

Minutes of meeting of Mongolia Extractive Industry Transparency Initiative National Council

The Mongolia EITI NC meeting opened at 4pm, 8 May 2012, in the “Local Governance Hall” of State House.

Members attending: S. Batbold (Prime Minister and National Council Chair); D. Zorigt (Mineral Resource and Energy Minister and National Council Deputy Chair); S. Mendsaihan (National Statistics Commission Chairman); B. Dolgor (Senior Prime Ministerial Advisor and National Council Secretary); N. Damba (Mongolian National Mining Association President); P. Erdenejargal (Open Society Forum CEO); N. Dorjdari (Open Society Forum Manager); L. Nyamsambuu (Mongolian Employers’ Association President); G. Urantsooj (Human Rights and Development Center Head); N. Bayarsaihan (Steps Without Boundaries NGO Head); representatives of G. Idesh (Erdenet Mining Corporation Representative Office Manager); D. Dulamsuren (Independent Agency Against Corruption’s Enlightenment and Prevention Department Chair); Ch. Batbayar (National Audit Office’s Financial Inspection Division Chair); H. Lhamaa (Oyu Tolgoi LLC Multi-Stakeholder Relations Manager).

Also present (with invitation): Altansuh (Mineral Resources Authority Chairman); E. Sumiya (Cabinet Secretariat Senior Officer); D. Myagmardash (Finance Ministry’s Accounting Policy Department Chair); Enhtuya (General Taxation Department Mineral Resource Tax Division, Department for Government Revenue Inspection, Senior Inspector); S. Munhsaihan (Mineral Resources Authority Officer); N. Erdentsog and B. Mendbayar (Ulaanbaatar Audit LLC Senior Auditors); Sh. Tsolmon (EITI Secretariat Coordinator); B. Delgermaa (Secretariat Finance Officer) and S. Batbayar (Secretariat Communications Officer).

Prime Minister and National Council Chair S. Batbold delivered opening remarks.

S. Batbold: EITI is an important initiative that must be effectively implemented in social impact, content and scale.

Mongolia supported the initiative, initially proposed by British ex-Prime Minister Tony Blair, and has adhered to the principle that we must implement EITI with Mongolian specifics and complying with the international EITI. The work is on-going and we have seen some outcomes. For its implementation, cooperation between government agencies and all stakeholders is essential. Cooperation between civil society, companies and government has bred the formation of the National Council, which ensures participation and collaboration. I see that there have been results. For instance, we have developed the form of joint meetings and operations. Under the initiative, the government reports the receipt of taxes and payments from extractive industry companies, and companies report payment of taxes and fees; then we have reconciliation by independent auditors, with investigation and follow-up of any discrepancy. The amount of data produced by reports is also increasing. So it is vital to pay attention to helping the community to use the reports effectively and frequently to publicize the reports to the community and stallholders in an easy-to-understand format. The number of companies reporting to EITI is also increasing year on year. In 2006, when the initiative started implementation, reports of 25 companies were reconciled; this rose to 150 this year. It is also important that discrepancies revealed by reconciliation reports are decreasing every year. For instance, the discrepancies identified by the 2006 reconciliation totaled MNT 25 billion, which fell to MNT 11 million this year. While extractive sector investment is increasing dramatically, discrepancies are falling, which we consider a great advance. It is intended that the 2012 EITI report will involve about 200 companies.

Further, we should concentrate on firm implementation of an EITI mid-term strategy for 2014, endorsed by the National Council; we should publicize the implementation and ensure that we don't lower our current achievement in EITI implementation. The International Board also has policies on EITI expansion. These policies must be adhered to and integrated with National Council policies. At the same time, with action at both the EITI international and national level, there are some issues that must be emphasized.

There are crucial issues in the sector to which we must pay attention and act upon; we must formulate legal regulations; criticism of license trading and other issues must be immediately dealt with, including environmental, community, social and economic problems. When we talk about transparency, we must not ignore these pressing issues, such as when exploration is carried out poorly, while licenses are broadly traded. I think that under this initiative, under National Council and government functions, we must highlight the issues and act on them.

First, in relation to license trading, the government must take ownership of all land that is unclaimed and unlicensed to be reserved for local special needs. In doing so, we should ensure that licenses are allocated not by a few officials, but by parliamentary resolution, complying with general guidelines for the given year. Further, we need to carry out exploration with government financing and work with businesses that have the experience, capacity and ability to contribute to local development, using the results of our exploration. As to license trading, land acquisition for reserves and government regulation and oversight, the National Council is undertaking oversight action, and I think plays a key role.

I specifically assign Altansuh as the Mineral Resources Authority chair. The newly-appointed senior Mineral Resources Authority managers must undertake structural reform to comply with the aforementioned content and principles, creating a team of professionals through professional qualification exams. Appointed staff must be skilled, ethical and knowledgeable about the sector and its regulatory framework. Corruption is a hot topic that is frequently talked about concerning the mineral resources sector. We must get rid of corruption. The key way to remove malpractice is to employ only staff who are skilled, ethical and knowledgeable about the legislation.

Another point I want to make concerns the Law Prohibiting Exploration and Exploitation of Minerals in Headwaters and Protected Areas for Water Basins and Forest Areas, which is talked about frequently. While it is not directly relevant to National Council operations, it is nevertheless indirectly relevant. Cabinet will discuss exploration and exploitation of minerals in headwaters, and protected areas for water basins and forest areas at the next meeting, and will take all necessary action, such as termination of licenses in some cases.

An important issue concerns mineral deposits of strategic importance, which is broadly discussed. Parliament must debate the inclusion of minerals deposits in the list of strategically important deposits. If necessary, this Council and other tri-partite mechanisms should contribute to certain decisions.

Mongolia's mining and extractive industry sector is advantageous for development; at the same time it creates new challenges. That is why the National Council must look for solid outcomes and results in upcoming years, making sector activities transparent, ensuring participation and enabling the community and civil society to oversee the process. The functions, responsibilities and participation of the National Council, its member agencies and members must be maximized. Finally, I would like to ask you to share your ideas.

B. Dolgor: Any comments, clarifications, questions?

N. Dorjdari: I represent Mongolian civil society on the EITI International Board. Minister Zorigt is also a Board Member, representing the government. The International Board meets 2-3 times a year. Implementing countries have a vested interest in hosting such meetings in their own country. Informally, we have been asked if it is possible to hold an International Board Meeting in Mongolia. I pass this request on to you. The International Board is now chaired by the UK former Minister of Development.

At the international level, there are discussions about the future of the initiative and what needs improvement; subsequently the chapter was renewed. As from next year, the chapter will probably be changed again. You have just referred to license-related issues. At the international level, we have been discussing the same topic. There will be more dialogues and discussions at the international level, with talk about disclosing contracts between government and business. For Mongolia, the Investment Agreement with Oyu Tolgoi is in the public domain. However, other agreements such as the Petroleum Product Sharing Agreement, earlier agreements on Erdenet and MongolRostsvetmet and other inter-governmental agreements also exist. Disclosure of these agreements is included in the EITI Mongolia mid-term strategy. At the international level, it is also being discussed, but confidentiality is always a challenge. However, we see no negative impact in disclosure of investment agreements like the Oyu Tolgoi Agreement. In principle, the National Council should discuss contract transparency, the rights of the owners of the wealth and the right to access to information on how funds are spent.

P. Erdenejargal: I am pleased to point out that the EITI reporting process has undergone positive changes. The Prime Minister just told us how the number of participating companies is increasing. We have also made progress in timing; we managed to produce the 2010 reconciliation report in 2011. There is one point in the report I feel needs attention. The report shows that donations from mining companies to local administrations are not always reported accurately. Financed by the Open Society Forum, we produced EITI reports from Umnugobi aimag's Hanbogd and Tsogttsetsii soums; these sub-national reports were reconciled with EITI reconciliation. Comparing national and sub-national level reports, we see that local donations show high discrepancies. For example, the national report says that Energy Resources gave MNT 10 million to Tsogttsetsii soum; but the sub-national level report, annexed to the national report, found donations worth MNT 418 million. Ivanhoe Mines claimed a slightly smaller amount to Hanbogd soum, but we found discrepancies worth MNT 40 million. We need more detailed checks on local donations.

G. Urantsooj: I have just one thing to raise. The report is important for the legal regulation that 50% of all estimated environmental reclamation costs shall be deposited in advance in a special account. The report shows that there is little or no compliance by many companies. Some companies do deposit money, but there is often a big dispute on whether the deposit was received. A total of MNT 900 million was claimed to have been deposited. Think how much we must spend on environmental reclamation. We must stress proper estimates of environmental reclamations, and I'd like us to bear this in mind.

S. Mednsaihan: Mongolia joined the UN Statistics Commission this year. At the first session we attended, Mongolia proposed an initiative for natural resource-based economies, proposing that member states develop recommendations for improved statistics, to be submitted as a recommendation for the international community. Our recommendation on the development of minerals and oils was supported by over 20 countries at the UN session.

Our first target is a general evaluation of natural resources, with proper registration/recording of benefits from natural resource usage and negative impacts on the natural environment. We want to develop a complex methodology for statistical expression of everything relating to natural resources. The committee will work for 4-5 years and report to the UN Statistics Commission every two years. This has been started by the Australian Statistics Bureau and the Mongolian Statistics Office. To date 15 countries, including Russia, Canada, Norway, Sweden and the Gulf States, have expressed support for our initiative. On 19-22 August, a Working Group will meet in Ulaanbaatar. The UN has sent a formal letter to the government and one addressed to you. For this meeting, the government and the Ministries of Mineral Resources and Energy, Finance and Environment and Tourism need to tell us which indicators are working and which are not, to provide complete and comprehensive statistics.

I have been a member of the National Council for the past 2-3 years, and have seen much progress and a significant fall in discrepancies. While final conclusions in the EITI Mongolia 2010 report show fewer discrepancies, this has resulted from extra work in audit reconciliation, coordination, clarification and tracking etc. If we improve statistical recording/accounting over the long term, reporting and audit reconciliation will be easier and need less work, I believe. So I request support from the government for this aspect.

L. Nyamsambuu: Just one issue. We must stop ministries and agencies receiving donations from mining companies; this is 100% conflict of interest. For example, the Mineral Resources Authority and Mineral Resources and Energy Ministry received MNT 10 million and MNT 15 million, respectively. The government must issue a resolution prohibiting such donations.

N. Damba: A new law prohibits mineral exploration and exploitation in headwaters, water basins and forest areas, and the Prime Minister has just given assignments for enforcement. If a law is adopted, it must be enforced. However, over 200 businesses have lost their work area and 15,000 people have lost their job. We must see the problem from the other side; looking from just one side does not give the whole picture. I have a suggestion. If companies must cease operations, the government should compensate them, effective from this year. If there is an effective law, companies will comply. Resolution is easy. But the concern is, what to do with the remaining reserves. The key concept of the law is to protect rivers, forests and the environment. But artisanal miners or “ninjas” will enter prohibited areas. Without protection, they will be destroyed. How should this be regulated? The situation will be very difficult. Ideally, remaining reserves should be mined by companies under strict requirements, using environmentally-friendly technology. While this law exists, the situation is really difficult.

I have another request: I would like the government to do something to enable companies to operate. For instance, the government resolved to build over 700kms of railway in the southern Gobi. Why don't you give preference to these companies for earthworks for the railway? The companies have the equipment, technology and staff for soil stripping. This could be a way to resolve lost job issues. If the companies want work, they could go there; if not, it is up to them. Whatever, I request that this be considered an opportunity.

Instead of spending the revenue from the mineral resource sector in, for example, MNT 21,000 monthly installments, or MNT 1 million, it would be better to use the revenue from the mining sector to create jobs, provide new skills and qualifications, train artisanal miners for whom I have expressed concern, give them mining qualifications or construction qualifications and provide them with jobs. Compulsion by police and military obviously does not succeed. Currently there are many

negative consequences, such as environmental destruction and poor health outcomes. These people should be given free courses at training centers and then given jobs so that they would no longer want to dig the earth at risk of their lives. What about considering this?

There is a great deal of discussion about strategically important mineral deposits. When companies work properly, implement good projects, use their own funds to explore, evaluate reserves and start mining, the deposit is suddenly listed as strategically important and the government grabs a stake; is this good? The Constitution of Mongolia has a provision on protection of private property, so the term “strategically important” must be re-visited to some extent. Nowadays, there are plans for a new Minerals Law, but parliament does not seem to be able to discuss it in the next few days. So why don’t we wait until we have re-visited the concept of “strategically important deposits” and a new law is passed?

N. Bayarsaihan: It is essential to implement EITI at the sub-national level. The National Council is meeting and MSWG is active. But we have still failed to work out a mechanism for local level EITI implementation. Government Resolution 80 has existed on paper for some time, without enforcement. We have local EITI councils, chaired by Deputy Aimag Governors, but they have done nothing. I ask you to consider a mechanism to implement EITI at the sub-national level.

Government agencies receive a huge amount of donations from private companies. The Mineral Resources Authority and the Ministry of Mineral Resources and Energy received MNT 60 million to celebrate an anniversary. Donations are made at soum and aimag governor level. These people are responsible for implementing the initiative and for ensuring that private companies comply with the law, but they cannot impose demands on companies after accepting a donation. So EITI is not progressing. That is why extractive industries are not working responsibly. The Mineral Resources Authority is now unable to make demands and place requirements on companies. So please can we devote considerable attention to implementing EITI at the sub-national level.

On another topic, the government reports revenues from foreign employment under the EITI template. Oyu Tolgoi registers unemployed Mongolians and pays MNT 300,000 a month into their bank accounts. That has been proven. I recently visited two soums in Umnugobi aimag. The local people told me they have a “phantom job.” Oyu Tolgoi pays them MNT 300,000 a month in the pretence that they employ Mongolians rather than foreigners. It has been proven that companies do that to avoid the foreign worker fees. The issue is how to oversee and regulate such practices. Attention should be paid to this.

I turn to donations and aid. In our two soum level reports, Oyu Tolgoi was found to have donated old wood, old blankets and plans for fences. The company also paid tuition fees for children of the local soum community. These were all recorded as donations. The government must clearly define the difference between donation and aid, particularly at the soum level. Another Finance Ministry regulation records donations and aid, which the 2009 EITI report said was not being enforced properly. It was the same in 2010. Resolutions like Government Resolution 80 should be implemented at the EITI level, but there is no enforcement, they are ineffective.

D. Dulamsuren: If donations are not clearly defined, difficulties arise, we agree. The government has created a mechanism to control donations. The Law on Regulating and Coordinating Conflicts of Interest in the Public Service came into force on 1 May. It clearly defines what is a donation, and prohibits any government agency, local administration and public servant from receiving gifts and donations. They must get nothing. For financial assistance or donations for training, operational arrangements or technical assistance from a third party with no conflict of interest, they must

apply for permission from an upper level agency or authorized officer; that is the new regulation. We do not intend that they receive a donation, then not report; if they do, we will arrest, but we need to prevent such situations by, for example, raising awareness in government agencies, government officers and local government administrations in the need to enforce the government resolution we have described. Now we don't need to talk about discrepancies in donations because the law came into effect from 1 May, so is controlled at different levels. Now is the time for the government to take action in different directions, such as preventing violations. Regulations now prohibit donations to celebrate anniversaries.

S. Batbold: Our members are talking about concrete issues. You are basically right. As head of Cabinet, I am not always able to sit with you and talk in depth about sectoral issues, but you can discuss general issues in the sector. This then gives the government better information, and I think that words from you, the people in the field, are very important. I stress that our conversation has been very fruitful.

Some matters are likely be discussed further, possibly at subsequent National Council meetings. I understand that matters in the minutes will be considered by the government and may serve as recommendations for the development of government policy. We must find some way of including your talk in our work, and I think that you have raised issues that need regulation.

It will be good to host an International Board meeting in Mongolia, a country attracting global attention to its mining sector, but attracting negative attention in terms of environmental pollution, bureaucracy and corruption. We need to explain our situation, hear international best practice and put it into action ourselves. What is the expected date for the International Board meeting? Please include it in the minutes of this meeting, so the government can take further action.

The idea of transparency of mining contracts and agreements and putting them into the public domain is a good one, I think. Chairman Altansuh must consider how we can regulate this, how we should amend the existing legislation and what new regulations we must make, as well as considering what to do with the oil production and investment agreements. Let's develop concrete ideas and talk; if necessary, let's make new regulations and amend some laws.

Several of you spoke about donation issues. We need to take a decision on this. The government must disclose all donations; it is not appropriate for a government agency to receive a donation, but it seems still to happen. Nowadays, budget and financing opportunities are quite adequate, and we are increasing budgets and salaries for government agencies as much as possible. This will continue. As we try to increase value of work and the capacity of government agencies, we need to make the decision to stop receiving donations. Someone always finds a loopholes and donations will be offered. Working only within a budget is important in a democratic culture. In Western countries like that of Tony Blair, there are probably no government agencies accepting donations on top of taxes. While we strive towards development, we must make proper decisions. Put this in the minutes of the meeting.

You talk about non-compliance with the law and environment-related issues. Within the corporate social responsibility for local development, there is an important difference between donations to social responsibilities such as schools and environmental reclamation, and donations for lavish spending by government agencies. Donations must be clearly separated by content and purpose. The key point is to disclose donations. I think that disclosing activities as part of corporate social responsibility should be regulated separately.

As to environmental issues, legal non-compliance, failure to rehabilitate land and avoidance of the 50% deposit are related laws, so we need to highlight why there is no enforcement. Representatives of professional agencies are here, and they need to come to a conclusion on why.

The event mentioned by Mr Mendsaihan will be an important one with international characteristics. The government must and will support it, involve the ministries and come to the necessary decisions or make presentations as required.

The Mining Association people offer many important ideas for environmental protection, proper use of minerals resources, prevention of over-enforcement of laws, development of well thought-out laws that are principle-driven, not emotion-driven. We need to consider such ideas, clarifying the social and economic grounds and rationale. There are other ideas on responsible mining and its promotion. Let's make environmental protection our priority, and think of the economy afterwards. Previously we have put the environment second, after the economy. We used to consider care of environment being as important as the economy. From now on, the environment must be given priority. We must adopt a policy that encourages proper use of minerals and promotes technological, economic and mining solutions that suit the policy. Green development, which every country and person talks about, should not be just words; I expect stakeholders, National Council members and agencies to offer concrete ideas and proposals, initiatives and solutions to make green development a reality.

I have heard many good ideas here today. Our task is to propose and implement solutions for issues, and require and oversee implementation. It is not just the government that is responsible for implementation. The National Council, civil society and business must also monitor implementation and offer concrete ideas on how to ensure joint efforts and joint responsibilities. While the government undertakes many tasks and responsibilities, sometimes it is not fully able to enforce legal requirements, sometimes lacking commitment or capacity.

That is why we need to improve tripartite operations with civil society, business and producers to ensure oversight, advance current levels of functions and duties, and encourage active participation in advancing towards issue resolution. I ask Council members to prioritize making our talks reality, participate in implementation and work together.

B. Dolgor: Thank you, Prime Minister. Now, we will continue. We have two topics on the agenda. I point out the internal meeting rules. Any comments?

P. Erdenejargal: An EBRD-funded project is being implemented at the EITI Secretariat. Do we need to hear a briefing from Tsolmon on the project?

B. Dolgor: We'll give some brief information. Unless there are any other comments, let's start. The first topic is a presentation on the 2010 reconciliation report.

1. TOPIC: Mongolia EITI 2010 reconciliation report, by Hart Noirs Ltd and Ulaanbaatar Audit Corporation LLC

Ulaanbaatar Audit Corporation Senior Auditor N. Erdenetsogt gave a presentation on the reconciliation report (presentation attached).

B. Dolgor: Now, let's hear the Finance Ministry conclusions on the reconciliation report.

S. Myagmardash: Today, we are discussing the 5th EITI Mongolia reconciliation report, for which the Finance Ministry reported receipts from 478 companies. Of these, 150 paid over MNT 50 million taxes and fees, and were selected for the reconciliation. I would like to underline that the Finance Ministry was not involved in selection of the companies.

The report shows a net discrepancy of MNT 356,700, significantly down on last year. This shows that reporting by companies and government agencies is improving every year. Unresolved discrepancies were found at 12 companies, a small percentage of the total of 150 companies.

Parliament recently approved a new Budget Law, to come into effect on 1 January 2013, under which government agencies are restricted in the receipt of donations and aid. Donations may only be received by schools, hospitals and cultural organizations. From 1 January 2013, government agencies will receive no donations.

We propose certain Secretariat activities to improve the quality of EITI reportage and build capacity of reporting persons, particularly training sessions. These must be held specifically at the local level. It should be noted that reporting must be automated and there is a need for some action for this. When introduced, this will reduce reporting times, improve quality and enhances reconciliation oversight and monitoring. Over the past year there has been discussion of issues relating to receiving reports based on audited financial reports, still not fully resolved. We must pay further attention to this. Companies have produced evidence of donations to government agencies, while the government agencies deny they received donations. On this, there must be investigation by law enforcement agencies and measures taken to sort the problem out.

B. Dolgor: Any questions on the presentation?

P. Erdenejargal: Discrepancies in donations to local administrations were mentioned earlier. Initial reports say that Tsigtsetsii soum received MNT 10 million and Energy Resources paid MNT 10 million. However, a soum-level reconciliation revealed that both parties reported payment and receipt of MNT 418 million; this a discrepancy of over MNT 400 million between the national reconciliation report and the soum-based reconciliation report. Any comment on this?

D. Mendbayar: This seems to be a discrepancy between the two level reconciliations. The initial report from Energy Resources claimed donations and aid of over MNT 500 million. The soum administration reported receipt of MNT 418 million. The national reconciliation report excludes donations to private schools and school tuition scholarships. Donations to private schools were excluded from the national reconciliation report. However, the reconciliation found a small discrepancy in all donations to all soums. This was a reconciliation mistake because the reconciliation report findings match the amount when that part is excluded.

B. Dolgor: Any more questions? No. Comments?

N. Dorjdari: Our report is this thick. We have produced 5 reports. It may be possible to put the reports into electronic format for broader use. The World Bank has given a grant to the PWYP coalition, with which we may be able to help convert this 5 year data into electronic format. I think the Secretariat could work with the coalition on this. It is good to note this proposal in the minutes of today's meeting.

D. Zorigt: When we discussed last year's report, I offered comments and proposals. It is good that we can sit here and discuss the report. However, there is a limit because we have to discuss many

companies at the same time. This kind of dialogue should go on in the aimags, then at soums. Someone should tell us if we have budgetary problems or arrangement problems for such events. If necessary, members could be divided into groups, including government agencies, send reports to the soums, bring together local NGOs and governors and discuss. Without such a system, it will always be a few ministers and high ranking officers sitting in this room again and again, just talking to each other. The final results should come from the soum and community level. Let's assign project staff to hold aimag and soum-based discussions; maybe a Council member could show up and chair dialogue at some larger soums. Let's hold several discussions at a few main places. Let's shift this to a new level. Give us ideas on what we should do. If necessary, we could give tasks to aimags and soums. We could present this to Cabinet, assign soums and aimags to relevant parties and maybe make a resolution to run events.

Sh. Tsolmon: Under the 2012 plan, we are working at sub-national level at Umnugobi aimag, starting this May.

D. Zorigt: Discussions should be not at the regions, but at the soums. Pick 10 soums, such as Umnugobi aimag's Tsogttsetsii, Hanbogd and Gurvantes, Selenge aimag's Yeruu and Mandal soums.

B. Dolgor: Let's assign National Council members to draw up plans and schedules, the Secretariat to organize it. The key issue is now, how to finance it.

D. Zorigt: When ministries are assigned, they could pay their staff costs.

B. Dolgor: OK. We will plan such activities.

L. Nyamsambu: The initiative has been running now for several years, so we must look towards the final trend and outcome. It seems that the results will be better than previous years. It looks as if we will have good results: discrepancies are lower, violations minimized and cooperation of agencies on reporting and reconciliation has improved. Coverage and scale are growing every year. Considering current social changes and the impact on people and business, we have good outcomes. I support aimag-based discussion to be planned by NGOs and will take an active part.

P. Erdenejargal: We have produced our 5th report. Minister Zorigt said mining is intensive in local areas and discussions should be held at the grassroots level. We also need a national forum, maybe as a session of the Mongolia Economic Forum. We have made great strides in producing 5 reports. We must celebrate somehow, maybe by promoting companies, yeah?

B. Dolgor: Today's meeting has been very important as we approve the reconciliation report as final and make the following decisions.

RESOLVED TO: 1. Agree to include National Council proposals and comments and approve the EITI Mongolia 2010 audit reconciliation report from Hart Noirs Ltd and Ulaanbaatar Audit Corporation.

2. Agree to investigate discrepancies of MNT 11 million found in relation to government agencies, with participation by National Council members, Secretariat staff and inspectorate.

3. Assign EITI Secretariat Coordinator Sh. Tsolmon to post the detailed EITI reconciliation report on the EITI Secretariat website and those of the three main stakeholders for public disclosure as well as sending it to members by email, and oversee disclosure activities.

4. Assign EITI Secretariat Coordinator Sh. Tsolmon, to submit the EITI Mongolia 2010 audit reconciliation report to the EITI International Board.

5. Assign representatives of three stakeholders in the National Council (Mineral Resources and Energy Minister D. Zorigt; Mongolian National Mining Association President D. Damba; and Open Society Forum CEO P. Erdenejargal to discuss the EITI Mongolia 2010 reconciliation report at individual stakeholder meetings, and assign EITI Secretariat Coordinator Sh. Tsolmon to help organization of discussions.

6. Assign the Government Press Office to publicize the Mongolia EITI 2010 reconciliation report in cooperation with the EITI Secretariat.

7. According to proposals from the National Council and the EITI Secretariat 2011 Action Plan, produce summary reports for each aimag and soum; hold discussions; and produce a schedule of National Council members attending discussions at the sub-national level.

8. Agree to submit a report on EITI implementation in Mongolia and 5 reconciliation reports to Cabinet, then to Parliament's Economics Standing Committee and Budget Standing Committee.

9. Assign EITI Secretariat Coordinator Sh. Tsolmon to produce advertising material on the detailed and summary reports, print such materials on CDs and in other formats and give them to National Council members and local stakeholders.

10. Agree to organize a national level EITI forum and assign EITI stakeholder representatives (Mineral Resources and Energy Minister D. Zorigt; Mongolian National Mining Association President D. Damba; and Open Society Forum CEO P. Erdenejargal to study timing and funding and take action.

11. Agree to develop draft policies on the following issues based on assignments from Prime Minister S. Batbold at the EITI National Council meeting, and submit concrete proposals to the National Council and Cabinet.

11.1 Assign Mineral Resources and Energy Minister D. Zorigt and Mineral Resources Authority Chair Altansuh to take steps to stop illegal trading of minerals exploration and exploitation licenses, to eliminate corruption and bribery related to licensing, to enable licensing to companies with high financial and technological capacity, to make structural changes at the Mineral Resources Authority in conjunction with these requirements, and to set up a skilled team.

11.2 Assign Mineral Resources and Energy Minister D. Zorigt, Environment and Tourism Minister D. Tsogtbaatar and Mineral Resources Authority Chair Altansuh to propose to Cabinet that priority be given to environmental protection, land acquired and retained for local special needs in state use, and implement the Law on Prohibiting Exploration and Exploitation of Minerals in Headwaters, Protected Areas for Water Basins and Forest Areas.

11.3 Assign Mineral Resources and Energy Minister D. Zorigt, Finance Minister D. Hayanhyarvaa and Mineral Resources Authority Chair Altansuh to analyze the current situation, consider the requirement to increase the number of listed mineral deposits with strategic importance, define future policy, and submit an additional list of strategic deposits to Cabinet for discussion and to Parliament for approval.

2. TOPIC: report on progress of 2011 EITI reporting by companies and government agencies

B. Dolgor: The reporting process is going fairly well; 276 companies have submitted their 2011 reports to the Secretariat, the Mineral Resources Authority, the Petroleum Authority and the Nuclear Energy Agency. Of these, 154 are mining, 110 exploring and 12 are oil companies. The General Taxation Department is working on reported government receipts, and Finance Ministry will finalize the report by the end of May. As planned, reports from 200 companies will be reconciled. The selection of reconciliation auditors will finish this week. At present there are two bidders shortlisted: a consortium of Hart Noirs Ltd and the Ulaanbaatar Audit Corporation, and a consortium of Mongolian and Malaysian auditors. A contract will be signed with whichever offers the best price proposal by the end of May. Reconciliation is expected to start on 1 June and finish by 1 September. A list of 276 companies that have reported so far has been circulated to you. We also propose to send the names of non-reporting companies to the State Specialized Inspection Agency for follow-up action. All government agencies subject to reporting have reported. Any questions?

Sh. Tsolmon: Names of companies were listed as of 1 May, and this list was submitted to Chair B. Dolgor. Two more companies have submitted reports, Shanlun and Har Tarvagatai, but they are not listed here. I request the National Council to amend the total to 278. These two companies are working in distant rural areas, which is why their reports were late.

B. Dolgor: Questions and comments?

N. Dorjdari: I am on the bid selection committee. We need to revisit indicators for reconciler selection. The experience indicator requires a high score. Three of our 5 reports have been reconciled by the same auditor. Two companies that reconciled the last 4 reports top the list with technical evaluation points. We need fresh ideas, because the same company has qualified for several years. This may affect quality.

B. Dolgor: I agree with this proposal.

RESOLVED to: Assign EITI Secretariat Coordinator Sh. Tsolmon to list non-reporting companies by 1 June 2011, publicize the names in daily newspapers, and submit the names to the Mineral Resources Authority and the Specialized Inspection Agency for sanction.

2. Assign Mineral Resources and Energy Minister D. Zorigt and Finance Minister and National Council member D. Hayanhyarvaa to warn and impose consequences on chairs of government agencies that have not submitted reports and data to the EITI 2011 reportage.

3. Assign Finance Minister and National Council member D. Hayanhyarvaa, Senior Prime Ministerial Advisor and National Council Secretary B. Dolgor and EITI Secretariat Coordinator Sh. Tsolmon to complete procurement of auditors for the EITI Mongolia 2011 reconciliation in May 2012 and sign the necessary contracts.

4. Establish a Working Group to re-visit selection criteria of audit reconcilers as requested by members.

Meeting minutes reviewed by:

B. DOLGOR

Senior Prime Ministerial Advisor,
National Council Secretary,
Mongolia Extractive Industries Transparency Initiative

Minutes taken by:

S. BATBAYAR
EITI Secretariat Communications Officer