

**Minutes of 30th meeting of Mongolia Extractive Industries Transparency Initiative Multi Stakeholder
Working Group
(6 March 2013)**

30th meeting of EITI MSWG, starting at 3pm, 6 March 2013, in the Conference room of the Mongolian National Mining Association.

MSWG members present: G. Zulai (Finance Ministry Accounting Policy Department Officer); Hurelbat (Mining Ministry International Cooperation Division Chair); B. Hulan (Mining Ministry Projects, Policy Implementation Coordination Department Officer); B. Byambadagva (Mineral Resources Authority Divisional Chair); D. Munhsaihan (Mineral Resources Authority Officer); Batchimeg and D. Enhtuya (General Taxation Department's Mineral Resources Sector Taxation Inspectors); Unurjargal (Boroo Gold LLC Chief Accountant); Azjargal (Boroo Gold LLC Accountant); Todbileg (Mongolian Geology Union Officer); D. Sanchir (Erdenes TT LLC Officer); Batbileg (Mongolian National Mining Association Multilateral Cooperation Officer); H. Lhamaa (Oyu Tolgoi LLC Multi-Stakeholder Cooperation Senior Officer); N. Dorjdari (Open Society Forum Manager); N. Bayarsaihan (Steps Without Boundaries NGO Head); B. Bayarmaa (from Huvsgul Lake Movement Owners); N. Narsantsetseg (Baigal Ehyn Avral NGO Head); Sarangoo (Mongolian Environmental Civil Council Manager); L. Otgontsetseg (Onon-Ulz River Head); Sh. Tsolmon (MSWG Secretary and EITI Secretariat Coordinator). Present were 17 (52%) of the 33 EITI MSWG members.

Also present: Sodtsetseg (Capital City EITI Branch Council Secretary and Ulaanbaatar Municipality Agriculture Department Officer); G. Chagnaadorj (National Council member and Ariun Suvarga Movement Head); B. Delgermaa (EITI Secretariat Communications Officer); A. Otgontungalag (EITI Secretariat Finance and Administration Officer).

MSWG Secretary Sh. Tsolmon opened the meeting.

Sh. Tsolmon: Chairman Gansuh was supposed to be here but has not arrived; he probably has another commitment and we have not been able to reach him by phone. As 15 minutes has elapsed, shall we start? Today, we have 7 main agenda topics. Any comments on the agenda and internal regulations?

N. Dorjdari: I have a topic to "other" on the agenda. I have just arrived from an International Board meeting, and would like to give a briefing about the meeting.

Sh. Tsolmon: OK, let's add that as agenda item 8. Failing other comments, we will start.

I. TOPIC: Report on implementation of 2012 Action Plan for EITI Mongolia Secretariat

Sh. Tsolmon: First I have some quick information. As from 1 February, Secretariat Finance Officer B. Delgermaa will become Communications Officer. We have engaged by competitive process a new Finance and Administration Manager, A. Otgontungalag, who has been working on a World Bank project at the Education Ministry. The Secretariat now has three staff as designated.

Now for the agenda; I offer a short report on 2012 Action Plan implementation, for which we had planned many activities, some of which were postponed because of TA project planning by EBRD. The report has been circulated. Let me detail some of the bigger activities we carried out in 2012. We discussed and approved the EITI Mongolia 2011 reconciliation report. A total of 301 companies submitted a 2011 report and the government reported receipts from 58 companies; 200 reports were reconciled. Those 200 companies claimed to have paid MNT 2.1 trillion to central and local governments; discrepancies of MNT 622 million remained unresolved. Second, we managed to get Government Resolution 222 (July 2012) and Prime Ministerial Decree 62; these assigned agencies to

take steps to improve EITI implementation and appointed representatives of three stakeholders, a significant change. Third, we had some significant international cooperation, eg the highly important visit of International EITI Board Chair Claire Short. President Ts. Elbegdorj met senior International Secretariat officers on his visit to Norway, with whom he discussed EITI; we organized this meeting. Fourth, we held 2 National Council and 4 MSWG meetings, agreeing resolutions and decisions. Fifth, the EITI Secretariat website was improved and clarified. We produced a short documentary for a video contest for EITI countries. Sixth, we redrew EITI reporting templates, which were approved by joint resolution of the Finance Minister and National Statistics Office Chair. That is it in brief. We started many activities which we had to delay because of an interruption in EBRD project implementation finance. You may ask questions on this report (presentation attached).

N. Dorjdari: The report just lists what you did and did not do, which is not really enough. It should include at least brief data on financing and expenditure. It is OK this time, but please bear this in mind for the future.

Sh. Tsolmon: OK, I will include more on financing and expenditure in the next report.

B. Delgermaa: In 2012, we got financing from the World Bank Multi-Donor Trust Fund (under a contract worth USD 250,000); we spent USD 70,000 on operational costs, and spent MNT 200 million from the government budget on reconciliation costs.

Todbileg: Does the EITI report say anything about mineral reserves, exploitation and mining expenditures? These are actually costs for exploration. How are they included on reporting templates?

Sh. Tsolmon: I don't know if they are included in exploration costs, as we are not professionals. But I will ask and clarify.

N. Bayarsaihan: The report only offers a list of activities. We would like to hear more detail at the next meeting. The report should be more comprehensive, with information on targets, goals, challenges, percentage of target success etc. Also the report should offer information on the implementation of Government Resolution 222, the International EITI chapter and Provision 48.10 of the Minerals Law. What about discussing the performance report every 6 months rather than once a year?

B. Bayarmaa: How do you monitor plan implementation? Plans need clear monitoring. We need to hold monitoring or an evaluation workshop in September or thereabouts.

Sh. Tsolmon: Thanks for these important ideas, which we will implement.

RESOLVED: 1. After discussing the report on EITI Mongolia Secretariat 2012 Action Plan implementation the meeting called for further performance reports considering MSWG members' comments.

2. Agreed to discuss a report on EITI Action Plan 2013 implementation and evaluation at the September 2013 MSWG meeting.

II. TOPIC: Draft Action Plan of Mongolia EITI for 2013

Sh. Tsolmon: A draft Action Plan for 2013 EITI Mongolia has been emailed to you. I will briefly refer to some key points: we aim to complete Mongolia EITI 2012 audit reconciliation no later than November 2014 and increase National Council and MSWG work. For instance, we plan a National Council meeting in April to discuss the draft EITI law. Also a number of activities planned but not carried out in 2012, particularly in communications, training and advertising, will be completed. EBRD projects are planned

for re-activation in 2013. For example, a legal consulting team will work with us 18-29 March and 22 April-3 May, which I hope will get quite a lot done on the EITI draft law. We have plans such as improving bid evaluation committee action in 2012 reconciler selection; preparations for attendance at the EITI conference in Sydney; intensifying the 2012 EITI reporting process; and beginning to set up local EITI sub-councils. Questions and comments, please? (2013 Draft Action Plan and presentation attached).

N. Bayarsaihan: The 2013 Action Plan must also be presented to Parliament's Budget Standing Committee, and there should be more public-oriented action next year. The Action Plan implementation status should be reported and discussed every 6 months.

RESOLVED to: 1. Agree the draft 2013 EITO Mongolia Action Plan with inclusion of comments from MSWG members.

2. Agree to discuss a report on the 2013 Mongolia EITI Action Plan implementation status semi-annually.

3. Remind Secretariat and all MSWG members to comply firmly with timings for activities as stated in the 2013 EITI Mongolia Action Plan.

III. TOPIC: Draft communications and advertising of the 2013 Mongolia EITI Action Plan

Sh. Tsolmon: EITI Secretariat Communications Officer B. Delgermaa will present the draft communications and advertising Action Plan for the 2013 Mongolia EITI.

B. Delgermaa: Thank you. I was EITI Secretariat Finance Officer from 2010, and as from 1 February have become Communications Officer. The draft Action Plan has been distributed, and I will discuss some key parts. For the upcoming year, we have planned much work to disseminate EITI information. We have split the target group into internal and external. The internal target groups have pretty good information on EITI, so we will focus on the external group. We have set 6 main objectives for communications and advertising, and I will talk about each objective (presentation attached).

Sh. Tsolmon: Do you have any questions?

D. Enhtuya: Training of government officers responsible for EITI reporting was planned in April. Now we have received most 2012 reports from stakeholders, why don't we defer this training to the end of 2013, maybe November, before the agencies and companies submit 2013 EITI reports. That would be more relevant because of the high turnover of government officers responsible for EITI reporting.

D. Munhsaihan: True, we could run training, but the officers may well forget what they have learned by the time they have to produce reports. It should be postponed till November-December.

Sh. Tsolmon: Then we can change the schedule. Any more questions and comments?

B. Byambadagva: I have one proposal: do we need that Transparency Award? EITI reporting is a legal requirement, a legal duty, so do we need that award?

N. Bayarsaihan: We could include the PWYP Coalition in the "Partners" section for EITI sub-councils. We have many rural PWYP Coalition members who could be involved in establishing sub-councils.

H. Lhamaa: What are your plans for international advertising?

B. Delgermaa: There are plans in the 2013 draft plan: preparing to attend the Sydney Conference, sharing experience with other countries, EITI International Secretaries visits to Mongolia etc.

N. Bayarsaihan: You mentioned establishing local area Information Centers. You must pay proper attention to this: don't just set up a locked room. Make it more effective.

H. Lhamaa: Instead of opening new Information Centers, use the existing ones. We, Oyu Tolgoi LLC, have an Information Center at Hanbogd soum with furnished rooms where you can place hand-outs and leaflets.

Unurjargal: I have one proposal. Running the Transparency Award is important for companies like us. We have must report and pay taxes, but receiving a Best Taxpayer Certificate and cup raises our reputation, so this award is important for us.

Batchimeg: If we award certificates to companies, we should also award government agencies that report.

N. Dorjdari: I have no objection to the Transparency Award, but it should be not only for reporting, but needs other criteria. So if we plan to continue the award, we must develop criteria.

RESOLVED: 1. Approve the draft communications and advertisement action plan for 2013 EITI Mongolia and include comments from MSWG members.

I. TOPIC: Progress of extractive companies reporting to EITI in 2012

Sh. Tsolmon: Now, Mineral Resources Authority Statistics and Research Division Chair B. Byambadagva will report on the current progress of extractive company reporting to EITI.

B. Byambadagva: In 2012, our cadaster database registered 1,827 exploration and mining license holders, 1,237 mining licenses and 2,300 exploration licenses. Of the 1,827 licensed companies, 155 companies with a mining license and 113 companies with an exploration license, in total 268 companies, have submitted EITI reports by 5 March 2013. The Mineral Resources Authority is sending a formal letter to the others requesting reports by 15 March 2013. As planned, names of those companies that don't report by 15 March will be sent to the Specialized Inspection Agency. To help premium quality reporting, we ran training for 78 staff from 65 companies on 6 February, with the EITI Secretariat. More training will be held in March for over 100 companies (presentation attached).

Todbileg: What are the legal grounds for requiring reporting? What consequences will there be for non-reporting companies?

B. Byambadagva: Minerals Law Provision 48.10 requires reports on products sold and taxes paid every year. If companies don't comply, they may be fined MNT 500,000-1 million, and licenses can be terminated for repeated violations. We have discussed this with the Inspectorate.

Batchimeg: The Mineral Resources Authority listed license holders as at 31 December 2012, which must be included in the government report, and sent a list of 1,827 companies to the General Taxation Department. However, there is a problem. If a company sold or transferred a license between 1 January 2012 and 31 December 2012, it is hard for the tax office to know. I think that the list from the Mineral Resources Agency may be inaccurate.

B. Byambadagva: In our 2012 report, the list will be as at 31 December 2012. Companies may transfer their licenses, but they must report to the tax office if they have paid taxes and fees, so reports may use this data. We produce all data on license transfers.

N. Dorjdari: The numbers of licensed companies subject to reporting are contradictory. We need a Working Group to resolve this issue.

Sh. Tsolmon: Agreed. Let's delegate Mineral Resources Authority's B. Byambadagva, Taxation Agency's D. Enhtuya, N. Dorjdari and representatives to meet next week.

B. Byambadagva: We probably need someone from the Mineral Resources Authority Cadaster Department.

RESOLVED to: 1. Intensify company EITI reporting for 2012 and run reporting training before the 15 March deadline with the Mineral Resources Authority and EITI Secretariat.

2. Establish a Working Group to list companies that must be involved with EITI 2012 reporting with representatives of the Mineral Resources Authority, the General Taxation Department and the PWYP Coalition, to report findings to the MSWG.

II. Results of comparative study in Mongolia EITI 2006-2011 reports and observations

Sh. Tsolmon: International EITI Board Member National Council and MSWG member N. Dorjdari will present the findings of a comparative study of 2006-2011 EITI Mongolia reconciliation reports.

N. Dorjdari: Thank you. The PWYP Coalition and Open Society Forum, with World Bank financial support, analyzed data from 2006-2011 EITI reconciliation reports and produced a summary report called Data Mine. The aim was to assess whether the local community can learn needed information from EITI. The study has been circulated. I will mention some key points (presentation and the Data Mine study report attached).

RESOLVED: 1. Members reviewed and approved the comparative study on 2006-2011 EITI reconciliation reports and agreed to submit it to the National Council.

2. Advise all members to advertise and disseminate the Data Mine report.

III. TOPIC: Other

Sh. Tsolmon: Now, Dorjdari will continue to other proposed topics.

N. Dorjdari: OK. I have just got back from the February International EITI Board meeting, and would like to tell you about the main topics we discussed. Currently, 34 countries have voluntarily joined EITI, the most recent being Tajikistan. Some countries that did not produce a national report on time had rights suspended. EITI added requirements to its international rules such as disclosure of amount of production and projects, license transparency, disclosure of future revenue allocation and government reportage on how it integrates EITI basic reporting mechanisms with its information systems. EITI also requires reportage of social expenditures, product sharing agreements, license information including beneficial ownership, and CSO participation. Validation that was required every 5 years is now required every three years. The 21 requirements for validation were reduced to 7, and the system by which governments paid for validation was changed, and International EITI will finance that.

Sh. Tsolmon: Thank you for the interesting information. Now, let's move to the next topic.

IV. Report on progress of EITI reporting by government agencies for 2012

Sh. Tsolmon: D.Enhtuya, inspector of General Department for Taxation, will present on the progress of government agencies reporting for EITI for 2012.

D. Enhtuya: Thank you. For 2012 EITI report, we involved 1,850 companies whose names were submitted by the Mineral Resources Authority. EITI 2012 reports must be produced by 43 ministries and agencies; 37 (86%) submitted reports on time. The Labor and Welfare Service Agency, the Environment and Green Development Ministry, the Purity Standards Agency, the Orhon Aimag Governor's Administration, the Umnugobi Aimag Governor's Administration and the Baganuur District either did not submit their reports or submitted insufficiently.

To ease the reporting process, the General Taxation Department developed designated software enabling electronic access, which General Taxation Department officers are piloting. We plan to introduce the new software to all government agencies and formally require electronic EITI reportage.

As to challenges to reports, there are some. Public officers responsible for reporting change frequently, and as they don't understand the importance and essence of the reports, their reports are insufficient; special attention must be paid to this and the responsibilities should be included in job descriptions. The Secretariat needs to approve annually the list of companies and government agencies for EITI reporting; we will have a unified arrangement which will help quick and timely reporting.

Sh. Tsolmon: Thank you. Any questions on the presentation?

D. Munhsaihan: I have a question. We gave a list to the General Taxation Department and they asked us to find the registration IDs of over 20 listed companies. It seems impossible to find this information from our agency, it is really difficult. For instance, some contractors or companies put payments in our bank account on behalf of a license holder; how can we find the registration ID of the company? And what happens if an individual citizen receives service from us and pays for it? Doesn't the General Taxation Department hold business entity registrations? Why do you want it from us?

D. Enhtuya: The Mineral Resources Authority gave us a list of 1,850 companies with licenses. Your agency must have recorded the registration IDs of these companies. Since it is a unique ID, the company name may be wrong but we use registration IDs, so you must use this ID all the time. If a citizen makes a one-off payment, it is not necessary to report it to EITI.

N. Dorjdari: I have a question. Are there any business entities that change their registration ID? When we analyzed the reconciliation reports, in some cases different names had the same registration ID.

D. Enhtuya: All business entities have an ID. Sometimes a business changes their name and type; such cases may happen. The General State Registration Agency knows of a few cases where the same ID was assigned to different business entities.

Batchimeg: Business entity IDs are the same as personal registration numbers, with 7 digits, unique; names can be changed, but not the ID.

D. Enhtuya: I support the idea of making a list of reporting companies and agencies and submitting it to us first.

Sh. Tsolmon: Thank you, I will send a letter signed by Chairman Gansuh to the Purity Standards Agency. If you have no more questions, we will move to the next topic.

RESOLVED: 1. To advise respective parties to produce 2012 Mongolia EITI reports on time.

2. To send a formal letter, signed by EITI National Council Secretary, to companies and agencies which have not submitted their 2012 EITI reports.

VIII. TOPIC: Mongolian delegates to the EITI International Conference, Sydney, Australia

Sh. Tsolmon: Thirteen delegates to the Sydney EITI Conference in May 2013 were selected from nominations. The Secretariat will fund five. Any ideas? Recently, Lhamaa of Oyu Tolgoi also proposed her name for the delegation (list attached).

N. Dorjdari: Actually, I wanted to ask the Oyu Tolgoi LLC representative this, but she left. At the last meeting I asked if, when we are in Australia, we could visit a Rio Tinto. What did they reply?

Sh. Tsolmon: Oyu Tolgoi replied they can organize a visit to a mine, but they cannot pay our travel costs to the mine.

N. Dorjdari: I think other company representatives should be involved with this. The Secretariat should notify companies about the conference in writing.

RESOLVED: 1. To approve delegates to the Sydney International Conference.

2. To assign the Secretariat to find companies willing to participate at their own cost and support their visa.

MSWG meeting ended at 17.35.

Meeting minutes reviewed by:

Sh. Tsolmon
MSWG Secretary, EITI Secretariat Coordinator

Minutes taken by:

A. Otgontungalag
EITI Secretariat Finance Officer