

## **Minutes of the 18<sup>th</sup> Meeting of Mongolia Extractive Industries Transparency Initiative National Council**

**19 December 2019**

The 18<sup>th</sup> meeting of the National Council, which was assigned to organize and coordinate the implementations of the EITI of Mongolia started at 10.00 a.m. on 19 December 2019, in the Conference Hall of the Ministry of Mining and Heavy Industry (MMHI).

**The meeting was attended by:** G.Nandinjargal (State Secretary, MMHI); D.Damba (Director of the Economy, Investment and Research Division, Strategic Policy and Planning Department, MMHI); Ch.Chimidsuren (Director of the Accounting Department, Ministry of Finance (MOF)); Shijir-Erdene (Senior Officer, Ministry of Environment and Tourism (MET)); Bundkhorol (Director of the Department, National Audit Office (NAO)); S.Dulamsuren (Director of the Prevention and Awareness Department, Independent Authority Against Corruption (IAAC)); Erdene-San (Chair, National Statistics Office (NSO)); T.Gan-Tumur (CEO, Mongolian National Mining Association); B.Erdenetsetseg (Secretary of the Board, Coal Association); D.Galbaatar (Deputy Director, Economy and Marketing Department, Erdenet Mining Corporation (EMC)); S.Enkhtuya (CEO, Monpolymet Group LLC); T.Munkhbat (Senior Manager, Oyu Tolgoi LLC); Bolormaa (General Accountant, Petrochina Dachin Tamsag LLC); L.Tur-Od (Coordinator, Publish What You Pay Coalition); G.Urantsooj (Head, Centre for Human Rights and Development); N.Bayarsaikhan (Head, Step without Boundaries NGO); B.Bayarmaa (Head, Owners of the Khuvsgul Lake NGO); D.Tserenjav (Head, Transparency Foundation); S.Tserenpurev (Head, Administrative New Initiation NGO); L.Bor (Head, Ikh Bayan Sharga NGO); T.Saruul (Specialist, Publish What You Pay Coalition); and B.Batbold (Board Member, Mongolian Environmental Civil Council). There are 24 members out of a total of 33 members of the EITI National Council were present and the attendance was at 72.7 per cent.

**Also present:** G.Bayanmunkh (Managing Partner, BDO Audit LLC); L.Bayartsogzol (Director in charge of the Auditing, BDO Audit LLC); and other relevant auditors of the BDO Audit LLC; by invitation Munkhjargal (Officer, Transparency International Mongolia); J.Battsengel (Senior Inspector, General Department of the Taxation (GDT)); N.Narantsetseg (Head, Mongolian Baigal Ekhyn Avral Foundation NGO); Sh.Tsolmon (Coordinator, EITI Secretariat); A.Otgontungalag (Finance Officer, EITI Secretariat); and O.Munkhbat (IT Consultant, EITI Secretariat).

The 18<sup>th</sup> National Council meeting of the Mongolia EITI began as G.Nandinjargal, Secretary of the EITI National Council and State Secretary of the MMHI opened and delivered an opening remarks.

**N.Nandinjargal:** First of all, please accept my apology for coming late due to an urgent matter with the Minister. Starting from last year, I have been working closely with the EITI sector in line with the terms of reference (TOR) of the EITI National Council's Secretary. I have attended the EITI Global Conference, which was held in June of last year in Paris, during this conference, I have found out that what are other countries doing in this field, at what level do we need to work in the near future and what kind of contracts do we need to make transparent etc. Our Ministry has been working within some of the policies. So, today's meeting will be chaired by Mr. Damba, because I have a meeting at Cabinet Secretariat of Government. There are two to three projects are expected to be implemented by the Ministry starting from 2020. Also, our requests to cooperate in the field of EITI have been sent to some donor organizations, one has officially responded. The cooperation is expected to start from incoming March. Herewith, I would like to outline that our Ministry's position is to reflect in its policies and furthered as its policy. If you have any proposals, you can ask prior to starting a meeting.

**L.Tur-Od:** Recently, a meeting of the all members of the PWYP Coalition was held and I have been selected as a Coordinator as its decision. There are numbers of issues on how to activate the meetings of the EITI working group and National Council, to implement the recommendations issued during EITI Global Conference, which was held at Paris, to ensure the implementation of the

EITI new standard, and to make contracts transparent at all level. Also, there is an issue of making beneficial owners transparent. A joint discussion on EITI was organized by the Open Society Forum, Natural Resource Governance Institute and IAAC. I would like to propose that there is a need to discuss about the recommendations provided during this discussion. I have a principle proposal that a position of our CSO is to hold a National Council meeting once per quarter, at least twice per annum and to hold a working group meeting once every two months. Here, I would like to add that we need to discuss and resolve the challenging issues in cooperation with the three sides. Our partners organize the meetings on the donor organizations of the mining sector at official and unofficial forms. If the MMHI formalize this meeting and include deputies of the MRPA, private entities and governmental agencies, this will bring an alignment of the projects and programs had been implemented previously and the projects and programs to be implemented. I can see the possibilities to increase the investment through raising fund. We have discussed about this issue with the delegates of the international financial institutions and other relevant donor organizations, they expressed their willing to support us.

**G.Nandinjargal:** I would like to propose that it is necessary to hold the meetings on a regular basis. I would like to outline that the working group meetings will be chaired by the chair of the working group in my absence. About the international projects, there is a need to have meetings with the donor organizations. I have learnt that the donor organizations are able to support the EITI, due to it, we will have the possibilities to fight against the corruption as well.

**T.Munkhbat:** Although it has been a while since the EITI has been chaired by the Minister of Mining and Heavy Industry, but also the Minister has not attended several meetings that I have attended. As a result of the EITI Global Conference, which was held in Paris, at this time, people are getting to pay close attention in this field. Our country brought the issues to the level of the Minister of Mining and Heavy Industry level from the level of the Prime Minister, we all understand that the State Secretary has been attending the meetings instead of the Minister of the sector. I would like to remind you that we need to be more responsible and pay much attention on that. In my opinion, the Minister should have been attended by himself and the members would share their proposals in connection with this issue with him. From the side of the EITI has been making some of the information in the recent years via its e-system, but during the tripartite meeting, the attendants expressed their opinion that this cannot be the significant information to the community. Yesterday, a conference titled “Mother Land and Accountable Mining” was organized and there are reportedly numerous of non-governmental organizations have been running their activities in this field. We remain committed to working closely for more than ten years in the field of the EITI, with this review, I would like to say that we look forward the State Secretary will pay special attention in further improvement of this issue. Also, I would like to ask you to convey to the Minister of the sector that our country is ranked as a second country achieved the implementation of the EITI standard out of 52 countries across the world, but our state has not been working as satisfactory. I wish our works had been done for last 13 years could not be weakened.

**B.Batbold:** We, CSOs have been committing to working with efforts in ensuring tripartite participation in the EITI activities. The participation of the governmental agencies have been staggering in the middle of the process. All the deputies of the governmental agencies will be leaving by afternoon, only few people of the CSOs will be remaining. The EITI meetings have been carrying out like this over the past two years, the officials at managing level of the governmental agencies did not attend meetings by themselves, instead just sending a specialist or an assistant. Incoming year is a year for a parliamentary election, a draft law would be introduced incoming June as indicated in the Work Plan. With this regard, it is necessary to organize a putting forward this draft law on the agenda. Due managing officials need to improve their active participation. Previously, when it was at the Prime Ministerial level, all the Ministries were participating themselves, but currently their participation have been weakening, only few people for the CSOs are remaining. I would like to ask the State Secretary to pay close attention in this issue.

**N.Bayarsaikhan:** The financing is important in the EITI implementations. Planned works had not been done due to financial delaying, for example, some Secretariat staff who had been working

for a period of long term have been resigned. Once the Ministry has taken an EITI Secretariat in its power, but also needs to stabilize its financing through reflecting it in its budget. Also, I would like to ask the Ministry to talk about the EITI works, not only its works, during the monthly press conference titled "Transparent and Accountable Mining".

**Ts.Urantsooj:** The report has been made on an annual basis, following this the relevant recommendations are provided too. The CSOs pursue let us to pay close attention in fulfilling these recommendations. Every year, there was a talking about the CGA, but this year still we are talking about the CGA, their slow approach to submission of due reports. I have to say that the most divergent information being provided by the CGA. I would like to ask from the MOF that what kind of measure had been taken and measures to be taken with this organization.

**L.Bor:** Our members have mentioned above that the EITI activities have been slowing down and I agreed with this mention. In connection with that, I would like to propose that it is necessary to reflect its requisite financing in the state budget. Suddenly, *Law on Nuclear Energy* might have been amended, I have a recommendation to involve the CSO's proposals in the amendments. In general, it is necessary to disclose the respective information whether the workers died and lost their working abilities caused by the mining activities except the EITI activities. We are being suspected when we conduct the research and monitoring in this issue. Hereby, I would like to remind you that we need to focus on the underground natural minerals are being pledged at the foreign stocks exchanges, even some companies had not been running any activities under the name of its subsidiaries.

**L.Tur-Od:** I am proposing that the Secretariat's financing is needed to be reflected in the Ministry's package starting from 2021. In order to ensure the fulfilment of the clause 6.2 of the Amendments to the Constitution, I would like to propose the Ministry to establish a working group. Our EITI has the opportunities to create a legal basis and commit to lead. In connection with this, a large-scale working group would be established at a governmental level. Why don't we lead through establishing a sub-working group?

**D.Galbaatar:** Last year's work plan included the work toward working closely with investigative journalist, this work has not been carrying forward. At a government session, it was mentioned about an issue pertaining to mining monitoring. If we had passed the EITI law and followed the standards, we would not have gone through this way. The MOF approved a standard to calculate precious metal of the minerals in 2016. This standard specifies that the cost of one tons of metal is subtracted from the expense of the pure metal, why is our Ministry not doing this? The item of the deposit reserve are not being mentioned within this form? There are many things to say about Oyu Tolgoi reserve, Mongolian citizens formulated a world-class mineral resources assets evaluation method. The MMHI has conducted an assessment in cooperation with the Australians. Why doesn't the government make it its policy? We will go further with evaluating natural minerals, but Oyu Tolgoi has been deducting its reserve due to reserve reduction. Through using this method, we are able to take 51 per cent shares of the EMC. Why the EMC cannot have a government who are able to align the issues regarding the business entities, international best practices and what are the citizens talking about? The EITI and CSOs have done a lots of works together. As of today, more than 60 per cent of them provided their relevant information to be entered in the EITI report and more than 30 per cent of them have not provided yet. Revenues from our industry cover 40 per cent of GDP, please we don't need to work like this. As mentioned earlier, I would like to stress that it is important to let the well-educated human resource who cherishes the traditions work in this field. I consider that this work was taken out to the street due to its poor performance.

**G.Nandinjargal:** I agreed what you mentioned above. Ranking as a second country in the world is the outcome of the EITI Reconsolidation report, which had been made by you. When I asked for working together with an organization in the field of EITI and giving related advises, there is no objection. I will committing to organize the working group meeting once on a quarterly basis in my own room. Also, I will let reflect the works were done by you in the relevant legislations of the sector and make related amendments to the draft law will be consistent with the Constitution. Mr. Damba will be leading a working group starting from 2020, because he is one of the professional specialist

in the field. Previously, I have made a suggestion that this meeting would be held in conjunction with the IAAC. All related proposals and comments of this meeting will be introduced to the Minister. Next time, I will come with the Minister. Well, Mr. Damba will carry forward to chair the meeting as I am leaving due to a government work.

**D.Damba:** I am the director of the Strategy Policy and Planning Department of the MMHI, will carry forward to chair today's meeting as directed by the chair.

## **1. AS DISCUSSED: Draft Mongolia EITI Reconsolidation Report for 2018**

**L.Bayartsogzol:** In November, we introduced a draft 13<sup>th</sup> EITI Reconsolidation report for 2018 at a meeting of the working group of the EITI and improved the reporting having incorporated the comments and proposals gathered by the members. As of today, the Mongolian version of the report is ready. Revenue of MNT 2.1 trillion generated from 1986 companies had been reported in the government report as well as revenue MNT 2.6 trillion generated from 1490 companies had been reported in the company report. We have identified that 68 companies failed to submit due reports in the government report and 564 entities failed to submit their reports in the company report respectively. Surveying large-scale 240 entities, this resulted that 39 companies of them have not been running their activities in the extractive field. As of December of 2018, the number of special licenses was 3447, which is owned by 2140 companies. A sample survey was conducted in covering of 98 to 99 per cent of total revenue as specified in the terms of reference, there are 202 companies had been included in the 2018 Reconsolidation report of which 22 of them run the activity of extracting of minerals, 120 of them run the activity of exploring, 51 of them run both the activities, including exploration and extraction, eight of them run the activity of extracting natural gas and petroleum, and one of them run the activity of exploring the natural gas and petroleum. Eight companies had been proposed by the multidisciplinary working group were the companies that obtain large areas and paid low taxes.

Beginning discrepancy of the companies had been listed in the reconsolidation report is MNT 110.8 billion, which is four per cent of the total revenue. As of today, the discrepancy is totaling to MNT 279 million after the adjustment, amount of positive discrepancy is MNT 426.9 million and amount of negative discrepancy is MNT 150.7 million. Thereafter, the gap of discrepancy had been reduced to MNT 279 million after reconciling the data received by the governmental agencies and custom with evidence. Discrepancy of the governmental agencies, including the General Authority of Customs (GAC), centers in charge of welfare services, aimag's Governor's Offices remained unadjusted. The companies, including EMC, Mongolyn Alt LLC, Tavan Tolgoi LLC and Energy Resources LLC remained with large amount of the discrepancy.

We sent the information regarding the beneficial owners to 202 companies, which was included in the reconsolidation report, but only about 60 of them provided with respective information back, with this regard, we included an issue pertaining to the further improvement in the recommendation. The contract transparency and information about the beneficial owners have been improving markedly. Also, the report disclosed the lists of the valid contracts on sharing products. Statistics and summarized data about Mongolian extractive sector are entered as well as the respective information on the state participation, state-owned companies, percentage of state participation, rehabilitation and special license holders set forth in the appendix of the report. In addition, the report included the information about the proposals provided during the previous working group meeting. Information about the concentrator plant should have been entered, but no information provided yet. The faced challenging issues in making 2018 Reconsolidation report are the governmental agencies failed to submit due information, or provided with incomplete information, failed to provide required information on due time, gave less importance to the governmental agencies, data were not matched one another, uploaded inaccurate information in the sites of the ministries and governmental agencies and reported incorrect amounts etc. The recommendations were given during reconsolidation report as follows; to upgrade e-reporting system and enter all the necessary information in the report; to check regularly whether the database of special license holders are valid; to conduct a discussion with each representative of the parties designated to

ensure gender equality in the composition of the multidisciplinary working group and undertake an appropriate action; to work in ensuring the implementation of the government resolution concerning the financing of the EITI sub-councils; and to update the report forms and information about the beneficial owners. (Draft report and presentation are appended).

**D.Damba:** What are the features of this report that make it new from the previous report?

**L.Bayartsogzol:** 2018 report has been characterized in line with the new standard. This report has been made in line with the EITI standards in addition to add numerous of information complied with relevant standard. These are the features.

**T.Munkhbat:** This report discloses the payments of Oyu Tolgoi for the year, but does not include the sub-contractors' information. In which way the revenue of the unlicensed companies reflected in the report?

**B.Buyannemekh:** Only information about the Oyu Tolgoi LLC has been included, not the information about the sub-contractors'.

**G.Urantsooj:** Information about the companies, which submitted their reports are entered in this report, have you addressed any recommendation to the companies that failed to submit their reports? As I got acquainted, a monitoring had been conducted in the recommendations addressed to the last year's report, there has been a talking about the issue relating to the GAS in the previous reports, there is a talking this year too, how have you made the recommendations on that? Thereto, can I ask about your further action? *Third*, the information regarding the gender is included in the report and information regarding the age is included in the form too, beside I would like to enter the information about the sex/gender in the form too.

**B.Buyannemekh:** Previous year's report included the information that amount of discrepancy of the GAS was weighted more. Details about the GAS have not been entered, the recommendations on how to improve information of the government report are entered only. Information regarding the gender issue has been entered in the report in accordance with prepared form.

**G.Urantsooj:** I am proposing that it is necessary to reflect the specific recommendations on how to impose a disciplinary with GAS, otherwise, it is ineffective to give same recommendations every year.

**N.Bayartsogzol:** When making a reporting on the implementations of the recommendations, the situation of the GAS is getting better, but we are still having some difficulties this year. Once again, we will consider your proposals and enter them in the final report.

**N.Bayarsaikhan:** The government has been reported unreceived taxes, on the other side, the company has been reported unpaid taxes, please provide an explanation on that? There are huge amount in these two, then we need to come to a same conclusion. Is it possible to disclose the information about the license that had been granted by the compensation by its company's name? Here, it was said that the survey on the companies, which made insufficient rehabilitation or has not made any rehabilitation, but there is a size of the local area included in this part, could you please explain on this issue? Is there any information regarding the entities included by an appendix?

**B.Buyannemekh:** If the government has not reported its received information, this would be the same meaning that the government has not typed and uploaded its information in the e-system. There were two organizations, including the EMC has not been reported a MNT 35 billion and Telecom Mongolia LLC has not been reported a MNT 43 billion in the e-system respectively. Information about the companies has been entered through a form of an additional clarification. Information regarding the compensation can be additionally appended. Information regarding the

rehabilitation has been disclosed by each special license in accordance with a form approved by the MET. This are the information of 2018.

**B.Bayarmaa:** I would like to extend my gratitude the audit firm for completing a great work within a short-term of period. Also, I am proposing to address a separate recommendation for the agencies and companies that obtain the discrepancy. The state-owned companies that are obtaining the biggest amount of discrepancy is attracting my interest mostly. Have you identified that what is the reason for the discrepancy, whether is it related to the managing officials of the organization or is there any relation pertaining to an interest? Were you able to predict the specific conditions and factors that affected this? I am considering that it is not responsible incident that only 60 companies provided their information about the beneficial owners. Is there any recommendation relating to a strict observance to impose a disciplinary measure provided in the recommendations of the report? What was your recommendation on improving each standard requirement?

**N.Buyannemekh:** As per your proposals, we will make the recommendations more specific. There were a discrepancy in the state-owned companies in charge of customs and welfare. The companies have been reported by their paid taxes, governmental agencies have been reported by their received payments, but the amounts did not match, due to lack of time, bigger amounts had been adjusted and smaller discrepancies had not been adjusted.

**L.Bayartsogzol:** Information regarding the beneficial owners has been provided on a voluntary basis, which requires a legal regulation. We will give due recommendations, accordingly the MMHI may undertake respective measures.

**B.Bayarmaa:** Have you identified that the license transaction transferred to whom from who? This will be useful information for us, if identifying whether the transferring license and paying due taxes are made in compliance with the relevant legislations.

**Erdenesan:** Also, the report shall include the resource of the information that entered in the report. For instance, when uploading and using information from the CGA, this is necessary to enter the source of the customs information etc. Page 120 of the report provides the GDPs. This table consists of inaccurate data, then we need to oversee and correct them. It was mentioned that the data of the MMHI, MOF and NSO were different from each other. In my opinion, it is necessary to concentrate the statistical information relating to the extractive sector in the MMHI.

I am considering that these information should be delivered to the other organizations, after reviewing them. If the MMHI has a unit in charge of statistics, this requires to receive relevant information and create its database itself. Since its establishment, our office in charge of the statistic has been gathering all the information relating to the mining industry. With this regard, I am proposing to take relevant measure in connection to identify what kind of information has not been matched. Governmental agencies shall make their reports by an aggregated number, there should not have been such unmatched information at all. Therefore, it is needed to find the reasons why the information have been differed, what kind of information coming from which streaming. The report should not have included inaccurate amounts and records. Please, take into accounts this issue in your further action.

**D.Tserenjav:** I would like to propose to include the large amount information in the appendix of the report through developing them. The report has been improving from year to year. According to the initial report, the amount of the discrepancy was MNT 93 billion, but at this time, MNT 276 million have not been adjusted. Nowadays, people are getting to work with database, young

generations are able to make their conclusion through using information. Also, I am proposing that it is necessary to find the reasons of discrepancy of the information and provide related recommendations. There is less possibility to disclose information in details, but we will be able to make analysis if we were provided with detailed data that have been used in the report. At this time, we are issuing the conclusions in many forms. Please, pay close attention in providing data on a regular basis.

**L.Tur-Od:** Discipline of the public service has been attracting the public interests. I have a proposal to let the National Council meeting make recommendation on the penalties to be imposed to the governmental agencies and companies that failed to provide information to be included in the report. In addition, 2887 special licenses have been monitored, due to it, I would like to propose to coordinate our activities in the alignment of the recommendations and results provided during above monitoring. I am proposing to set up a working group and a sub-working group with the purpose of conducting monitoring in the implementations of the recommendations.

**L.Bor:** It is reported that it is possible to increase the size of the land to be granted under special license two times in the near future. Almost 80 per cent of the total area of our country had been deserted, thus there is a need to pay special attention in further actions.

**D.Galbaatar:** The report is being made at a sufficient level. How sufficient the report is depends on how proper the form is. Please, pay enough attention in the translation of the report, there is a need to make report comparisons well. This is possible to provide the public with adequate information through the EITI report. Thereto, I would say that the promotional activities have been carried out poorly and some people don't even know who makes the EITI reports. There is still a talking about an issue relating to a MNT 31 million of the EMC, which is equivalent two per cent of 10000 of our total budget. This is becoming the "Deal for the Big". The EMC is the biggest taxpayer that pays MNT 300 to 400 billion per annum by its royalty.

**B.Batbold:** I would like to make a suggestion to disclose the information about the transferred special license. Also, I would like to make clear whom granted with license in which way and what was the charge. I am recommending the BDO Audit LLC to disclose the transferring of the special license by an appendix and reflect them in the report.

**N.Bayarsaikhan:** Please, take a closer look at the measuring units to be clear that are appended in the report. The recommendations are given only in accordance with the terms of reference, please, make them align with the strategic plan in consistent with the standard requirements. Additionally, it will be easier to follow-up later on, if the recommendations are divided separately in addressing to the governmental and local agencies. Also, the recommendations should be ended with a word of "must". Please, take into considering it in the wording of the report.

**D.Damba:** Thank you all the members for participating actively and providing respective comments and recommendations. In accordance with the procedure, let's read and present a draft decision of the first topic. Hereby, I would like to advise to take the term of "consortium", remove the word of "summary" and remove the "third clause".

**D.Tserenpurev:** Additionally, I would like to indicate the sub-council in the section of the stakeholders.

**D.Damba:** It might be adequate to identify the measure to be undertaken in the companies that failed to submit due reports. Also, it would be appropriate to refer to conduct the monitoring and performance audit in the implementations of the recommendations.

**N.Bayarsaikhan:** The State Inspection Agency (SIA) impose due penalties on the companies that failed to submit respective reports, thus I am proposing to enter the information on how many companies had been fined and how much tugrug (penalty) has been imposed.

**D.Damba:** I have a proposal to add other related information in the section of disclosure of the issuance dates of the special license. For instance, information regarding the transferred special license etc. It might be good to make a recommendation on conducting outreach information addressing to the community. Do the members have any different proposals?

**L.Bor:** I have a proposal to let remove the recommendation on increasing the size of the land granted with the special license.

**D.Damba:** As I understood, an issue on granting exploration permission will be ceased before the year. Recently, the State Secretary highlighted this issue too. This issue is being talked at the level of the parliament, thus it is likely that a decision will be solved before 2020.

**B.Batbold:** I have a proposal that make a reporting at next working group meeting on the measures and assignments to be undertaken in accordance with the recommendations of the report.

**D.Damba:** It would be appropriate to enter the recommendations through assigning the particular subject to conduct a monitoring in the implementations of the recommendations. Once again, thank you everyone for your active participation in the noon meeting.

## **2. AS DISCUSSED: Progress of the implementations of the Mongolia EITI Work Plan for 2019 and a draft Work Plan for 2020**

**Sh.Tsolmon:** At previous working group meeting, we introduced a draft Work Plan in details, some of the planned works have been completed under the financing of the EBRD, in 2019, there were a total of 40 works had been listed in the Work Plan, which of 15 works had been completed, and the implementations of the plan have been fulfilled at 45 per cent. In 2019, due to financial delaying, most of our planned works had not been completed yet, thus the remaining works had been moved to the next year's Work Plan. The names of the companies, which failed to submit the EITI reports, had been forwarded to the GASI. There were about 500 companies have not submitted their reports, the related agency might undertake appropriate measure in conformity with the *Law on Conflict of Interest*. In turn, the GASI will introduce the results to the National Council meeting.

Work Plan for 2020 had been reflected the proposals provided by the members during the 49<sup>th</sup> working group meeting, with this regard, there was a need of a slogan from the members, due to it, the members agreed and proposed to make a plan of action to achieve pursued goals. Accordingly, some new works had been added, including calling for making this year is a year for strengthening sub-councils' capacity. For instance, the works had been added to the sections of 10.2 and 10.5 of the plan respectively. Also, the works had been added, to be done within the objective 13 of the recommendations under EITI Validation report. In accordance with the recommendations provided by the EITI International Secretariat, the works had been reflected in the objective 12, to be carried out within the preparatory activities for the EITI Validation report for 2021. Our Secretariat is grateful that the State Secretary has given us a direction to improve our further works through improving working group's meetings.



**D.Damba:** Thank you everyone, the members can share their proposals after summarizing them.

**B.Bayarmaa:** Incoming year is a year of the parliamentary election, with this regard, I am proposing to enter the cooperative works in the Work Plan, such as the Secretariat may initiate to call for a meeting with the political parties' heads and local authorities for the purpose of having including a draft law proposals into their election platform.

**B.Batbold:** We need a measure to be taken in regard to ratify a draft law at the parliament spring session. If we fail this spring, we would meet new people that consuming a lot of time. Hence, there is a need to commence an issue relating to the draft law starting from early February.

**N.Bayarsaikhan:** First, I would like to propose to make a decision by oversighting the implementations of the Work Plan for 2019 and afterwards it is adequate to discuss about the Work Plan for 2020. 9.6 of the Work Plan specified that to organize a site tour to learn the practice of the Khanbogd soum sub-council, has it been there before? I have a proposal to enter this work in the Work Plan for 2020. Why only Khanbogd soum, it will be adequate to learn practices from the sub-councils of the soums, including Zaamar, Yuruu and Gurvantes, because we have been promoting their activities through investing and training their staff in these five soums. Khanbogd soum sub-council is more experienced in working with the citizens, who filed a complaint. Since 2008, the sub-council had been conducting its activity for six years, but it was not possible to have a sub-council where only one large-scale company. Therefore, I am proposing to replace Khanbogd soum with a different soum and reflect it in the next year's Work Plan. Having incorporating our proposals, the Work Plan for 2020 has been reflected that 2020 is to be a year for "Promote new EITI standard and Strengthen sub-council's capacity". We have set a goal to make a year of 2016 for strengthening the sub-council's capacity, but there was not possible to fulfill our goal when we did not set the specific works on how to achieve it. In particular, it is necessary to clearly optimize what decisions the MMHI will make and what tasks the National Council meeting will carry out. PWYP Coalition has a considerable experience in strengthening the sub-council's capacity. There is a concentrator plant form is needed to be developed. This is unable to make extractive sector transparent completely when without disclosing how many concentrator plant explore by itself and how many of them buy their products. In principle, the working group members have agreed during its last meeting. Therefore, I would like to ask you to resolve at today's meeting on reflecting the works in formulating the form to make concentrator plant transparent in the Work Plan for 2020.

**D.Galbaatar:** How did the aimag's sub-councils work? What was their feedback? Since the election, no news from them. Earlier, the State Secretary stressed that a working group should be established in connection with the Amendments to the Constitution. The tasks of the working group should include the conducting monitoring and have its own database. Also, there is a need let the sub-councils have the works through the Ministry, there are numbers of organizations, which have been conducting their active operation at the rural areas. The EMC have been carrying out the comprehensive activities, including exploitation, concentration and extraction etc. Therefore, I would like to recommend you to involve famous researchers and experts of the sector in the composition of the working group. Next challenging issue is the financing, how safety is our further financing, who is in charge to review the financing issue? Implementations of the plans for 2019 have been fulfilled at 45 per cent, the performance of the Secretariat is satisfactory, but the performance of the governmental agencies is considered as poor.

**Sh.Tsolmon:** The positions of the relevant managing officials and other specialists, who have been contacted with local officials are being changed on a regular basis. In this regard, there are needs to re-introduce and conduct training activities on providing them with understanding. Unfortunately, in 2019, no work was completed due to financial delaying. The EBRD has agreed to provide a four-month financing with MOF on a contractual basis, but this financing had been delayed behind its schedule. The three partite contract was awarded with the ADB, as our projection, main works scheduled to be completed between 2020 and 2021. In the meantime, we have been pursuing to prioritize the works to do at the beginning of the year. Next year's Work Plan is submitted for

ADB's approval. We will introduce again having incorporating the changes from today's meeting. I have an additional propose that a Work Plan is included the works in activating the operations of aimag's sub-councils.

**L.Tur-Od:** Please, disclose the percentage of the performance pertaining the implementation of the plan. It will be better if disclosing the breakdowns like how much money are planned, how much money are received and how much money are spent. I am proposing to add in the Work Plan strengthening local capacity. In addition to the governmental organizations that have been operating the activities in the rural areas, but also numerous of private entities, companies, CSOs and their activities are required to be activated too. There is a need to ensure active participation of the stakeholders in the section of the responsible organization of the Work Plan. Our CSOs are capable of conducting relevant promotional and training activities. Accordingly, the CSOs have their branches in the local areas, due to it, they are needed to the obliged and involved. Also, it is necessary to make clear the documentation drafted by the Secretariat, and to raise due financing from three partite sides through funding not only from donor organizations' financing but also from other private sector entities. Additionally, it is possible to carry out some works in cooperation with CSOs and align the works with their works.

**D.Galbaatar:** It is not that important to hold a couple of training activities in the local area, more than that, there is a need of a regulation to be passed and a work towards providing the governmental agencies and companies with concept. In other words, it is necessary to formulate the respective regulations as a state policy.

**L.Bor:** I would like to recommend to increase the budget of working at the local areas. Since 2012, I have established a sub-council at Sukhbaatar aimag, having discussing the EITI report of the aimag on an annual basis, upon the approval of the governor's decree, working towards ensuring the implementations of the contract made with local authorities, and gaining a considerable experience. We have been financially supported by the Secretariat only one time and rest of the matters I have been settled it down by myself. Finally, I have a proposal to nominate Gerelt-Od, Specialist of the Governor's Office of aimag, for reward to be proposed by the MMHI.

**Erdenesan:** The plans have been fulfilled at 45 per cent, for this reason, I would like to suggest you that you need to put the works within the budget. Please, provide more explanation on the implementations of the plans. It is difficult to accept the implementation without reflecting the reasons why the plans had not been fulfilled fully.

**B.Batbold:** I would like to propose the MMHI to organize the rewarding the members who have been prompting the EITI on a long-term basis. There are people like Mr. Bayarsaikhan, who has been working actively in this field for over ten years. As I understood, the CSOs are fully capable to be responsible for summarizing and presenting the EITI reports and outcomes in rural areas.

**N.Bayarsaikhan:** However we conducted a monitoring in the implementation of the Government resolution No: 222 was ratified in 2012 on establishing EITI sub-councils and developed due rules, but also sub-councils still have less knowledge on how to work and working without initiation. Therefore, I am making a suggestion to establish a working group with the purpose of developing necessary methodologies and rules for creating legal environment in ensuring appropriate activities of the sub-councils. Also, I would like to add that I can work in there. In addition, there is a need to set up a working group will be necessary to be led by me and be assigned to develop the concentrator plant's form, that comprising of three partite participation, including relevant professional specialists of the field. There are numbers of plants are being building in our Gobi

region, as of today, there are six concentrator plants within Dalanjargalan soum, there will be eight in Airag soum.

**N.Erdenetsetseg:** The Coal Association is able to work closely with the working group, which will be responsible for formulating the concentrator plant's transparency form.

**D.Damba:** I would like to keep in explaining that the percentage of the performance of the plan was not done due to financing. In the near future, it will be translated internationally, I think we should consider how this could be analyzed at the international level, because we reduced its status from the national level to the ministerial level.

**N.Bayarsaikhan:** I would like to suggest you that you may able to estimate the implementations within the budget, there might be the works done out of the specified budget.

**T.Munkhbat:** It is better to be true, I am considering that we don't need to correct them since an independent auditor concluded that the performance has been fulfilled at 45 per cent.

**D.Damba:** Let's vote regarding above issue. In terms of the amendments to the relevant sector legislations, also the organic legislations might be amended too, in connection with that, a working group was established, it will be working actively soon. Specific provisions should be harmonized and embedded in line with the Constitution, when the amendment is being consistent with the sector legislations. In my understanding, other related regulations and rules that are followed by the amended legislation. In general, we have been working with aiming to maintain the transparent and accountable mining as well as the government. Let's approve a draft decision, because we passed the proposals, reviews and comments. Let's proceed with voting regarding the formula to approve the decision on the implementations of the EITI Work Plan for 2019 and a draft Work Plan for 2020.

**Sh.Tsolmon:** Implementations of the plan is not satisfactory due to delaying of the Secretariat's financing. Our biggest work to do in this year is to make the EITI Reconsolidation report for 2018. We advertised the recruitment of an independent firm for two times, signed a contract on August 30 and the completed contractual assignment within a short period of time. In other words, there was a situation like the report might not been made, but the Ministry has taken a decisive action, due to it, we succeeded to complete this work. In practice, the EITI is considered as a spirit of the transparency at the international level. Finally, I would like to ask the members, please take into considering our situation.

**L.Tur-Od:** Most of the CSO's members agreed with Mr. Munkhbat's proposal. Also, I would like to enter the major works that had been done out of the specified budget in the implementations of the plan. We need a methodology on conducting the quantitative and qualitative assessments in this work. In other words, when 50 per cent of your works is to make a report, then it might be adequate to include qualitative assessment in there.

**D.Galbaatar:** Earlier, Mr. Bayarsaikhan has provided a right proposal. This structure has been re-organized. "Re-organization of the structure" means a financing will be stopped, there is a method to calculate it too. It will be wrong if reflect the works with financing in the Work Plan, and conclude that the works were not done. Initially, we were trying to set a goal for making a report. There is a need to compose an assessment methodology that consider 60 per cent of total works achieved once the report is made. We need an assessment methodology that each of the 20 report

related works would be evaluated by 1.5 scores, then finalize a total score. If one work was not done at local areas, this will be evaluated by 0.5 scores. I am considering that it will be consistent to explain that some of the planned works have been postponed due to lack of financial resources and some of the planned works with financial resources were concluded and their outcomes was like this etc.

**D.Damba:** Implementations of the plan are accepted as satisfactory. The Secretariat will operate its activities under financing of the state budget and ADB's fund respectively starting from incoming year.

**B.Batbold:** Are the vacancies of the Secretariat staff still the same? Is there any recruitment had been done additionally?

**Sh.Tsolmon:** ADB funded project shall have the vacancies as follows; Project Coordinator, Financial Specialist, Communication Specialist and IT Consultant. In accordance with the negotiation, there must be a Secretariat. Costs relating to the office rent and validation report have been approved and allocated in the state budget. The recruitment of the Communication Specialist of the Secretariat is ongoing. Mr. Munkhbat has been recruited as an IT Consultant of the Secretariat. In addition, there is a vacancy for the Project Coordinator has been added in the Secretariat's staff.

**D.Damba:** Following the parliamentary election to be held in 2020, I don't know that the Ministry will have the current structure, with this regard, I think that it will be appropriate to propose a principle of setting up an EITI unit under the Ministry as early as possible. Once there will be a unit, this might be resulted to reduce our further difficulties. Nowadays, we have been carrying out this work aside our works, currently I am heading the Economics and Investment Research Department of the Ministry. If we have an independent unit in the main structure of the Ministry, the guarantees of the vacancy and remuneration will be safeguarded. I understand that it is exceptionally important to reflect properly in the structure of the newly formed government and every work will be formalized gradually.

A draft decision was read and presented, the members approved unanimously.

### **3. AS DISCUSSED: Presentation on upgrading report form in accordance with the EITI standard**

**Sh.Tsolmon:** In 2007, the EITI report form was approved by the National Statistical Office (NSO) and have been obeyed in accordance with the Ministerial Order of the Finance. Numbers of the companies, which submit their reports have been increased as a result of transferring the EITI reporting into electronic form in 2014. By transferring report into electronic form, the time has been saved and report submission have been increasing, but also there are still the companies that fail to submit due reports.

At this meeting, we are presenting 16 forms of the additional information. Also, the reporting form to be upgraded in accordance with the EITI standard, are distributed to you in advance. At this time, the reports are being made in accordance with 14 forms, the companies that are involved in the annual reconsolidation, have been making their reports in accordance with above standard.

169 companies out of 202, which had been involved in the reconsolidation of 2015, 191 companies out of 213, which had been involved in the reconsolidation of 2016, and 211 companies out of 240, which had been involved in the reconsolidation of 2017 have made their reports in accordance with the additional information form. The reasons why all the companies failed to submit due reports, because the reports have been submitted on a voluntary basis, there is no specified

disciplinary to be imposed. The companies do submit their reports in accordance with three-partite collaboration. Therefore, we are presenting here these forms with purpose of letting the reporters shall adhere.

The 8<sup>th</sup> EITI Global Conference was hosted by Paris in June made its decision on making the entire extractive sector transparent. The members of the working group got acquainted with details of these forms in November, thus we are here presenting the revised forms after having incorporating comments proposed by the members. Hence, I would like to propose to formulate the forms in accordance with the changes of new EITI standard of 2019 and submit them National Council's review, then request for NSO's approval. If it is approved, I am proposing to enter them into force starting from 1 January 2020.

Upon the approval of the forms, all the companies, including state-owned and private entities in charge of extractive, petroleum and the special license holders will be able to submit due reports. Also, the sub-contractors and operator companies that have been running their activities in this field will be able to make their reports too. New forms of 4.15 and 4.16 have been formulated newly, which included the information about the energy and oil products used by the company and the information addressed to the operator companies and sub-contractors. Finally, I am considering that making reports in compliance with these forms, will be the significant step towards maintaining accountable mining as determining company's benefits to the economy and contributions to the society. (The forms are appended).

**D.Damba:** Is there any comments regarding the presentation?

**Erdenetsetseg:** I have a proposal to include the information to be equivalent to the rehabilitation in the section of the rehabilitation information.

**D.Galbaatar:** I am proposing to replace the initial reserve size with mineral's reserve size and include the reserve assessment. The investment resource must be included in there too.

**N.Bayarsaikhan:** I would like to add to include Mr. Galbaatar's proposal and there is no change in the initial reserve. At previous meeting, I have proposed that there was a need to enter the information regarding the remuneration of the independent members of the Board of Directors of the state-owned companies. But my proposal is not entered in there. May I ask you to enter the information that we were unable to get from the Ministry in the information regarding the rehabilitation, or can you enter it separately? Previously, I have proposed to include whether or not a fund established within the frame of the contract in 4.7 of the Work Plan, this has not been included in there too. The funds are being established at a bag and soum level, that's why I was making such proposal before. Also, I am proposing to enter the registration dates of the beneficial owners in the section 4.10. Please, prepare the information in a distinctive way such as extraction, processing and concentration in the information about the water use. In principle, first you need to prepare the form, after that the form can be approved.

**D.Tserenpurev:** It is recommendable to let review the form by a statistical expert with purpose of making them into economic language prior to approving it. If indicate a total amount in the sales information, after that starting to enter them with its breakdowns, this will much clear to use the information. Also, information regarding the fund should be entered in details. It was reported that the annual spending of the Gobi Oyu Fund is a USD 5 000.

**D.Damba:** In my prediction, the forms would be revised by the editors. Information about the water includes the terms such as basin, headwater and variety of measuring units. Here included only cubic meter. It is important to consider that who and what authority are in charge of approving the form.

**B.Batbold:** Here, I would like to ask you to distinguish exactly what did you sell in the extractive sales information of the form. Also, it is needed to distinguish exactly whether it was concentrated or direct.

**Erdenesan:** May I ask you to distinguish whether the investment is generated from the state budget or foreign investment? It is also useful to distinguish the investment types. Our organization is in charge to approve the applicable forms to be obeyed within the national level. Previously, our organization approved the EITI forms in conjunction with the MOF.

**L.Tur-Od:** It was reported that the editorial review will be edited relating to the appended forms. It would be appropriate that audit firms' web sites and contacts are entered, which will need to be regulated in consistent with the relevant national legislations. Also, it is better to use the name on the form as the beneficial owner, because it was explained in two different ways. I think it is good to indicate the family name, surname and name in the section of the surname and name. It would be adequate to enter the residential address in accordance with the standard. May I ask you to make it clear that who will be considered as an influential person in politics? Also, I am making a suggestion to reduce slightly the voting right for more than 20 per cent. Additionally, I would like to reduce slightly the percentage of shares in stock. In other words, even one per cent of votes are likely to prevail. Finally, we need to take a look back on the C of the 2.5 of the form.

**Erdenesan:** In principle, the form will not be changed, the words and terms are in there will be edited. Not only the form is approved, also the instructions on how to fill out will be approved too.

**D.Galbaatar:** It is not possible to fill out the reserve assessment immediately, because the reserve assessment has a narrow methodology. In cooperation with Australians, our Ministry has developed a regulation on how to conduct a deposit assessment. Once this form is modeled and approved its methodology and procedure, this form will be entered into force.

**L.Tur-Od:** In particular, it is appropriate to develop the guidelines and methods on how to fill out the forms during discussing about the report reconsolidation. Also, I am proposing that the decision should be made by the National Council at a major policy level and technical issues should be discussed by the working group.

**D.Damba:** Thank you, accordingly, let's present a draft decision regarding the discussed issue.

**N.Bayarsaikhan:** I am proposing to reflect in the draft decision on setting up a technical working group. Also, now it is necessary to make a decision on disclosing the rewards of the independent members of the Board of the Directors of the state-owned companies.

**B.Batbold:** Our CSOs have been conducted the training activities on the recruitment of the human resources and tried to provide with materials addressed to the Board of Directors of the state-owned companies, but usually they do not get our materials. Also, the small ranked heads of the governmental agencies are included in the composition of the Board of Directors and provided with high amount of remuneration. Thus it is necessary to make them transparent.

**D.Damba:** I understand that it is feasible to make it transparent in compliance with the *Law on Glass Accounts* and *Law on Conflict of the Interest* respectively. As per a comment proposed by Mr. Bayarsaikhan, I am suggesting that the provision to give an obligation on developing forms and guidelines in conformity with relevant legislations through setting up a technical working group will be entered in a draft decision of this meeting. Or this can be entered as two separated provisions.

**N.Bayarsaikhan:** How about a working group?

**D.Damba:** I would rather to indicate a technical working group, because its assignment will be to develop numbers of annexes and guidelines that are requiring the specialized professional

skills. I am supporting Mr. Tur-Od's proposal. The beneficial owners is understood at the international level. But here, we have been talking about the beneficiary owners and the final owners. May I propose to indicate the beneficial owners in the parenthesis?

**N.Bayarsaikhan:** I think it is better that the National Council will discuss this issue. There are reflected in two ways in the related legislation, if awaiting a law to be amended, there will be a waste of time. Therefore, I think there is nothing will go wrong if publicizing to the other stakeholders after having same understanding.

**D.Damba:** I understand that a working group will carry out its assignment in accordance with the terms of reference. So, let's approve a draft decision.

**4. AS DISCUSSED: Presentation on a draft annex to a resolution to be issued by the government in uploading related information provided by the governmental agencies, state-owned companies addressing to the community in the EITI e-reporting system in the line with the EITI standard**

**Sh.Tsolmon:** At the meeting of the National Council took place in 2017, it was discussed to set up a working group to be assigned to develop an annex to the government resolution on uploading relevant information provided by the governmental agencies and state-owned companies addressing to the community in the e-reporting system in line with the EITI standard. During the working group meeting, we have discussed about this presentation and received the numbers of proposals from the members. The EITI Global Conference, which was held in June raised an issue on making and regularizing related information of the extractive sector transparent through using electronic system, which are available at the state administrative bodies at all level. A survey conducted by IADF concluded that Mongolia is full capable country to conduct a mainstreaming. Even a working group was established in 2018, but this time, we are re-presenting it because during that time, the working group was unable to carry out its assignments due to financial delaying. In November, we have received respective comments from the working group members, and this has been referred in accordance with a survey conducted in uploading information by each ministry and the lists of the information that are uploaded in the e-system. Please, discuss and finalize the issues at today's meeting. (The presentation is appended).

**D.Damba:** Do you still have a draft government resolution? There is a need to introduce a draft resolution to the government session for its decision. If we take a step towards the principle of introducing, the government would provide us with its direction. The direction might be included that to develop a regulation or to issue a government resolution. If it will be directed to issue a resolution, we need to take relevant comments from all the ministries. If we keep doing like this, for us it will be difficult to issue a resolution.

**B.Batbold:** Other related information are being provided by the MET. The subsoil rehabilitation is included in there, tell me where do I find this kind of information?

**L.Tur-Od:** The meaning of this word is to make transparent through accustoming. You probably need to explain it and let understand. The information about the open data policy had been more detailing. It is necessary to align with standards through using international guidelines when conducting the mainstreaming. I think that it might be easier to make the amendments to the relevant legislations, if reflecting them in the government long-term development policy and working closely with the Open Data and Open Governance, Smart Governance project.

**D.Galbaatar:** In my opinion, previously established working group needs to carry out this work, to approve relevant guidelines and instructions and to work closely with the legal working group as well. If doing so, the significant reforms are might being upgraded.

**D.Damba:** Thank you everyone, as per the comments proposed by the members, I would like to inform you that we need to postpone to issue a government resolution at this time and to reflect it in the terms of reference of the former working group.

**N.Bayarsaikhan:** The International Steering Committee meeting is scheduled to be held in this February. In connection with that, I have a proposal to submit our letter for requesting a support in issues relating to the difficulties in expanding further activities (financing and methodology) as Mongolia is a country that has been implementing the EITI well. Previously, we had the EITI strategic papers, we cannot see our future when they (strategic papers) ended. With this regard, I am proposing to have the strategic papers within the short term of period like until 2025. In order to ensure their implementations, we need to have a relevant methodology. I have just proposed above, because there is a guidance to be followed is needed. Is it possible for you to make a reporting methodology by yourself, or I have an option to seek a request from the International Steering Committee.

**L.Tur-Od:** In general, we need to study the experiences of the “mainstreaming” and beneficial owners and to be provided with methodologies and technical assistance. For instance, the most experienced country in mainstreaming is Norway. When contacting with Norwegian CSO, they mentioned that they have the problems in its implementations. Therefore, we need to make more progress on implementing a comprehensive approach in terms of implementations and methodologies. It was agreed to set up a working group to be assigned to make the amendments to the relevant legislations and by-laws of the sector in connection with the Amendments to the Constitution. With this regard, my next proposal is to include the representatives of the private entities and CSOs who are included in the compositions of the working group and National Council. Hence, we need a rational approach to the some terms of the relevant legislations. For instance, can we name that Law on Transparency of the Minerals Sector, or, I have a principle proposal that the terms are consistent with the wording standard and terms of the Constitution. Thank you all.

**D.Galbaatar:** We have issued our request to the EITI International Secretariat for supporting on financing, their position was not to support us with financing, but it was suggested other countries to support us. Therefore, as recommended by Mr. Damba, there is a need to support his proposal on setting up a unit under the Ministry.

**B.Batbold:** Our CSOs have been committing to implement the EITI for many years as well as the governmental organizations. This is the ending of the year, thus there might be an opportunity to reward each person from three parties upon the proposal of the Ministry.

**D.Damba:** I understood. Basically, a ministerial order is being issued. I will introduce the additions to the relevant managing officials. Let's formulate the names today, but I cannot promise now.

**L.Tur-Od:** Issue pertaining to transiting the natural gas is relating to our initiative. Ukraine transits the natural gas and controls through its EITI. Then, I am proposing to enter it in the section of the extractive industry.

**N.Bayarsaikhan:** If Mr. Batbold's proposal is supported, I will pull back my name. PWYP Coalition will decide by its meeting on who will be nominating for rewarding, this is the internal principle of our coalition. Meanwhile, I have been conducting the EITI discussion for sixth year among the administrations of Ulziit soum, Dundgovi aimag by their own initiation on a regular basis. Hence, I would like to nominate this organization for the rewarding.

**D.Damba:** Well, today's meeting ends here. I would like to extend my gratitude all of you for attending actively.



The meeting ended at 16:20 p.m.

Meeting minutes presented by:

State Secretary of the MMHI,  
Secretary of the EITI National Council  
and Head of the working group

G.Nandinjargal

Meeting minutes reviewed by:

Director of the Department,  
MMHI

D.Damba

Secretary of the working group

Sh.Tsolmon

Meeting minutes taken by:

Finance Officer, EITI Secretariat

A.Otgontungalag