

Mongolia EITI MSWG meeting minutes

May 1st, 2018

MSWG 46th meeting started at 10.00 am in the conference hall of Puma Imperial Hotel on May 1, 2018.

Members attended: B. Enkh-Amgalan (Chief of the Prime Minister's office, Chairman of MSWG); N. Baljinnyam (as substitute for E. Sumiya, Referent of Cabinet Secretariat of Government); G. Tuvdendorj (Head of Investment Budget Department, Ministry of Finance); B. Delgerjargal (Head of Mining Policy, Ministry of Mining and Heavy Industry); Ch. Tsogtbaatar (Senior Officer of Ministry of Mining and Heavy Industry); Ts. Khosbayar (Officer of Ministry of Environment and Tourism); J. Battsengel (Tax Officer of General Taxation Authority); G. Oyuntuya (Officer of Mineral Resources and Petroleum Authority); N. Bayarsaikhan (Head of "The Steps without Border" NGO); B. Narantsetseg (Head of NGO "Mongolian Mother Nature's Saving Fund"); D. Tserenjvav (CEO of "Transparency Foundation" NGO); B. Bayarmaa (Head of "Khuvsgul Dalain Ezed" NGO); O. Otgonsaikhan (CEO of Movement "Minii Mongoliin Gazar Shoroo"); D. Sukhbaatar (Board chairman of "Responsible Mining Initiative" NGO); L. Tur-Od (president of Transparency International Mongolia); D. Enkhbold (CEO of Mongolian National Mining Association); E. Enkhbat (CEO of Mongolian Gold producer's Union); P. Bolormaa (Accountant of Boroo Gold LLC); G. Munkhbat (Senior Manager of Oyu Tolgoi LLC); N. Bolormaa (Accountant of PetroChina Daqing Tamsag LLC); Mendbayar (Representative of Erdenes Tavan Tolgoi JSC and Baganuur JSC); and Sh. Tsolmon (Coordinator of EITI Secretariat and Secretary of MSWG). 24 out of 33 members were present, the attendance is 72.7%.

Also present: A. Michailova (Consultant of Adam Smit Institute); N. Enkhjargal (Director of Interconsulting LLC); Myagmarjav (Officer of Interconsulting LLC); B. Zoljargal (Project manager of Interconsulting LLC); Gandul (Referent of Cabinet Secretariat of Government); Tserenjurmud (investigator); B. Delgermaa (Communication Officer of EITI Secretariat); A. Otgontungalag (Finance Officer of EITI Secretariat); G. Ganbat (IT Consultant).

Mr. B. Enkh-Amgalan (Senior advisor to Prime Minister, Chairman of MSWG) opened the meeting by presenting the topics, agenda and rules.

B. Enkh-Amgalan: Thank you and good morning to everyone. We agreed to start at 10 am and in accordance with the new rule, from each group at least 7 representatives should be present. Let's start the meeting. In future, let's begin the meeting on time and finish on time. The meeting has begun. Thank you very much for coming. The last 45th meeting took place in December last year. This year Mongolia has become the second country in the world that was assessed as meeting all the requirements of the EITI Standard. And the Mr. Jonas Moberg, the Executive Director of EITI International Secretariat congratulated the prime Minister of Mongolia. Furthermore, Mr. Moberg had an audience with the Prime Minister and the Minister of Mining and Heavy Industry during his visit in Mongolia. We will work with you in close cooperation. We are organizing a high-level meeting on May 22 regarding the beneficial ownership transparency where legislature and government authorities will participate. I would like to present the topics of today's meeting. All members agreed on the topics.

1. TOPIC DISCUSSED: EITI'S REGIONAL EXPERIMENTAL PROJECT'S PRESENTATION

A. Michailova: Hello and Good morning to everyone. I am happy to participate in this meeting and thank you for the invitation. My name is Michailova and I work as a project manager of EITI's regional program. Today we will talk about the regional communication project, its results and a plan based on these results. Our aim is to reflect your ideas and opinions into this plan

and deliver it to the EITI and European Bank for Reconstruction and Development (EBRD). Let's talk about the presentation which includes purposes of the program, the work we have done so far and also the results. Furthermore, we will talk about the recommendations resulting from the monitoring investigations. In 2015 we have selected 5 soums such as Zaamar, Bor-Undur, Gurvantes, Delgereh and Eruu. We evaluated these soums and made strategy based on the valuation. In 2016 we implemented our strategy and today we are here to introduce our results. The project aim was firstly to educate the locals about EITI and secondly to inform them. Mr. Myagmarjav will continue the presentation.

Mr. Myagmarjav: Good morning. Although EITI has been in Mongolia around 10 years, it is little known about this initiative in the soums and provinces. We researched possible channels for spreading information and decided that information officer is the best choice. Moreover, we estimated that for each subnational council is needed a financial support of 1.5 million tugriks per season which means 6 million tugrik per year. There is possibility of continuing this project in these 5 soums and additionally in 3-5 soums later. That means, all in all we need a financial support of 290 million tugriks. /Presentation is attached/

B. Enkh-Amgalan: Thank you very much for presentation. Any questions?

D. Tserenjav: In our country, we have to establish a project unit or representative coordinator in order to implement a project financed from foreign capital. There are projects like stable livelihood. A regional coordinator could be important for implementation of project and it is creating a workplace even if it is for a limited period of time. But it might be not enough because mining companies are eager to promote themselves. And the provinces have a responsibility before the government. When there are other possibilities, why we should hire an information officer. How likely is it that he/she will work steady? Why haven't you chosen the secretary of subnational council?

Mr. Myagmarjav: It was very hard to work in these soums because we didn't know anybody. When there was financial support, a project has been implemented. No financial support, no implementation. Generally, we concentrated on steadiness. Because of it, we focused on the building a mechanism specially to include an information officer. Multi-Stakeholder Working Group is something that is internationally accepted not only in Mongolia. In order to build a multi-stakeholder mechanism, we ought to have an information officer. According to the articles 48.10 of Minerals Law, mining companies should report and sign a contract with the local government. An information officer will be a watchdog. Although it looks like unreliable today, it will be the most reliable structure in the future. /Presentation is attached/

D. Tserenjav: it is wrong. I don't agree. As you mentioned, all projects implemented in the local area need an information officer or coordinator. This is not doable in the local community. This is only one initiative. I say it again that mining companies are eager and have the means to promote themselves, they are doing a lot. Mechanism is not a person. I think that it is a very bad idea.

L. Tur-Od: As I see from the presentation you have done enormous work. Congrats. However, your suggestions of actions based on the validation of results, are wrong. Project unit will be established and it will be financed from the donors. It doesn't look like it will work and finance itself by itself. Your direction of implementation seems like not suitable. At the begin of the project, I said that you should use the already existing local government and self-governing structures. Communication is a combination of information, monitoring and evaluation. Only when all three is combined, it can work in the local community fully. Have you studied the existing structure? In other words, there is citizens representatives khural in each soum and according to the law they have certain roles and responsibilities in the mining, extractive

industry. At the Bagh level, there is a community khural. If we rely on them, it will be better for our budget and human resources. Besides there is a possibility to strengthen it continuously. Thank you for your attention.

N. Enkhjargal: I would like to explain that project means only the subnational council of EITI which has one office secretary and one information officer. We will talk about the structure later. We have worked with the NGO's actively and tried to use the existing structure as much as possible. At the Gurvantes soum, we consulted with Bayarsaikhan and used the structure that he established. The same in Zaamar soum, we used the structure that already existing as much as possible.

Mr. Myagmarjav: We can say, that in the local areas was created no new workplace for the implementation of communication project. We participated and spread information not only at the citizens representatives khural but also at the community khural. We organized an event at the soum and founded new subnational council. Some subnational councils are working and some not. There are many reasons why it is not working. Information transparency about the mining, world market price, the communication of mining company with the locals, communication of soum mayors with the locals, not listening to the opinions of the locals, and budgetary issues are a few of them. Because the subnational council does not work, the locals are suffering. During our work we have found that there is no information flow. For example, the locals in Delgereh soum do not know how the license is awarded or that there is a contract between the local government and company. They said that license is awarded in Ulaanbaatar without their participation in the process; whole land of one bagh is included in a licensed area. The locals are frustrated by the soum administration because it does not inform them or makes decision without their consent. I am sure that subnational council will function. Multi-stakeholder council of the Oyu Tolgoi company works effectively. This structure makes the locals informed and educated about the mining operations. They make plans in cooperation with the locals. The soum administration asks a donation for organization of Naadam fest. If the soum signs an agreement with the company there will be no such issues. The main reason why subnational council is not functioning is budget. Although there will be funding from the budget next year but it is not enough. Because of it we estimated that a budget of 6 million tugriks needed for stable operation.

Michailova: We tried to use existing structure as much as possible. An information officer works now in the soum. If the officer operates certain period of time there will be significant result. The secretary of the subnational council does double works. If there are other financial sources such as agreement with the mining company or state budget, it will work reliable. In short- term, it can work as an information officer, but in long term it can be adjusted to the local needs.

B.Batbold: I think that you have selected these soums based on the existing difficult situations at the begin of the project. As I understand from the presentations most of the newest mining projects have not been implemented. You have not worked much in the Delgereh soum because of epidemic livestock diseases which lasted almost 1 year. In Zaamar soum, you have worked a lot in cooperation with others and there is much information. It seems like you saved lots of money. My question is about it.

Mr. Myagmarjav: The project is about communication. During the project implementation, there was outbreaks of epidemic livestock and it was prohibited to organize any public events. The quarantine lasted until January of this year. After that we opened our information center and the officer begun to work. We informed people using social media and distributing brochures. Moreover, the soum administration is divided in Delgereh soum. The mayor of the soum is from the People's party and the chairman of citizens representative khural is from the Democratic Party. The environmental officer has changed three times. The local people have no information

and no understanding regarding mining operations. They are not interested in mining company operating there. Outcome of the talk about EITI was poor. Because of those reasons we performed poorly in this soum.

B.Enkh-Amgalan: Thank you very much for questions and comments. Let's vote. Yes or No for the continuation of this project. If we vote for the continuation of this project, it is possible to fund it for next 2-3 years with EBRD fund.

Michailova: This is just reporting project. We will add comments and ideas of the members and send it to the EBRD and the secretariat.

B. Enkh-Amgalan: You have 2 minutes to comment and then we will vote.

B. Delgerjargal: I heard the project presentation and think that this project should continue. Because of the lack of information there are arising difficulties in the local areas. We can have representatives in each province based on this projects information in the future. Is it possible for the EBRD to fund this project?

O. Otgonsaikhan: I think that we should continue this project. Local people are frustrated because of the insufficient information. Through the project, local people will be informed. I vote for continuation.

B. Bayarmaa: I am a participant from the civil society group. During the project implementation, activities of the subnational council have increased. Local governments cannot control and monitor fully how many mining companies are operating due to budgetary deficit. Through the Government decree, we could establish a subnational council, hire people and work on this issue. When this project began, we talked about the importance of improving the qualifications of worker so that they can work independently and continue to do so. If we empower and develop them, they should be able to work reliably. If it could get fund from the state budget and hire some experienced people, it could be sustainable. It is very difficult to solve civil disputes. We need to precise what is local need. Is it the need of citizens, government or company? Further we have to do some research regarding what needs are there, in how many soums this project has to be implemented. We should not pursue the numbers. I am for continuation of this project.

N. Bayarsaikhan: Regarding the project, we asked to see the project documents but have not seen it. Only Adam Smith institute and EBRD have project documents. We do not know the aim and the need it wants to solve. In the future, project documents should be open to everyone. This must be included in the final resolution. EBRD wrote the project and selected Adam Smith institute. Adam Smith institute never went to the countryside. We should take part in the selecting process. In my opinion, the fact that a consultant organization was introduced to the project during the implementation, influenced the results. For example, each soum should have a PC, but do not have it yet. Since 2012 the secretariat and working groups organized a lot of seminars in the countryside but it achieved nothing. From the beginning of this project, subnational council started to work actively. In Gurvantes soum, locals thought that everyone with an agreement was bad. But since this project, subnational council was founded and contract were signed up. The communication between the mining company and local people are getting better and it was awarded with the Premier minister's award. Because there is need, we have to continue it. If there are 188 million tugriks in the state budget, we can talk again about implementation of this project. If we implement it, we can solve issues only in 5-10 soums. But if the state could give money from the budget, problems of 330 soums in 21 provinces can be solved. That is the difference. Comments made during the meeting should be included in the decision so that it is more realistic.

G. Tuvdendorj: As I understand, it is important to give information about the company's operation so that there is a positive communication between the company and local people. The local people have no idea about the mining, the importance of the mining, and its positive consequences and no desire to understand. I can see that positive and correct information about it have been given. For this reason, we should encourage this project and widen the scope. It is crucial that Government gives accurate information to the citizen. It is connected to the correct information. EBRD supports the implementation of this project. It is a form of assistance. I think we should continue.

E. Enkhbat: The project aim is to make the parties who are operating in the countryside responsible. In the countryside, local people, self-governing bodies and local administrations should exchange information. It is important. For example, the Naadam fest of Zaamar soum has the highest awards in whole country and the gold mining companies pay for it. And local people do not know it. Local government do not inform the locals about how much investment was given and how this money was spent. I wish that one of the projects aims focuses on this problem. The legal entities give information as much as possible. I hope that this projects operation will improve. Thanks.

B. Enkh-Amgalan: Thank you. Is here anyone against this project? Let's vote for continuation of the project.

100% of the members are for the project continuation.

B. Enkh-Amgalan: In the minutes will be noted that the draft resolution shall be amended and the members shall vote online. The voting result shall be included in the resolution.

2. TOPIC DISCUSSED: BUDGET PLAN AND EXPENSES OF THE EITI'S SUB-COUNCIL

B. Delgermaa: The decree to employ subnational council was issued in 2012. The article 13.2 and 13.3 of the Government Resolution # 222 stipulates that the National Council is responsible for promoting the reports in the provinces and soums; disclosing results to the public; discussing the work progress and results of the works done by the aimag and capital city governors' offices in order to provide specific directions and tasks. We need to decide whether the contract transparency and complaint mechanisms should be connected to the actions of the subnational council. Subnational council has 5 responsibilities: to send the annual EITI reporting; to establish and monitor a subnational council responsible for the informing public about the EITI reporting; to discuss and inform public about the environmental issues; to inform the public about contracts and its implementation and finally to establish subnational councils in soums. It is been 5 years and last year a new Government Resolution #263 was issued. The new resolution made the responsibilities of the Minister of Mining and Heavy Industry clearer. The Minister of Finance and the aimag and capital city governors are required to budget the EITI sub-council's operating expenses from 2019 on state and local budgets. Since 2013, we have been actively strengthening capabilities. In 2013, we organized a forum of all provinces and event in 8 soums in 2014. The second forum of all provinces and events in 3 soums took place in 2015. In 2016 we had some financial problems and organized a seminar for the deputy governors and secretaries of 14 provinces in Ulaanbaatar. In 2017, we worked in these 5 soums. We work hard and continuously to reach local areas. Within this scope, we established subnational councils in 21 provinces and capital city. Subnational councils have made action plans and send it to us in 2016-2017. We divide the actions into 3 groups: to send EITI report and promote it; to improve the qualifications and lastly to develop the cooperation. Due to the funding through state budget we planned to work with a limited expenditure and area. In the expenses included following: organization of events, visit and learn about the operations of soums, promotions and brochures stationeries, bonus for subnational council secretary. We are

proposing to fund the subnational council with a budget of 188 million tugriks. /presentation is attached/

B. Enkh-Amgalan: Thank you.

N. Bayarsaikhan: Before we set the amount of the fund, we have to agree on one thing. Promoting the mining to the local people and using some per centage of the income from the mining to finance the operation of subnational council is good idea. We spoke about it many times. With the capital from the local development fund we can erase the difference between soums with mining operations and soums without mining, increase the mining profits and distribute it among the people. Each soum gets money from the local development fund. If we could get even 1%, it would mean approximately 6.5-7.5 million tugriks of fund. If we decide the funding this way, it will be correct and important to distribute information among the citizens. We should fund subnational council in accordance with their performance. Subnational councils that do not work should not get money automatically. As I see from the breakdown of the costs, works to be done in first 2 years are for government agencies, next works could be done cooperatively. 3 million tugriks will be not enough to accomplish the work and we have to ask donation from the company. So, for at least 7.5 million MNT is needed, then it is possible to issue a newspaper with information about mining to soum citizens. Currently, Councils of Ulziit soum in Dundgovi and of Gurvantes Soum of Umnugovi provinces operate regularly. In Gurvantes soum, companies are developing the infrastructure. Currently, there is going to be a hot and coldwater supply to the ger area and the road to the soum is going to be paved. I do not see it as a benefit from the mining, the company did not advertise itself, and the local government gave no information. Therefore, it is best to communicate the information to citizens. So, in principle, the most rational solution for the reliable funding is one percent of money from the local development fund and payment per performance.

B. Enkh-Amgalan: Thank you. Proposition of Mrs. Bayarsaikhan is excellent but to do so we need a law. That will take long time. Also, a subnational council budget amounting to 188 million tugrik will be hard. Shall we decide on 1 percent of local development fund or 188 million tugrik? We need to make decision.

N. Bayarsaikhan: While members of the working group are here and we have to decide on the term "donation". There are some terms like financing subnationalthrough donation or get donation for the local area. Behind donation is a hidden donation. We do not agree on one understanding there will be a lot of problems.

J. Battengel: If we decide on one percent, there should not be any donation or support. There are regulations where donation is allowed. Due to it, we should make it clear that getting donation is not allowed. While working in Eruu soum we asked about the information on donation or supports. But mining companies did not give it us.

B. Bayarmaa: It is like the socialist budget. Each soum or province has different work or function. In some soum it is difficult to work. Although subnational council is established, it does not work. Let's make it more realistic based on the subnational action plan. 3-5 million tugriks are not enough for subnational council. Organization of one province meeting costs about 5 million. Because of it, we need to explore other fund sources. Are there any legal possibilities, is it possible to amend the law? For example, there is a paragraph in the law on prevention of crime, which states that it is allowed to organize seminars and promote it from the payments of fine. Most of the crimes are against nature, so there is possibility to coordinate it with the Ministry of Finance. My suggestion is to build a working group to do research regarding finding budget for this work.

B. Delgermaa: In which provinces are we going to establish subnational council? We need to decide. There are 4 soums from Dundgobi province. In which soum is going to be?

B. Enkh-Amgalan: It is not just about the numbers. When it goes to the parliament, it is important to have realistic inference. If they want to approve, they will approve regardless of numbers.

Ch. Tsogtbaatar: There is a regulation in the budget law that states, a certain percentage of mining and licence incomes shall be given to the soums for local development. Today this regulation is not used. Because of this to write one percentage could be risky. We do not know when it will take effect. Moreover, all provinces are different. Because of it, not only the work scope but also the budget will vary.

N. Bayarsaikhan: 5% of mineral royalty tax is given to the local development fund.

Ch. Tsogtbaatar: Not now. It is frozen until January of 1, 2020.

B. Enkh-Amgalan: Let's decide, even without money. It is not something that we can decide. But if it is approved, we will have the right to decide how the money is distributed among the soums and provinces.

B. Batbold: Some parliament members could say my province will get that much money.

Sh. Tsolmon: It is false to say one percentage from the local development fund. Because soum with mining operation will develop and soum without mining operation not. That could be big problem and issue. Donation is regulated through the budget law. Cabinet Secretariat of Government gave us a recommendation that if the subnational council is established, it should get a fund. In accordance with the recommendation from Cabinet Secretariat we made the budget plan and by law we must submit it before April 15. Now the time has come. We submitted it to the Cabinet Secretariat of Government. It is not yet in the Ministry of Finance.

G. Tuvdendorj: It is better to make a realistic budget. But I do not know if it is going to be approved.

B. Enkh-Amgalan: We should delete expenses such as bonus for the subnational council secretary and increase the budget of 188 million. Officers do their work. In order to distribute information to the local population, rise awareness they would need meals and travel expenses. Let's make the budget breakdown more sensible and increase the budget to 288 million. And submit it to the Cabinet Secretariat of Government.

3. TOPIC DISCUSSED: AMENDMENT OF THE LAWS IN THE MINERAL INDUSTRY

Ch. Tsogtbaatar: I am going to present today's presentation instead of Mr. Zuunnast. We are going to talk about the draft package law which will amend the laws of the Mineral industry. Article 5.2.3 of the "Government of Mongolia's 2016-2020 Action Program" approved by the Parliament Resolution 45 of 2016 states "Upgrade the legal basis of economic, business, trade, property and financial law and improve legislation and resolutions that violate the ownership rights guarantee. Also, a working group was established by order A / 67 on the establishment of a working group to eliminate overlaps, gaps and violations in the mining sector legislation. The task was to create a working group funded by the GIZ and involved experts in this field. Within this framework, we studied about 10 laws in the mining sector. 267 overlaps, 150 gaps and 150 violations were discovered and the results are included in the report. Specially, the law on Common Mineral Law has 212 overlaps, 11 gaps and 17 violations. Additionally, the Law on Subsoil and the Minerals Law have significant conflicts. The concept of the law was developed to eliminate these overlaps and gaps. Generally, each law needs the concept of law, and this

law is a set of rules. Due to it this law need only one concept of law and it was approved by two ministers. In accordance with it amendments were made. Because of 90% overlaps with the Minerals Law it could be suspended. Also, there were no definitions about surface and sub-surface (underground) mining in any laws. It was decided to legalize these definitions. From January 1 of this year, mining licenses were granted only through tender. Amendments to the Minerals Law on November 10, 2017 allow to grant licenses for mineral exploitation and exploration not only under the application process, which may be subject to an old regulation but also tender selection process. In the current Mineral Law and the Law on Nuclear Energy regulations about the additional payment on radioactive minerals use were omitted, and it was amended. In article 42 of the Mineral Law, the body to sign a contract with the local administrative body was not specifically stated in the law. This is specified in the amendment. Extracted raw materials, concentrate, and products should be firstly provided to local mineral plants or satisfy the domestic market need and only after that sold at international market prices for export. This was included in the amendment. The scope of the work includes a draft law for amendments of the Minerals Law, Petroleum Law and some other laws. The consequences of the elimination of the law overlaps and gaps will be that the investor's trust is strengthened, the investment will increase, the legal overlaps will be eliminated, and the problems arising from unclear regulations and legal gaps will be sorted out, and too many amendments on law will decrease, the participation of governmental organizations, public organizations and citizens will be accommodated and their responsibility will be clear, some legal concepts and terms will be clarified. This draft law will be accordant to the Constitution and other related laws. This draft of package laws will amend about 10 laws such as Land Law. These amendments are not grave because we have an agreement with the Ministry of Justice and Home Affairs about not introducing new concepts or making serious changes. This draft law is being discussed and getting opinions and suggestions from other ministries. When we get opinions from the Ministry of Finance, we will be ready to submit it to the Parliament. Thank you.

E. Enkhbat: Is Minerals Royalty Tax amounting 2.5% included in the amendment? What other changes are there?

Ch. Tsogtbaatar: Up until January 1, 2019 the Minerals Royalty Tax will be 2.5%. After that it will be regulated by law. A draft amendment law of package law on tax is currently in discussion and there it will be regulated. The Ministry of Finance will decide.

B. Delgerjargal: A letter was sent to the Ministry of Finance about to extend it for 5 years.

E. Enkhbat: Thank you. The Law with the long name had a regulation gap regarding the size of licensed area. Is it regulated by this law?

Ch. Tsogtbaatar: No, no changes in that area. Generally, it was developed based on the suggestions from Ministry of Environment and Tourism and there were some amendments regarding salt provision.

E. Enkhbat: When will it be discussed by the companies?

Ch. Tsogtbaatar: It is already discussed. Delgerjargal has attended the discussion. In general, there will be changes in the law but no new concepts or principle.

L. Tur-Od: it is appreciated that you are working on elimination of law overlaps, gaps. In the presentation, you talked more about economical aspects. How about social aspects? Have you done any detailed studies regarding the social and economic consequences? Have you worked with the legal institute?

Ch. Tsogtbaatar: According to the law, a lot of studies have to be done before submission of a draft law. Because this is a draft package law of related laws, it is not prerequisite. Due to it, no studies have been done. After getting suggestions directly from the Ministries, it will be discussed by the Government meeting and then submitted to the Parliament. Regarding public discussion, we have organized one.

L. Tur-Od: Have you done any public hearing?

Ch. Tsogtbaatar: No.

B. Enkh-Amgalan: This law amendment is in the phase of getting suggestions. We heard the general introduction. If you want to make suggestions, you have 2 ways to do that: (1) go to the Ministry of Mining and Heavy Industry directly; (2) you can amalgamate all your suggestions and deliver it through the Cabinet Secretariat. We will leave this topic open for the sake of time saving. It is possible to make suggestions. Let's begin with the next topic.

4. TOPIC DISCUSSED: PRESENTATION OF THE FOLLOW UP PLAN OF 2018 EITI'S VALIDATION REPORT

Sh. Tsolmon: Thank you. Mongolia became the second country which met the requirements of the EITI. It was presented to the prime minister and he send a letter to the International Secretariat of EITI. Also, it was made known to both Minister of the Mining and Heavy Industry and Head of Cabinet Secretariat of Government. This presentation is about the Validation report plan and we would like to hear suggestions from the working group members. This plan reflects 15 works planned in 2018. But for some work there is no direct solution. According to the roadmap 2020-Beneficial ownership transparency, a working group will be established by the Ministry of Mining and Heavy Industry. In the plan are included works such as a presentation about the Mongolia EITI report and Transparency of Beneficial ownership to the Standing Committee of the Parliament; a report from the General Authority for Inspection about how they dialed with the companies that did not sent EITI report in 2017 and the introduction of results of PSC in new form will be presented to the EITI Mongolia's National Council; Introducing the result of the study about local affiliation of the legal entities and introducing a research about giving a certain percentage of tax incomes to the local administration to the EITI Mongolia's National Council; writing a report about environmental rehabilitation financial surety in 2016 and 2017 for every company. In the plan is listed deadline, expected outcome and responsible organization. /Presentation is attached/

B. Enkh-Amgalan: Our EITI goal is to be a strong decision-making mechanism. In order to reach this goal, there is possibility to enter into everything. Some of us are here because of the duty, and some are elected. Through we do not get paid, I am proposing a meeting 4 times per year. Because of it, we have a lot to do and meetings will be timely pressed. Shall we approve this plan as it is or do we delete some works? I have a reservation about the 100% of success and whether the results being sufficient enough.

J. Battsengel: It seems like one issue related to the tax is missing. How about adding a work regarding server connectivity, information transfer? The 8th work in the plan is almost ready, what result do you want to reach with the introduction? I propose the elimination. Also, the organization responsible for the 6th work should be General Authority of Taxation and Ministry of Finance jointly. If our 2 agencies work together, we will reach better result.

Sh. Tsolmon: The results of the work done must be presented to the National Council.

J. Battengel: From our data base, we can see who paid the payment for water usage in total amount. But the expenses are not visible. I suggest, that companies should deposit the financial surety before May.

B. Enkh-Amgalan: The 7th work is very good. A problem is that the Ministry of Environment and Tourism hesitates to give information. Deputy Director of Cabinet Secretariat and Mr. J. Enkhbayar, Member of Parliament, have initiated a digitalization initiative. If we digitalize this work, we will achieve a transparency that we want. If you want to do it, I can do it. In other words, if we link our system with the integrated information system, it will be open to everyone. But we need to improve the capability of the people about the usage. I think it is good idea to make brochure with words like if you are looking at the mining site, please check this website. It will be good if we could shrink the amount of works.

O. Otgonsaikhan: Illegal mining operators are the ones who destroy the reputation of mining sector. Which agency is responsible for the fight against them? Mining companies operate and pay taxes in accordance with the law but they are called with bad names. We have to do something against illegal miners. They have police protection and Inspection agency is doing nothing although local people inform them.

B. Enkh-Amgalan: Mr.Tsolmon, can you find some fund and organize an open forum or discussion? We need ways and means to combat ninjas.

Ch.Tsogtbaatar: Partnership and cooperative are another issue that they are trying to legalize. They should be responsible for the environmental rehabilitation and have a contract with the local administration. If they do not rehabilitate, the local administration does not give them a new area. It is regulated. There are cases when unregistered and illegal operating people have mined in a protected area. At the same time, our law enforcement agencies should work better. They consider a lack of budget as justification for doing nothing.

?????: There is rumor that if the local Governor stops the ninja operation, he or his political party loses out the next election.

B. Enkh-Amgalan: We need mechanisms to scare and disrupt them. We do not have such status. We all have the same rights and cannot demand anything. So, we need a foreign investment or project and to arise awareness through the social network to make them realize that they are doing something wrong. Especially, I would like to work more with the social and traditional medias and people.

O. Otgonsaikhan: If one or two illegal miners are arrested and detained, the others will be scared and stop their activities.

B. Enkh-Amgalan: Who is going to write the project? It should not an organization that uses force, but there is a need for corrective mechanisms. This work needs some money.

Sh. Tsolmon: Do not know.

B. Batbold: Do we have a budget?

Sh. Tsolmon: No budget. We will do what is possible. Maybe the publishing.

B. Batbold: For example, there is a planned work about a research on environmental laws and introduce it to the National Council. This will be a giant work.

B. Enkh-Amgalan: Let's shrink it.

B. Batbold: Without budget, we cannot plan big works. Later it will be reported that the work is not completed. It will be negative indicator.

L. Tur-Od: Regarding the 1st work, I think that the Ministry of Justice and Home Affairs should participate more in the working group on law. We organized a round table discussion with the Ukraine EITI to exchange experiences. According to their experiences, Anti-Corruption Agency should take part in this working group in reference to the property and income declaration of politically exposed people. One principal suggestion, we need to read this work plan together with it. In other words, we are here to implement the report recommendations. I agree with the plan. Some work proposals are principle-oriented and some others are streamlined. We should renew the draft law on transparency in extractive sector. If this draft law gets approved by the parliament, we will have no grief later. Report validation will be structured, have a responsible agency and specified work. The responsibility of each party will be clear as crystal.

Sh. Tzolmon: Ministry of Justice and Home Affairs will be included. Our law on Transparency in Mineral sector is now included as Chapter 8 in the Mining law.

L. Tur-Od: TAN coalition proposed a separate law.

Sh. Tzolmon: That is a matter of principle.

B. Enkh-Amgalan: I propose that we delete the number 8 on the plan. Could you please tell us about the financial situation and how many people work in the secretariat office?

Sh. Tzolmon: 4 people work there including me: communication officer, finance officer and IT consultant. This year we have a budget of 300 Million tugriks. There is a small funding hindrance but not too bad. We will look at the budget and propose to keep the 9th work.

B. Enkh-Amgalan: The secretariat has very limited budget but good legal protection and transmission of suggestions. Small budget because of foreign funding. I propose an elimination of the 8th work and agree on the approval of the plan.

5. TOPIC DISCUSSED: CONTINUATION OF THE RESEARCH OF MAINSTREAMING OF EITI INFORMATION

G. Ganbat: Good morning. The International Secretariat of EITI has completed this study to assess the readiness of the related governmental agencies for regular using and disclosing information prepared by the EITI Mongolia. The main result of the assessment is that most of the information, required to be disclosed according to the EITI 2016 Standard, already disclosed. The following are recommendations to the National Council to follow and implement.

For non-revenue information: (1) For the Mining Industry MRPAM should start the disclosure of licensing procedures, the selection criteria, list of participants, the decision of the evaluation committee and the name of the winner in accordance with Requirement 2.2, and provide information in open and accessible format. (2) Until the cadastral system of MRPAM is changed in accordance with Requirement 2.3, temporary transition arrangement needs to be done so that all collected information about license application date in the EITI Mongolia's data portal will be linked to EITI data portal. It is appropriate to use EITI's reports until information collection about application date of all current mining, petroleum and gas licenses is completed. (3) The Prime Ministers' Secretariat and the Ministry of Mining and Heavy Industry (MMHI) should continue to work with minerals, oil and gas companies in order to publish the contracts and agreements through the public portal of the public-open contract databases. (4) In accordance with Requirement 2.5, the Government should be able to disclose the beneficial

ownership information of all companies holding licenses in the extractive industry by 2020, and this can be made through the State Registration Authority website or the EITI Data Portal. Beneficial ownership information based on the legal entity registration of the General Authority for Intellectual Property and State Registration (GAIPSR) or the MRPAM's cadastral registration system should be open to the public by January 2020. (5) In accordance with the Requirement 2.6 and 6.2, the Government should build a system to disclose financial information of State-owned enterprises (SOEs), financial relationship between SOE and the Government, loan or guarantee given to an extractive company by the Government or SOE. Also, there are some recommendations regarding revenue information. Verification of permission given by the Government about the merging Governmental system and EITI data portal; making a short-term improvement of the EITI e-reporting system; no more employment of independent auditor; transferring of EITI e-reporting system and information portal to the Ministry of Mining and Heavy Industry. If we fail to follow these recommendations, it will be impossible to achieve a transmission from reporting to the transparency. I propose that we establish a working group to implement these recommendations.

B. Enkh-Amgalan: Thank you very much. This is a work to bring to perfection the work of the office. People are not reading and using paper reports anymore. There is easy way to use and to reach people. There is a new system which is called as an electronic transition. Our report should be smart and brief so that it can be attached to the website of the Cabinet Secretariat, the Ministry of Mining and Heavy Industry and the Ministry of Foreign Affairs. But we will still print reports as usual.

L. Tur-Od: We are going to make the OGP plan. Last 2 years planned works are finishing. Revenue and non-revenue information should be included here so that there is high probability to achieve results. Mr. Zandanshatar, Head of the Government Secretariat, is leading. My proposal is that we establish a multi-stakeholder working group in this topic. I can be in this working group as a representative of a TAN coalition. It will be good if we could suggest a specific plan to the OGP.

B. Enkh-Amgalan: Report is the result of our work. We need a presentation about it. The Secretariat should fund it. Make up a presentation about the report in 20-30 slides and upload it not only to your own website but also to of important organizations. On other websites it should be available.

Sh. Tsolmon: The secretariat publishes a summary of the report innately. We will summarize and make it shorter and then upload it to the website.

B. Bayarmaa: The purpose of this work is to eliminate the paper report in due course. We are just becoming accustomed to it. Would our works be lost if we stop doing it?

G. Ganbat: The report of 2017 will be published as usual. The problem is that government agencies should upload information given to us on their website regularly. If the financial statements are following international standards, no validation is required.

B. Delgermaa: Each year Ministry of Finance gives us revenue information in form that is really difficult to understand. And the auditing company makes it understandable to us. The Ministry of Finance should do it in an understandable form, in accordance with the template and upload this to their website regularly. We will help the governmental organizations to do this. If someone wants to see revenue distribution, he visits the website of the Ministry of Finance, or for information on licenses the website of MRPAM.

B. Bayarmaa: It needs a regulation. The ministers and other heads of governmental organizations are constantly changing. We need to make legal arrangements in order not to lose our work on which we worked so long.

B.Enkh-Amgalan: Let's vote. The draft decision proposal working group is to be chaired by Zuunnast. Will he agree?

Sh.Tsolmon: The State Representative must be senior. Chairman must be appointed firstly, then names of the working groups members will be submitted by the 15th of May.

B. Enkh-Amgalan: How many people access our website?

Ganbat: Over 10000 per year and 30-40 per day for the reporting period.

B. Enkh-Amgalan: How high is this?

G. Ganbat: In the case of information website, it is a small number and as a government website it is medium.

B. Enkh-Amgalan: Social needs can be defined by their access. So, at first we have to inform people about what we are doing.

Sh.Tsolmon: Shall we choose Mr. Tsogtbaatar?

Tsogtbaatar: I don't have time.

Sh.Tsolmon: Mr. Damba is in other working group. Mr. Zuunnast is free.

D. Sukhbaatar: Zuunnast is a member of a working group of responsible mining at the Ministry of Mining and Heavy Industry.

B. Enkh-Amgalan: So, we all agree on that Mr. Zuunnast, the senior specialist of the Ministry of Mining and Heavy Industry, will be chairing the working group. In the future, funding is needed to sustain its operations. Thank you for your active participation in the meeting.

The meeting ended at 13.00.

Meeting minutes reviewed by:

Senior Advisor to the Prime Minister,

EITI National Council,

Secretary and head of working group

B.Enkh-Amgalan

Verified by Secretary of the Working Group

Sh.Tsolmon

Meeting minutes was taken by:

Financial officer of the Secretariat

A.Otgonontungalag