of recommendation and for re-processing so that we ensure that everyone is on the same page. Each reconciliation report shows that many laws are not complied with. In the past we have highlighted such discrepancy, but it is now relatively small; we now need to focus on other recommendations, such as more effective initiative implementation. We also need to consider altering the dates for reconciliation. Data collection for the 2013 reconciliation needs to be in the first half of 2014, so we need to plan for this.

L. Gansuh: Our previous experience shows that we must first resolve issues related to any new law and formalize responsibilities. The Mining Ministry is working on the stand-alone law. As with EITI, it must focus on how government revenues are generated and on any potential corruption. It must avoid burdening business with bureaucracy. Documents and data must be electronically recorded as the responsibility of agency and company accountants. EITI report must be produced as companies produce monthly/quarterly tax and VAT reports. We must pay attention to such issues when discussing the draft law, but we cannot legally imposing responsibilities yet. Our only way is to use the media to publicize irresponsible companies. When we have a law, that's when we can start imposing penalties.

As Urantsooj mentioned, this meeting was supposed to discuss the findings of monitoring of implementation of recommendations from previous reconciliation reports. However, first these have not been discussed at the MSWG, and second, only one auditor has reconciled the last 5-6 years, so we needed to compare those findings with other auditor views. So we decided to discuss the monitoring findings at our next meeting. When we discuss the draft law, it will also be discussed by the National Council. As to the discrepancy, I ask Anti-Corruption Agency representatives to tell us whether we need to get discrepancies investigated by law enforcement agencies.

L. Suh-Ochir: If you consider there has been a conflict of interest, you may refer that to the law enforcement agencies.

B. Jigden: The discrepancy in the report does not seem to have reached the level of corruption. But we need to improve our system. Explanations for discrepancies are in the report, so please read them well.

L. Gansuh: So we don't need to talk about corruption. Rather, we need to put more detail in the law.

P. Erdenejargal: I would say we should not ignore this. Mr Jigden says it is not corruption-related, but we don't know what is behind it. The state auditors must track it.

N. Bayarsaihan: The Human Rights and Development Center, in cooperation with the Zorig Foundation, is monitoring this issue. We talked about this at the MSWG and agreed to appoint a Working Group, with an equal number of representatives from all three stakeholders to plan what measures/responsibilities should be taken, and on what agencies/companies. I would propose that we need to insert in this resolution a sentence that *a working group will be established and operated*.

L. Gansuh: OK, let's put in the statement that *a working group will be established and operated*. However, we are not legally empowered to take legal action and impose penalties.

N. Bayarsaihan: Let me give a concrete example. On 11 May, 2011, the State Specialized Inspection Agency made Resolution 57, which says that a state environment inspector has no authority to inspect mining operations at strategically important deposits. OT LLC donated a Toyota vehicle worth MNT 200 million to the Inspectorate on 5 November 2011. So there is a need for a Working Group with stakeholder representatives to check if decisions by government agencies are corrupt. I asked the Independent Agency Against Corruption Chair about this at last year's meeting, and he said, "Someone needs to request that we investigate." An environmental organization then made such a request, but it is still unclear what action ensued. So let's appoint a tri-partite Working Group and take action in response to report conclusions and recommendations, as well as discrepancies.

L. Gansuh: As you proposed, our draft resolution contains the provision *a working group will be established and operated*. If we establish that Working Group, it can submit cases to the Independent Agency Against Corruption for investigation. Members, if you agree, raise your hand.

II. TOPIC: 2013 Action Plan of Mongolia EITI and its performance

L. Gansuh: EITI coordinator Sh. Tsolmon will present the 2013 EITI Action Plan performance report.

Sh. Tsolmon: We have distributed the document in advance, and it has been discussed at the MSWG. (presentation attached).

L. Gansuh: Any questions? We think our MSWG is working effectively, and it has a high reputation internationally. A large delegation led by the Mining Minister has attended an international conference. Nationally, we have run successful training courses and workshops for over 1,000 people. We have also trained 25 trainers and 28 journalists. Overall, we have worked well. Our next issue is electronic reporting and its financing, which will be completed with assistance from international consulting organizations, as planned. We are considering starting the first pilot in June next year. The ministry has

submitted the draft law and intro to other ministries for comment, and we are making progress. One key thing as yet unaccomplished is the formal reading of the bill in Parliament, but we were late with the contracts on the bill and relevant discussions, and EBRD has not yet given us its report. They say they are unable to provide a detailed report under their regulations, and say they will do what they are tasked to do. We reckon that our 2013 report was sufficient in terms of performance. Now if you will let me submit our draft resolution on the report, please raise your hand in approval.

P. Erdenejargal: I have a comment. One thing we still fail to do is to publicize the results/findings of our reconciliation report. In the past, we have been late to report and have talked nonsense, referring to data from two years earlier; now we produce reports on time, within the reporting year, so we need to disseminate such data publicly.

L. Gansuh: I propose Provision 5 as follows: assign Sh. Tsolmon, EITI Secretariat Coordinator, to disseminate the findings of the reconciliation report to public. Raise your hand if you agree. Approved.

III. TOPIC: Draft 2014 Action Plan of Mongolian EITI

L. Gansuh: The next agenda item is the draft 2014 Action Plan, which has already been distributed to you. The main goal of the plan focuses on EITI, on responsible mining development, and on introducing better principles and standards. We have also set seven new requirements. The expected outcome is that all new requirements will be met by the end of 2014. We also want to have a stand-alone EITI law. I think that the basis for achievement of the Action Plan has been laid. We will inform the media and local community of our position (presentation attached).

J. Gombojav: As we already have the draft plan, I want to comment directly.

L. Gansuh: Yes. Please, those who have comments, give your name and briefly give your comments.

J. Gombojav: I agree with Erdenejargal's proposal. She talked about not publicizing the 2013 MSWG report but the EITI operational report.

L. Gansuh: Yes, it is included in our resolution regarding publicizing that report. Now, we are talking about second issue, also related to publicizing.

J. Gombojav: I have a comment on Action Plan Point 15. When we discuss performance, it may be unclear if we just state the recommendations made and coincidence studied. I think we need to provide more detail. For example, it recommends a unified payment recording system. This is very important work, and I want to include this. It is certainly difficult to include the Finance and Mining Ministries into the same system.

J. Gombojav: We basically get separate data from each sector, so these data must be integrated and put into a unified system.

L. Gansuh: Can we accomplish this in 2014? Maybe our resolution could say that relevant studies must be carried out.

P. Erdenejargal: But auditors recommend centralizing tax collection.

L. Gansuh: As for me, I understand this as a huge job.

J. Gombojav: It is not that terribly huge. We are going to approve regulations for sub-national councils. There are 708 issues to be publicized, such as what companies have licenses in Umnugobi aimag etc.

L. Gansuh: We will define them in the law, and agency/company accountants will submit information to be included in the report. But a reporting process, with reconciling taxes, money paid to local government, fees to MRAM and Ministry of Environment and Green Development, is difficult to establish.

J. Gombojav: Nowadays, MSWG produces very thick document, a report. But a citizen in a grassroots soum may be interested in a just a little info. We must have a simple database, showing payments, fees, donations and who owns licenses. Does the Secretariat have such database now? There are over 1,800 companies, so do we have a database locating them by aimag or soum where they are operating?

L. Gansuh: That is what we are going to digitize. You said centralized system for payment. You ought to call it a recording system. So let's add in our plan that we will have a *centralized database*.

J. Gombojav: I would like to comment on draft Action Plan Provision 15. Why didn't these 1,800 companies that produced reports get their reports audited? Only one was audited.

L. Gansuh: We all agree that they should have reports audited. What we said was that they need to acknowledge or verify that their reports are based on audits, and this must be stamped in Template 7.

J. Gombojav: Reconcilers have proposed that the EITI report, as in Template, be audited separately. That differs from what you said.

L. Gansuh: Auditors make companies to do extra work. This can be regulated by the new law, making accountants liable for errors or omissions.

J. Gombojav: Yes, all companies must get their financial reports audited. But the EITI Secretariat must have a database on which companies have had their reports audited.

L. Gansuh: All companies are subject to auditing of financial reports. They submit reports to the tax administration quarterly and get financial reports audited at the end of the fiscal year.

J. Gombojav: Then why does it say the audit is done only once?

L. Gansuh: As I understand it, an audit is necessary on reports produced using EITI Template 7.

P. Erdenejargal: Yes, EITI reports must be audited. As to financial reports, all companies including mining companies get their reports audited as required by law.

L. Gansuh: So the new law needs to state that company accountants must be held responsible. It is something like they fill out VAT report forms monthly.

J. Gombojav: You said earlier what the need is to report donations, as for the Naadam festival.

L. Gansuh: I did not say what the need is, but I did say that discrepancies have resulted from such donations. That is why we see discrepancies in the report.

J. Gombojav: I said at the MSWG meeting that there is a corruption issue exactly on this point. That is where high-ranking people receive bribes.

L. Gansuh: Auditors said there was no need to report the donations. They said that the reason for the discrepancy was that a party that gives a donation will report it, while the recipient does not report as they have no formal documentation. That is why we say it needs to be in the law. Then, if a soum receives a donation that is verified by formal documentation, the soum is required to report it.

J. Gombojav: In reality, they don't create any formal documentation, so we need to make it transparent.

L. Gansuh: OK, let's consider this and put a relevant provision in the draft law.

J. Gombojav: A recommendation to improve Secretariat capacity is a good recommendation. So, we need to add at least two staff, one for accounting and a second for legislation. Today we need to agree on the terminology and include it in the plan. Otherwise, other things will be done and they would claim that Secretariat capacity has been strengthened.

L. Gansuh: Let's start with adding a staff member for accounting, then we need to put Secretariat structure in the draft law. Then we can add what we need. Now we get MNT 270 million from government for reconciliation payment. We get salaries for secretarial staff from the World Bank. When we have a law, it will say what staff the Secretariat will have, including professionals. So, as you proposed, let's add that we will get additional staff responsible for accounting.

J. Gombojav: I said earlier that 149 of 200 audited companies had contracts with local government. You were Environment Minister. We heard that only 4 companies had a contract to implement environment-related legislation. That shows a lack of legal framework. Transparency does not exist at soum and aimag levels and they don't know about it.

L. Gansuh: Even if we report all findings to the soum, we have no answer when asked what actions to take in response to reconciliation findings. So we must include this in the law. Let's resolve such issues when we have the law.

J. Gombojav: That means we/they are unaware of the law.

L. Gansuh: We don't have law provisions to base knowledge on.

J. Gombojav: You are going to close down everything/all comments by talking about the law.

L. Gansuh: No other way. On what legal grounds can we impose fines on companies?

J. Gombojav: I am talking about provisions included in the law, but not enforced.

L. Gansuh: That is the provision relating to MRAM operations, in other words, who must check if the company has reached agreement, but paid nothing. Altansuh, please tell us. His agency does their job. If we want more prohibition, we need to insert relevant clauses in the new law.

P. Erdenejargal: Under the Minerals Law, all companies must publicly disclose all their taxes no later than the end of quarter one.

L. Gansuh: So who must do this? Who must oversee and check? Does MRAM do any kind of supervision on such duties? Or should the mineral section of the National Inspectorate check on compliance? We don't know. As Urantsooj said earlier, we need to establish a Working Group to monitor infringements, that's another issue. We can involve the Independent Agency Against Corruption if there is any potential corruption.

J. Gombojav: I mentioned in my comment about inclusion in the Action Plan that we could empower NGOs to carry out some government agency duties, but we are not allowed, there is no finance in the budget.

L. Gansuh: Actually, I cannot include everything you say in the Action Plan, because EITI is not a government agency. However, let's make recommendations calling for the transfer of some government inspection duties and mining functions to NGOs. Let's put them in our 2014 Action Plan, and submit a request to the Mining Minister as a request from the National Council.

J. Gombojav: This draft plan lists many ministries as responsible for some actions. The Council is chaired by the Prime Minister.

L. Gansuh: Only a task can be assigned.

J. Gombojav: Then why you say it is impossible to include it in the plan and propose various points? If you have any other ideas, put them in the plan, too.

L. Gansuh: Our plan for our Secretariat. Ministries like the Finance Ministry are partners. We are cooperating, but I cannot assign a task to civil society, yeah?

J. Gombojav: That does not mean to do so. Planning is developing a proposal and submitting it to respective ministry.

B. Batbold: Draft Action Plan Point 25 refers to "capacity-building training for media" and "responsible person-PWYP coalition." I propose the Mongolian Environmental Civil Council take part as responsible for some issues.

L. Gansuh: That is a different issue. We are unaware of our history. Don't know why it says PWYP coalition and why representatives of agencies/organizations are included. It previously said PWYP; but we can change it to Environmental Civil Council or NGOs if you all agree. The law is not retrospective, so I have no right to change what was made or approved earlier.

J. Gombojav: But it says tri-partite participation.

L. Gansuh: Tri-partite participation is you.

J. Gombojav: Then if one of three stakeholders disagree, the decision is no, is it?

L. Gansuh: PWYP did not disagree.

J. Gombojav: As a government representative, you should not be stubborn and obstinate. You need to accept our proposals.

L. Gansuh: How am I being obstinate? I understand that the PWYP Coalition includes your Civil Council.

B. Batbold: Mr Chair, just put “civil society organizations.” We are not part of the PWYP Coalition.

L. Gansuh: Then has it been written “PWYP Coalition in the past”? Check previous meeting minutes.

Sh. Tsolmon: The regulation says “PWYP Coalition.”

L. Gansuh: Mr Gombojav, you have worked in government agencies for years. Let’s comply with law. The regulation says PWYP coalition, so let’s stick with PWYP coalition.

J. Gombojav: The regulation says two people will represent the Mongolian Environmental Civil Council.

L. Gansuh: It is good that you are represented. But we have three parties: government, civil society and PWYP Coalition, you represent all.

J. Gombojav: But the regulation says them separately.

L. Gansuh: You must sort this out internally by yourselves. If Batbold has 600 organizations in his coalition and PWYP has just one, sort this out internally. Or change the regulation saying we must say “civil society organizations.”

B. Batbold: Now there are about 10 organizations in the initiative representing PWYP Coalition.

L. Gansuh: Then you discuss it with each other and submit your ideas for the next meeting agenda. I cannot have a topic which is not included in the present meeting agenda discussed today.

P. Erdenejargal: OK. I will clarify one thing: PWYP means Publish What You Pay. So add the environmental coalition into the plan.

L. Gansuh: If so, we are going to be divided into four stakeholders. So let’s include representatives of NGOs. Initially you put that PWYP coalition in the regulation. Now we will need to change it to civil society coalition. I comply with the regulations, but I will not change it on my own.

J. Gombojav: You read Government Resolution 222.

L. Gansuh: That is what we said from the outset. I am complying with the regulation. Now I will insert “NGO coalition” as you want. You must have one head or an umbrella. Government agencies like taxation and customs etc do not comply differently and separately. Likewise, “civil society” includes you all, as I understand it. There are many other NGOs, not just the Environmental Civil Council.

S. Enhtuya: The National Chamber of Commerce and Industry every year announces the TOP-100 businesses. It adds good reputation to the selected companies. In the same way, we need to hold an event that recognizes the best companies implementing EITI as from 2014. We must link EITI to the reputation and image of companies. Regardless of whether they are big or small, we need such a ranking system.

L. Gansuh: OK, you can add that to the proposal. But it is very difficult. For instance, if we select by investment amount, they are already in the TOP-100. Of 200 companies, 192 submitted EITI reports; only 8 had problems. We can think of other ways; let’s discuss it later in more detail.

S. Enhtuya: Being listed in the best companies would be honor and reputation for them.

L. Gansuh: Let's include them in our advertisement.

S. Enhtuya: We must get additional comments from companies to go with EITI data. For example, if they say they paid money locally, then it looks as if they are disaggregated by aimag; it is all mixed up. Like with the environmental reclamation deposit, companies submit their plan to the Ministry of Environment and Green Development, and deposit 50%. This could be added. Actually, there are only 4-5 issues about reclamation: overall rehabilitation, technical rehabilitation, biological rehabilitation, deposit and costs. I suggest recruiting someone with a geology and mining degree as Secretariat accounting/recording officer.

B. Bayarmaa: The 2014 Action Plan looks as if we are going to accomplish a lot: for instance the new law, new standards etc. When we look at the plan, it says new standards will be introduced in a very easy way. It also says information on beneficial owners will be disclosed. But in the current legal environment it is very difficult to get that info for a consolidated database. We sent official letters to seven agencies, but each agency only pushed the duty on to another. The General Agency for State Registration has the information, but the law says information on beneficial ownership can only be disclosed if the concerned person agrees in a formal letter. When we ask the Secretariat, it has no information. So we aim at disclosing information that we don't have, still saying introduction of the new standards is easy; this is unrealistic. The problem is how we carry out these plans. We will probably need to establish a Working Group and develop guiding recommendations; otherwise we will be saying next year that the law was not adopted so nothing was accomplished. We must consider this. Although we say that the EITI will work in getting a new law adopted, the plan looks as if we have nothing more to do to make the law a reality. We just need Adam Smith to present the draft law to the public. But in practice, submitting and adopting the law is a difficult process. So we need more work on this point.

L. Gansuh: It says the Mining Ministry will submit the draft law for adoption.

B. Bayarmaa: Then is that what the Mining Ministry of Mining has to do? The draft plan does not say that; it just says a draft law will be introduced to the public. So we need to choose: either make it part of our plan, or assign it to the Mining Ministry. In terms of submission and approval, we will need a big public advocacy campaign, or the lawmakers will not easily adopt it, I think. I propose we include this in the Action Plan.

The next issue is that we pay a huge amount to professional consultants to develop a new communication strategy, and we keep getting informed about progress. We commissioned a work worth 63,000 euros, but the plan for the coming year has nothing about implementation of the communication plan. We may be just throwing that big amount to the wind; our reports will become just papers in which companies only check if their names are included. We need to plan some 2014 action to implement the strategy which will be developed by professionals, to introduce it to public.

L. Gansuh: Did you check the section on "Media and communication activities"?

B. Bayarmaa: Yes, but I don't understand the items designed for implementation of the new strategy.

L. Gansuh: It says we frequently disseminate the respective information through the media.

B. Bayarmaa: That is not that; we spend huge sums of money for two large surveys, and the consultants must develop us a plan. So I understand this must be different from our usual announcements. I propose inclusion of some action for strategy implementation. The civil society says that people don't understand these large numbers; consequently they don't recognize the importance. That means we have to be creative by making this report effective, accessible and interesting; otherwise we will achieve nothing. Actually, the section on introducing and complying with new standards is written beautifully, so I propose including actions in the plan outlining what we are doing towards achievement.

Next, if this is a plan for the MSWG or Secretariat, where is the involvement of civil society, one of the stakeholders? In this plan, the term "responsible agencies" includes only the large government agencies. Where is the participation of civil society here? Or are we just going to oversee and monitor that planned actions are being achieved? I don't see civil society participation anywhere. We should resolve quite a few issues at this National Council meeting. Will those issues be included in the Action Plan?

L. Gansuh: The issues we are talking about now will be included in the Plan. Everyone, including civil society, government and companies, will form the Secretariat. We will share our work. We will chair the meeting in rotation and every stakeholder will participate in all action. Don't say that civil society is not included in this plan. We stated the ministries as responsible parties because they have a duty to submit them.

B. Bayarmaa: Let me say what I understand. I worked at the MSWG for one year, but my participation was limited only to meeting attending and comments. We are part of a realistic processes, but end up just attending meetings and giving ideas. We keep giving our comment/ideas, but in reality they are not included in the results: that is the situation. Perhaps I have been inactive - sorry for that. Here in this room, there are many prestigious civil society members, so I propose assigning concrete tasks to them so that they have a tangible and realistic participation in the process. Otherwise the government will do everything and civil society will monitor. If the level of participation and functions are clearly defined, we must cooperate. That is a quite different structure to the government's.

L. Gansuh: Understood. But why are you not engaging in the process? For example, we chair the meetings in turn, Bayarsaihan once, then Damba. Everything you say at the MSWG is included in the process. So where and how are you being excluded? Sorry, I was not able to attend the meeting for personal reasons, but I am still a part of the ongoing process; I check materials and submit my comments directly to the Secretariat.

B. Bayarmaa: I don't see the EITI as a meeting; rather I see it as a much broader activity.

L. Gansuh: That is right. For instance, anyone can take part in the monitoring and overseeing that Urantsooj described. Who keeps you out of such work?

B. Bayarmaa: The work is not scheduled. Even if it were planned, there is no mention of civil society involvement.

L. Gansuh: No. If we plan what each person will do, the planning process will last weeks. From what Bayarmaa said, we will include ideas like showing figures in disaggregated way. It is not true that you are not a participant in the process. It depends on you. If you say “I will do this planned actions,” no one will stop you. But how we can insert in the plan that Bayarmaa will do exactly this item It is difficult. As long as we have a MSWG, you are all part of it.

B. Bayarmaa: Here it says Secretariat, not MSWG. Civil society is not represented in the Secretariat.

P. Erdenejargal: Yes, let’s stop this dispute. Just add “civil society” in the plan. It is only on the plan template.

J. Gombojav: I think Bayarmaa is correct.

P. Erdenejargal: The plan is not talking about an executive body, but only about responsible persons. I also have right to speak. You are not the only right person.

J. Gombojav: This plan contains only the two words “PWYP Coalition.” PWYP is just one representative of civil society. Think about what Bayarmaa said. As a responsible person, it just says “Secretariat.”

L. Gansuh: We will amend the plan according to what you have proposed and commented. Then you can put your names down for action that you will carry out. The Secretariat will then put more detail, such as ‘Damba will be responsible for capacity building training’ and so on.

P. Erdenejargal: The plan does not say anything about the agency to execute the work. Just change the heading on the table; then we can end this dispute.

L. Gansuh: Under the responsible agency, let’s change the word Secretariat to MSWG. Afterwards, you send your ideas and comments to the Secretariat.

N. Bayarsaihan: Effective next year, we must produce our report under new standards. The International EITI Secretariat has sent a request proposing pilot projects in some countries, disclosing company shareholders and beneficial owners, and has asked Mongolia if we are interested in a pilot project. My question is what we reply to this proposal. If we discuss and reach a positive decision, we need to include in our Action Plan what to do in disclosing beneficial ownership. If we have not replied yet, let’s discuss and come to a transparent decision. If we disagree, we need to state why we refuse.

In the previous MSWG meeting, Mr Algaa proposed to change the Action Plan template, but it was submitted without changes; that fuels the dispute. I have a comment on Action Point 6.

L. Gansuh: We agreed that we would submit our comments in writing, then discuss and insert where necessary.

N. Bayarsaihan: But what if we need to vote on action?

L. Gansuh: Then share your comment. Actually, written comments will also be shared later.

N. Bayarsaihan: Action in Provision 6 is unclear. What exactly does it mean? Its content is unclear. Also, check Action 10, 11 and 25 on civil society and media capacity building training. The capacity of national

level civil society organizations has been developed sufficiently. Now we need to organize capacity-building training for local civil society and local media. Therefore I propose to add the word “local.” My next comment is that it is still unclear how we promote and act on Actions 26 and 27. Also 29, 30, 31 and 32. From training we held in rural areas, we have seen that active citizens, local civil society organizations, small companies and companies that don’t report to EITI don’t always participate. I said this at a previous MSWG meeting. For instance, only 7 of 60 participants in a northern region training session were community members. So let’s run such training in every aimag. If we assign MSWG members and allocate MNT 25 million, that will ensure the participation we talk about.

L. Gansuh: Will MNT 25 million be adequate for 21 aimags? Maybe not. Let’s discuss this again. We have only two types of financing: MNT 270 million from the government for the audit reconciliation, and USD 250,000 from the World Bank for Secretariat staff salaries and costs. More finance comes from the EBRD, but we have to right to allocate spending ourselves. So let’s discuss it thoroughly. As to training, we need to avoid duplicating or coinciding participants. So please comment on the draft Action Plan. If we have more ideas like yours, we will need to re-discuss financing.

N. Bayarsaihan: Then we could allocate funds to aimags where the mining sector is booming. Running an event in every aimag would enable small companies, civil society and the community to participate. On Action 33, we need to change the National Council meeting from no less than once a year to twice a year. Also Actions 34 and 37 must be clarified.

G. Urantsooj: I need clarification for Action 10 and 11. They seem to be useless for us because they are reported according to the template.

Sh. Tsolmon: This is an issue that Mr Jigden keeps talking about. In the past, there were International EITI requirements 15 and 16, which say we must verify the accuracy and authenticity of EITI reports. Although reports are signed by company directors and accountants, the issue rests with verifying internationally how accurate the reports are. There is also a need to verify government reports at all levels. Company EITI reports require only that reports must be based financial reports, audited by local auditors. But this is never implemented in practice. We have discussed this multiple times with the Finance Ministry. So we have planned at least to issue a regulation. Under International EITI requirements, companies owning immovable property worth over MNT 50 million must be audited every year. We must produce EITI reports based on audited financial reports. So we definitely need money to verify/validate the reports.

L. Gansuh: That is an issue we talked about earlier. Let’s put this as a need to study replacement regulations. We can still make changes further on.

P. Erdenejargal: Then remove the word “audit.” Reports are already audited.

L. Gansuh: Let the word “audit” remain for a while. We will make a decision after the study.

G. Urantsooj: It looks like Action 15 on studying the coincidence of recommendations on the national reports is unnecessary. When we have monitoring findings ready, we can develop a plan for implementation of recommendations and add some action to the 2014 Action Plan. A survey is now being conducted.

L. Gansuh: OK, please check yourself and add words in order to insert that proposal later on.

P. Erdenejargal: For instance, we have some disagreement on what recommendations we make today. So are we going to insert all recommendations automatically?

L. Gansuh: Obviously, recommendations will be released. It is up to others what to recommend. We will get some that are useable, and will leave out some unnecessary recommendations. When we do a comparative study, we may see something interesting. Whatever we do, let's insert action on planning.

P. Erdenejargal: But we need to insert a study too.

L. Gansuh: We can discuss it later.

P. Erdenejargal: What does "ownership of state-owned extractive companies mean?"

Sh. Tsolmon: Their branches and daughter companies.

P. Erdenejargal: Unless we clarify it, it is impossible to understand.

L. Gansuh: Then add "daughter companies" in brackets after "ownership."

B. Otgonsaihan: Why don't we change the wording of Action 6? It is required that state-owned companies produce transparency reports. So let's add "the State Property Committee and Erdenes MGL company will lead the process" or so on, and the National Council must deliver recommendations to them.

L. Gansuh: This could likely be inserted as a new provision. Add a section called "Additional" and send it to members by email. After you revise it and send it out, I will check again. The 2014 Action Plan will be broken down into more detail. Here in the draft we are inserting only general things. So let's approve it now.

IV. TOPIC: Draft regulation for EITI sub-national council operation and structure

N. Bayarsaihan: Good evening. The draft regulation was sent to you earlier. The reason that we developed this draft regulation was that the PWYP Coalition is running four advocacy projects and three monitoring projects, financed by OSF. One monitoring project is being implemented under Government Resolution 222, which states, "Sub-councils shall be established and operated at local administrative units." Ordered to monitor implementation of this provision and make conclusions/recommendations, we started a monitoring survey. The EITI Secretariat held 4 regional workshops, crucial for us in collecting data and conducting surveys. Monitoring findings were presented at an MSWG meeting. Government Resolution 22 ordered the establishment of local EITI sub-councils of EITI and defined key functions of ministries and other administrative agencies. The Resolution also regulates the process of disclosure of information not included in reporting templates, so we think the resolution was effective. It is also worth mentioning that the Resolution includes environmental reclamation deposits and expenditure. However, there is some good and some bad. The EITI has been implemented in Mongolia for 7 years, but many people still don't know much about the initiative. So we came to the conclusion that EITI is itself too closed. The Resolution does not specify goals and functions of sub-national councils. For instance, it says nothing about how a sub-national council differs from the National Council and the MSWG. As to structure of sub-

national councils, they will have the same structure at all levels, but the resolution says nothing about how to ensure stakeholder engagement. We found that it also has nothing on sub-national councils internal governance. The key function of sub-national council is to plan EITI implementation in their respective areas. The draft regulation also requires clear financing sources and responsible persons for plan implementation. At the local level, the local governor will chair the council, but the secretary is not full-time, which affects effective local-level implementation, and we needed to offer conclusions and recommendations. As the recommendations must go to the MSWG, we decided to develop a regulation (presentation attached).

The proposed regulation comprises 7 chapters and 44 provisions. It has been distributed to you in advance, so hope that you will offer comments.

L. Gansuh: It is necessary to have such a regulation. But even if we approve the regulation today, the Secretariat won't be able to resolve related financing issues concerning full-time secretaries. It has not yet been discussed with the World Bank.

N. Bayarsaihan: We checked. At the initial stage, there are 103 soums in 21 aimags where a sub-national council should be established. If sub-councils meet and submit a draft budget to the Citizens' Representative Khural, the councils could be financed from various sources, such as the local development fund and the governor's reserve fund, especially in soums where mining takes place. The council would not operate every day, so an officer of the development policy department at aimag level, or an environmental inspector at the soum level, could be responsible for operations of a sub-council during its first two years, followed by civil society and companies operating in rotation. As a council's will not operation day-to-day, we could cover part-time work, perhaps paying salaries or payments quarterly.

D. Damba: As stated in Provision 13.1-13.2 of the draft regulation, will representatives of civil society and companies on the sub-council be equal in number?

N. Bayarsaihan: Yes, equal. The Citizens' Representative Khural will set the number of representatives which the governor will appoint, a civil society or bagh community meeting will appoint civil society representatives and the company meeting will appoint its own representatives.

D. Damba: Who will organize the company meeting?

N. Bayarsaihan: There is a provision in the regulation. Administrations of aimags and soums will organize the meeting, as stated in the regulation.

L. Gansuh: I hope that deep thought has been given to structure. I have some questions on finance. First, Provision 41 says "Financing sources shall comprise donations from foreign and national citizens, entities, special funds of government and projects/programs." We oppose donations, but can we get funded by donations? I think this is contradictory.

N. Bayarsaihan: Donations from international organizations could be feasible.

L. Gansuh: But the regulation does not specify donations from international organizations.

N. Bayarsaihan: I think it is included in "foreign organizations." NGOs would be in it.

L. Gansuh: In this case, we should write it differently. It is actually OK if we keep with project/programs. My next question relates to the Provision that says, "...shall be approved by Citizens' Representative Khural in aimag, soum and district." If we insert this as is, the local budget is approved by law. The Citizens' Representative Khural won't approve it unless financing is secured. That means we cannot enforce this regulation until the relevant law is adopted. Then there is the Provision "The Secretariat shall finance the costs of building capacity of sub-council secretaries, printing hand-outs and ads and participatinn in training courses." In fact, the Secretariat will not finance these costs. If we need to include activities as funded by the Secretariat, this will be used in getting that cost approved by the Citizens' Representative Khural. I thought that the draft regulation would be good because it develops our civil society, but it still needs changes and corrections in the financing part. So I propose approval of the regulation principally, with related decisions. If you have a comment, speak now.

P. Erdenejargal: Why not describing the functions. These are included under the general rationale, then there is a part on structure.

L. Gansuh: Looks like we need to improve it. You must have read it as it was discussed at the MSWG meeting. I have not seen it, sorry for that. Some changes need to be made, like on financing. Then we need to separate functional areas. The 2014 budgets are already approved; that means we have no choice except to ask for amendment of budget. So let's include it in the next meeting's agenda, and let's check it again.

N. Bayarsaihan: There was a list on functional directions, but we received comment that it should not be in the regulation, so it was removed.

L. Gansuh: Need to put it off. We plan to meet again in February to discuss implementation plan for reconciliation report recommendations. Let's re-discuss it then. Otherwise, it does not work at all.

N. Bayarsaihan: Do I understand that we postpone the regulation only because of the financing problem?

L. Gansuh: As long as we have no funding, it is impossible to implement and enforce.

N. Bayarsaihan: It will take 4-5 months till we gather again to discuss the regulation again.

L. Gansuh: Even if we discuss it now, how can this be implemented at the local level?

N. Bayarsaihan: Then how should we implement the initiative at the local level?

L. Gansuh: It is impossible to implement at the local level as long as we have no financing.

J. Gombojav: How many sub-councils have been established so far?

N. Bayarsaihan: In 16 aimags.

J. Gombojav: How are they working?

L. Gansuh: Just established; that is it.

J. Gombojav: Then let them carry on. Financing is separate. If we have money, they will work more effectively. But there is no benefit in postponing our work. While they are established in 16 aimags and operating, let them continue. It is said there are 16 soums where mining is running. We conducted a regional workshop. People working there did not ask for money, but we understand they will be more effective and successful if they have financing. So, don't postpone this. Let them have a regulation and comply with it. We can say that financing will be resolved as from 1 July.

P. Erdenejargal: Chairman Gansuh, make that a recommendation.

L. Gansuh: The present sub-councils have no regulations to comply with and no legal environment to operate. If we are to have a separate law, we must have a necessary legal environment. Presently, they are voluntary structures like civil society organizations. That is what we are going to formalize under the Citizens' Representative Khurals: for example, how many members are there in each sub-council and who are the members?

J. Gombojav: These sub-councils were established under Government resolution, they are already formal.

L. Gansuh: We are going to formalize everything through the Citizens' Representative Khurals. That means everything like documents and letterheads will be formal. Therefore, it should be an institution with a formal structure. Will also have stamps and seals.

N. Bayarsaihan: It is good that if they reach the level you have just described. We are working to advertise the initiative at the local level. But they don't know how to establish a sub-council and how the government will work, so let's make recommendations first.

L. Gansuh: Let's now make the regulations for sub-councils as recommendations, insert the regulations in the new law, then add all necessary provisions including budget.

N. Bayarsaihan: Agreed.

L. Gansuh: Let's approve the resolution as it recommends.

B. Batbold: Who will be responsible? Maybe a deputy governor in an aimag?

L. Gansuh: Let's put this in the recommendation.

N. Bayarsaihan: It is in there.

L. Gansuh: OK. Approved as a recommendation. Now we will edit and circulate the recommendation.

D. Damba: One question. Provision 32.2 of the regulation says *checking all agreements and their compliance*. In my opinion, we remove the word "all" and reword the text as *"agreements with government agencies."*

L. Gansuh: Thanks to all. Here, I would like to say that we all did good work in 2013. As from next week, we will consolidate everything, prepare our material and I think that we will hold a press conference in the first week of January.

We will strive to hold our 2014 meeting and be much further advanced, with the EITI law and with an electronic database. Please attend meetings and be active. I wish you a Happy New Year 2013/14 and may the upcoming year be full of success. Thank you.

Meeting ended at 8.20pm.

Meeting minutes reviewed by:

L. GANSUKH
Secretary of National Council,
Mongolia Extractive Industries Transparency Initiative

Minutes taken by:

A. OTGONTUNGALAG
Finance Officer, EITI Secretariat

Resolution of National Council of Mongolian Extractive Industry Transparency Initiative

The National Council meeting was held on 23 December 2013 in Hall A of the State House between 5 pm and 8.20 pm.

I. TOPIC DISCUSSED: Mongolia EITI 2012 Audit Reconciliation Report produced by a consortium of Moore Stephens, UK, and Dalaivan Audit, Mongolia

RESOLVED TO:

1. Endorse Mongolia EITI 2012 Audit Reconciliation Report produced by a consortium of Moore Stephens, UK, and Dalaivan Audit, Mongolia, and finalize the report including comments made by National Council members at the meeting;
2. Assign respective parties to post the report on their websites including those of the Mongolia EITI Secretariat, the Finance Ministry, the Mining Ministry, the Mongolian National Mining Association and the Open Society Forum, and publicize the summary report;
3. Assign EITI Secretariat Coordinator Sh. Tsolmon to send the final reconciled report, the report on 2013 Action Plan implementation and the 2014 Action Plan to the EITI International Board, no later than 31 December 2013;
4. Instruct the Government of Mongolia Press Office to publicize the report in partnership with the EITI Secretariat;
5. Advise that companies and government agencies whose payments and receipts were found to be discrepant in the 2012 reconciliation report must publicly explain the discrepancies no later than 31 January 2014;
6. Advise stakeholders to revise the scope of the EITI report before January 31, 2014, or before the EITI Law is adopted, and make the necessary decisions;
7. Assign the EITI Working Group (L. Gansuh) to inform the National Council meeting attendance to the Prime Minister of Mongolia;
8. Recommend the consortium (Ts. Jigden) to include payments and receipts at sub-national level in the report in a way that is clear and understandable;
9. Assign the Ministry of Environment and Green Development (S. Oyun) to submit complete presentations on deposits for environment reclamation that mineral exploration license holders placed in 2012, to the National Council.

II. TOPIC DISCUSSED: Implementation of 2013 Action Plan of Mongolia EITI

RESOLUTIONS:

1. Agreed that the 2013 Action Plan of Mongolia EITI was sufficiently implemented;
2. Assign the Mining Ministry (D. Ganhuyag) to submit to Parliament for adoption the draft EITI Law within Quarter One, 2014;
3. Assign EITI Working Group (L. Gansuh) to implement e-reporting of EITI in 2014 and present the results of piloting no later than the end of Quarter Two 2014;
4. Assign EITI Secretariat (Sh. Tsolmon) to establish an EITI Information Center in selected aimags and report results and activities no later than the end of Quarter Three, 2014;
5. Assign EITI Secretariat (Sh. Tsolmon) to disseminate information on EITI 2013 Action Plan implementation to the public and hold a press conference no later than 15 January 2014.

III. TOPIC DISCUSSED: Draft EITI Mongolia Action Plan for 2014

RESOLUTIONS:

1. Approve the 2014 Action Plan of Mongolia EITI after inclusion of comments from National Council members;
2. Assign the EITI Working Group (L. Gansuh) to make quarterly monitoring of and review implementation of the plan.

IV. TOPIC DISCUSSED: Draft structure for sub-national implementation of EITI and regulation for operation of sub-councils

RESOLUTIONS:

1. Approve, grounded on and amended after comments from National Council members, the structure, arrangement and regulation for sub-national EITI councils and issue the documents as recommendations;
2. Assign EITI Secretariat (Sh. Tsolmon) to deliver the recommendation on regulation of operations of sub-national councils to aimags, capital city, soums and districts no later than 15 January 2014 and provide related guidelines.

L .GANSUKH

Secretary of National Council,
Mongolia Extractive Industries
Transparency Initiative