

## **Minutes of 17<sup>th</sup> Meeting of Mongolia Extractive Industries Transparency Initiative National Council**

**December 19, 2018**

National Council meeting started at 3 pm, on December 19 2018, in the meeting hall at the Ministry of Mining and heavy industry.

Participants to the National Council meeting: G.Nandinjargal, State Secretary of the Ministry of Mining and heavy industry; N.Purev, senior officer of Fuel policy Department of the Ministry of Mining and heavy industry; J. Iveelen, officer of the Accounting Department, Ministry of Finance (representing Minister of Finance); B.Saran, Senior Officer of Natural Resource Management Department of Ministry of Environment and Tourism (representing Minister of Environment and Tourism); L.Enkh-Amgalan, officer of National Statistics Office ( representing the Chairwoman of National Statistics Office); T.Bayarhuu, Head of Enlightenment and Prevention Department, Independent Agency Against Corruption; G. Battengel, officer of the MTA; D.Enhbold, CEO, Mongolian National Mining Association; D.Galbaatar, Deputy Chair, Economic Division, Erdenet Mining Corporation; M.Boldbaatar, Senior Officer, MongolRosTsvetmet LLC; Batbayar, Head of Financial Department, of Monpolimet Group LLC ( representing S.Enhtuya, CEO); B.Sugarmaa, Director for Government Relations and Approval, Energy Resources LLC ( representing the CEO of Energy Resources LLC); J. Sunjidmaa, General Manager Of Foreign Relations and Stakeholder Engagement Department and T.Munhbat, Senior Cooperation Officer, Oyu Tolgoi LLC (representing Andrew Woodley, CEO of Oyu Tolgoi LLC); N.Bolormaa, Chief Economist, PetroChina Daqin Tamsag LLC; D.Erdenechimeg, Coordinator of PWYP Coalition (representing P.Erdenejargal, CEO of open Society Forum); G.Urantsooj, Head of Human Rights and Development Center NGO; B.Bayarsaikhan, Head of Steps without Boundaries NGO; N.Narantsetseg, Head of Baigal Ekhyim Avral NGO; B.Bayarmaa, Owners of Khuvsgul Lake NGO; D.Tserenjav, Head of Transparency Foundation; B.Boldbaatar, Head of My Mongolia-Motherland NGO; O.Otgonsaikhan, CEO of My Mongolia-Motherland NGO and B.Batbold, Board member of Mongolian Environmental Civil Council. Of 33 members of EITI National Council, 19 were present with attendance rate of 57.6%.

Also present: Ts. Osorgarav (Director of Ulaanbaatar Audit Corporation LLC); David Queen (consultant); N. Erdenetsog (audit manager), Erdenebat, Bayarjargal, Enkhsaikhan, Otgonnaran and Idshinrenjin (auditors); Sh. Tsolmon (Coordinator of Mongolia EITI Secretariat), B. Delgermaa (Communication Officer of Mongolia EITI Secretariat), A. Otgontungalag (Finance Officer of Mongolia EITI Secretariat), B.Badmaarag (Legal officer of Mongolia EITI Secretariat) and G. Ganbat (IT Consultant of Mongolia EITI Secretariat).

G.Nandinjargal, State Secretary of the Ministry of Mining and heavy industry and the Secretary of National Council, opened and chaired the 17<sup>th</sup> meeting of Mongolia EITI National Council.

G.Nandinjargal: Good afternoon. The minister should have chaired today's meeting but it coincides with the party meeting. Because of it he could not come. Please accept his apology. We all know the Government resolution 289. According to this resolution, the Minister of the Mining and heavy industry was appointed as the Head of the National Council and State Secretary as the Secretary of the National Council. We think that we will be able to work better. I will introduce the meeting agenda and if it is approved, we shall begin the meeting.

The meeting began upon members agreeing with and approving the meeting agenda.

### **1. Topic Discussed: Mongolia EITI Report 2017**

David: Hello. I visited Mongolia many times but not in such cold weather. I would like to present Mongolia EITI Report 2017. The presentation includes the scope of the report, work synopsis and issues raised during report process.

The scope of the report: its timeframe is from January 1<sup>st</sup> to December 31, 2017. For the reconciliation report 230 companies were selected. 219 were private mining legal entities, 11 SOEs. Our report fulfills the EITI international standard. The report includes information such as revenue, new awarded mining license, Beneficial ownership, donation and supports, water usage and waste. It is based on the revenue and payment streams, information from the revenue-receiving organizations which are in the e-reporting system. The government reports revenues and the companies the payments electronically. The most of the companies were selected based on the materiality threshold. Also, a few small companies were selected although they did not reach the threshold. The Government received in 2017 2.2 trillion MNT as revenue from mining sector and 2.1 trillion MNT made by the 230 companies selected for reconciliation report. After the reconciliation it was increased to 2.2 trillion MNT. Before reconciliation, the Government reported that its revenue was 2.1 trillion MNT while the companies reported payments in worth of 2.0 trillion MNT. The first discrepancy was 122.5 billion MNT. After the reconciliation the final discrepancy became 49 million MNT. This final discrepancy was caused by 2 companies that did not provide answers. Top 10 companies that paid the most payments are Erdenet, Oyu Tolgoi, Petrochina Daqing Tamsag\* Erdenes Tavan Tolgoi, Mongoliin Alt MAK, Energy Resources, Tsairtmineral, Southgobi Sands, C.O.A.L. company. The payments from these companies accounted for 85 percentage of government revenue from extractive sector.

Moreover, we did include 95 percentage of the total revenue that the Government received from extractive sector in the reconciliation report. All Governmental agencies and

SOEs provided us all information we needed. But 42 private companies have not submitted the initial report and because of it data was collected through additional templates. For such data we needed warranty for the reliability from the company. MSWG discussed and decided that we request from these companies the management assurance letter, auditor's assurance, and audited financial statements. I would like to present how the Governmental agencies and companies fulfilled this requirement. All SOEs sent information which are included by e-reporting system. 7 agencies sent the management assurance letter and 3 agencies have not. The National Auditing office did not provide them the auditor's assurance because it is not stated in the work plan. Also, some of the regional level organizations did not submit the audited financial statement. Not all SOEs reported in the e-reporting system. Also, two SOEs did not send their report. Some SOEs did not send their auditors letter. Although the MSWG requested an audited financial statement three organizations did not provide it. Some SOEs audited financial statements have limited conclusions. That means that National Auditing Office did not agree with the data provided by the company. On the website of the National Audit Office are published only some parts of the SOEs financial statements. Incomplete report means that it includes only these 4 types of report and no additional clarifications. From these audit reports users cannot obtain any information about mining. Because of it, it is called incomplete report.

If we exclude the SOEs from the reconciliation report participants, there are 219 private companies. 42 from them did not report payments using e-reporting system. Petrochina Daqing Tamsag LLC is the biggest company from these 42 companies. 24 companies did not return a signed management assurance, 18 company did not provide audited financial statement.

2 companies from the TOP 10 did not submit the management assurance, 3 entities from TOP 10 have not provide an audited financial statement. If we compare the data of the last 3 years, there is an increase in submitting the management assurance but no change in other positions. As for the companies, reporting and submitting the management assurance are increasing but there is decline in other positions.

A PSC disclosure is not implemented. Although the law was drafted in 2012, there is not any PSC what was disclosed. According to the EITI standard contract disclosure requirement, 3 information regarding the contract are not disclosed. Some information in the EITI website were not updated. Let's talk about the implementations of recommendations which were made in 2016. From these recommendations 2 are implemented and 4 not. As result, it is required additional actions. The minerals transparency law should be approved as soon as possible. Because some companies from which we require information say that it violates that law and because of it unable to compline. Also, the license transparency needs to be improved. This is related to the National Audit Office. Other recommendations can be seen in details in the report. Thank you for your attention. /presentation is attached/

B.Delgerjargal: Thank you for the presentation, David. If the members have any questions, please introduce yourself and then ask your question. The revenue was 2.145 trillion MNT before the reconciliation. After the reconciliation, it was increased by 61 billion MNT to 2.206 trillion MNT. Could you please give us the reason of it?

N.Erdenetsog: The reason for the increasing is that some revenues were incorrectly reported. The correction has caused the changes in some revenue streams. You can see the correction in the 2.3.4. For example, the revenue of the General Authority of Taxation was declined by 2.4 billion MNT. General Authority of Taxation made a tax inspection at the South Gobi Sands LLC and found a tax discrepancy of 2.4 billion MNT. It was classified as tax instead of tax recovery. This was reconciled by reclassifying into "other taxes paid to the state budget". Also, in organizations such as Customs General Administration etc. were made corrections and the revenue streams have been increased. In general, donations and supports were not included in the reports of the governmental organizations in full value. Due to it there were corrections.

B.Delgerjargal; There is a recommendation regarding disclosure of the percentage of profit oil allotted to the Government. This recommendation was given also previous year. It was not possible to answer. An officer from the Fuel Policy Department of the Ministry of Mining and heavy industry shall answer this.

N.Purev: This is an issue which is stated in the article 17.3 Law on Petroleum. Most PSC are confidential. Only with the written consent from both contract parties, it is possible to show or transfer the contract to a third party. Due to it, contractors do not permit it. In international open bids, bidders give big numbers, which are kept secret. Since the approval of the new petroleum law in 2014, there is possibility of disclosure of new contracts signed after the approval. For older PSC, it is not possible because there is an article in the PSC which forbids it. Terms except for the basic terms of the contract could be disclosed. There is a contract temple which was approved.

B.Delgerjargal: What is the situation worldwide regarding the PSC disclosure?

David: Each country decides for itself how much information it wants to disclose. There are international examples, where some countries disclosed a PSC wholly. I understand that some commercial information should stay confidential. If royalty percentage is confidential, that part could be deleted and the rest of the contract could be disclosed. There is possibility of disclosure of some part of PSC.

N.Purev: It is possible to disclose the PSC. We have permission from the companies. But the basic terms like royalty percentage, percentage of profit oil allotted to the Government, must stay confidential.

B.Delgerjargal: Thank you. Royalty can be calculated from the tax. The newest three PSC are disclosed. There is possibility to increase it.

N.Erdenetsog: PSC is directly related to the petroleum revenue. The percentage of the cost oil, the revenue received from the petroleum are actually open. But the disclosure of barrel amount is not possible. Even if it is transparent, it is not possible to find out the percentages of the royalties and cost oil.

B.Delgerjargal: Could it not be calculated?

N.Erdenetsog: For example, we cannot calculate royalties and cost oil percentage of Petrochina

D.Erdenechimeg: The issue with the PSC disclosure arose not in 2012 but 2015. When the PSC template was approved, confidentiality clause was removed. Since then, all new PSCs do not have confidentiality clauses. The General Administration law states a contract, that is signed with a government agency, shall be considered as an administration contract and as such it shall be disclosed. In the article 11 of PSC template is written which information shall be secret. That information includes the appendixes of the PSC and not basic terms. There is no article that says numbers shall be confidential. But all held the numbers in confidentiality. In the EITI report all payments and received revenues are submitted. Is it possible to calculate the percentage of Government share using the report?

Ts. Urantsooj: Thank you. The report is getting thinner. The report itself costs a lot. But people cannot use it. In the resolution of the National Council meeting, we should include works such as promoting the report and increasing the awareness. The Parliament members should be aware that only 10 companies generate 85 percentage of the Government revenue from mining sector. I see no decisions regarding the non-compliant companies in the resolution. We need penalty measure for companies that did not submit the report or provide the management assurance letter and it should be in the resolution. It is necessary. Could you please include international experiences in this regard in the recommendation? Thank you.

David: The National Council should decide about this penalty not we. But we need this information. I think that you need to make a proposal about penalty to the high-level executives.

B.Delgerjargal: Our work is to inform the public about report recommendations. In the future we should work on responsibility.

G.Urantsooj: Even the chairman of the Mineral Resources and Petroleum Authority did not submit the management assurance. Executive officials of government agencies do not fulfill their duty.

D.Tserenjvav: I'm grateful that the EITI report is including now information on artisanal mining. It states that appendixes 28 and 29 have information on artisanal mining and regional NGO. But these appendixes are not here.

N.Erdenetsog: Some appendixes are not printed. If we printed all appendixes, it would have been very thick.

D.Galbaatar: As I understood, the EITI shall improve the standards and make the report transparent. We prepare our reports in accordance with the accounting standard. The report includes information about today's revenue and future profit. Natural resources depletion is registered as property. Are there any international initiatives or suggestions on how to improve the EITI reporting standard? Are holding only on financial standard?

Sh.Tsolmon: The EITI standard was approved in 2016. It consists of 33 requirements and we are implementing 28 requirements. There is discussion about reducing the scope of the report and reporting the most important information. The EITI global conference will take place in July next year and during that conference the decision will be made. Also, it is being discussed that government agencies shall make minor service update to their respective websites and disclose some information. It means that the scope of work done by independent auditor will be no more gigantic. This sort of work shall be done.

D.Galbaatar: Fee for exploitation of mineral resources (royalties) are based on sales estimation. Today we are comparing Mongolian coal with the Australian coal and set a reference price for royalties. I have come to understand that such an incredible mess should be improved. Erdenet Mining Corporation has reduced the cost of natural resources depletion to 51. Why is it lacking in other Mongolian factories? and so on.

David: The requirements of the EITI report standard is very simple. For example, in EITI reconciliation report we report how much money was paid as royalties but not how these royalties were calculated. The financial statement is based on accrual basis and the EITI report is cash-based. However, there is not that much difference.

B.Boldbaatar: It is getting impossible to catch small-scale miners. A large number of people are mining gold in soums along river basins in Selenge aimag. It is impossible to determine how many gold miners and how many thieves are there. Each household has an excavator, and there is statistic that over 500 excavators work in summer. Therefore, it is impossible to get an accurate report unless there is a leverage. It came to the Ministry of Mining and Heavy industry. We need to develop a leverage measures for the organizations that do not submit the report. It is advisable, organizations doing good must be recognized while against non-complaint companies should be taken some actions. Also, there was an issue with losing large amount of coal. Which party has reported it?

N.Erdenetsog: In the appendix number 18 you can see the information on coal sales. For the reconciliation report, we can use only the information that is provided to us. To ensure that the information is correct, we are requiring the assurances.

B.Boldbaatar: I propose that we include this in the draft resolution. It is been 12 years since we started the implementation of EITI standard. Since 2010 we are talking about expanding it. Now we have lost 300-400-ton coals.

B.Delgerjargal: This problem started earlier. Firstly, the coordination on the geodesic map had been changed. When the Jijig Tavan Tolgoi began mining coal, there was a partition. There was even a road and they wanted it to be removed. After long discussion, the two Tavan Tolgoi agreed upon 260-ton coal. Later the issue was politicized and the number has changed a few times. Information about how this issue was solved, is not included in our report. This coal did not disappear suddenly. Both parties knew it.

G.Battsengel: The discrepancy was reconciliated and reduced almost 1000 percentage. Thank you, Ulaanbaatar Audit Corporation and Hart Nurse Ltd. You have worked in 2016 on the reconciliation report. After one year, what has changed? Are there any improvements from your specialist position?

David: Mongolia was validated and has made “satisfactory progress”. Congratulation. This years’ discrepancy was smaller than previous years. I see it as an improvement. Within the scope of EITI, Mongolia is disclosing information not only on license but also on a few other things. It is important to improve it in the future. Also, there is more open discussion compared to other countries.

N. Bayarsaikhan: Ulaanbaatar Audit Corporation, thank you very much for the reconciliation report. In the report, there are recommendation to have measures for non-complaint companies. I think that the ministry should decide about the possible measures. Also, a presentation of this report to the Parliament should be included in the draft resolution. Does the Ministry of Mining and heavy industry have enough power in this matter? I would like to ask you what solutions do you have. Furthermore, there were discrepancy issues related to the Ministry of Environment and Tourism before and after the reconciliation. Could you please make it clearer, how much revenue gets the Ministry of Environment and Tourism from the extractive sector. The rehabilitation deposit amount has fallen by half since 2016. Could you give the reasons? And in appendix 11 you can see the list of donations and support paid to the government organizations. Here is stated that Gobi Oyu development foundation received 11 billion MNT. Dornogobi development foundation should be here but it is not reported. This foundation received and spent not less than that. But it is not reported and there is no discrepancy in this regard. Why? Here is a list of companies from which the Government receives its revenue from extractive sector. There revenue was 2.2 trillion MNT. Can you categorize it by the type of minerals like coal or gold etc.? It needs some small technical adjustments.

B.Delgerjargal: The Ministry of Mining and heavy industry will sign a contract with all aimags and shall control the implementation of the contract regarding the report. Whether the EITI report was submitted or not, if not the contract will not continue. The EITI was transferred to our Ministry because of the work load of Prime Minister. We are discussing about the EITI being attached to the Cabinet Secretariat of Government. We will talk about it in the 4<sup>th</sup>. Topic.

N.Erdenetsog: The report of the Ministry of Environment and Tourism was reconciliated. Before reconciliation, the amount of the rehabilitation deposit fund was 7.5 billion MNT. But they received only 969 million MNT. They have reported the total amount of the money that was collected since the establishment. Oyu Tolgoi LLC reported that it donated to the Gobiin Oyu development foundation 1 billion MNT. We asked the foundation and corrected the discrepancy. Regarding the Dornogobi aimag development foundation, neither party reported donation. And due to it, there is nothing in the report. It is possible to catalogize the revenue according to the minerals types. For example, Oyu Tolgoi LLC extracts gold and copper. But the problem is that how to divide the revenue. The tax is paid in total, so it needs to be divided. In general, if we report at project level, it could be possible. But it is problematic.

N.Bayarsaikhan: Is it possible to categorize per mineral types? It is crucial information. Employ any kind methodology, explain it and how you come to the sum roughly. Can you do it and put it in the report? The fact that we cannot categorize revenue per mineral types after more than 10 years of reporting, is dissatisfying.

N.Erdenetsog: For example, the company extracts many types of minerals. It has profits from coal sales but not from gold. But as corporate income tax it pays 100 million MNT. The main problem is, how to distribute it.

N. Bayarsaikhan: In that case, you should give a concrete recommendation. How to improve the templates or legal environment.

N.Erdenetsog: In the Project-level-reporting, we gave concrete recommendations.

D.Erdenechimeg: TAN coalition gave you information on 3 licenses. It seems that this information is not included in the report. Could you explain it? Also, in the 6.a of resolution, we should add "to report to the National council". Each year we made this decision. There is no information about how many companies were punished, if the reporting is improved or not. Specially the petroleum companies should be included. They have the duty to report how much oil was extracted and sold but their report is incomplete. And include their names in the report.

N. Bayarsaikhan: I suggest to add in the draft resolution that the report shall be presented to the Standing Committee on State Budget of the Parliament and the local

government, sub-council, TAN coalition and mining association shall promote the reconciliation report.

B.Saran: There are many grammatical errors in the report, especially in the part related to the Ministry of Environment and Tourism. Rehabilitation deposit fund is not a revenue. Each company deposits 50 percentage of its environmental protection management plan budget. Because of it, it is not right to race them according to the fund. I propose to correct the table in page 135. Rehabilitation fund is being deposited since 2007. And this year we have done a lot to categorize it according to the company names. For example, Erdenet LLC deposited 200 million MNT for rehabilitation. It is difficult to compare this amount to the land which needs to be rehabilitated. In 2017 approximately 1 billion MNT was deposited. In general, this deposit is a fund that will returned to the company.

N.Erdenetsog: Words like fee, revenue come up when it is translated from the English standard. Because the rehabilitation deposit fund is being received, it is in the category of the revenue receipt.

B.Delgerjargal: We heard the suggestions and proposals of the members and let's vote on the putting the proposals in the first topic resolution.

## **2.Topic Discussed: Mongolia EITI 2018 work plan implementation and draft work plan of 2019**

Sh.Tsolmon: Thank you. I will make a brief presentation on the implementation of 2018 work plan and draft work plan of 2019. In 2018, 54 out of 75 planned works have been implemented, which represents 74 % implementation performance. The Working Group organized 3 meetings, while the sub-working group organized 2 meetings. Following major works were implemented in 2018: Mongolia was validated and received good note. We organized audit partner selection activity to choose consultants to prepare EITI 2017 Report. As a result, Ulaanbaatar Audit Corporation and Hart Nurse Ltd partnership were finally selected and the contract was signed in June. Furthermore, we organized the Inception and Scoping Workshop in August in accordance with EITI standard, in which we developed the contract scope. In November we presented a draft report to the MSWG. Here we are today presenting to you the result upon comparing and consolidating reports and statements from 230 companies and government entities. Upon arranging companies and government entities/authorities to report their 2017 statements, EITI report is presenting results of payments and receipts of 1489 companies, 7 agencies, 9 districts, 21 aimags. In total received a revenue from 2091 companies. We organized a workshop "Accountable and transparent mining-2018" in which representatives from over 150 companies participated. Also, in cooperation with Erdenes Mongol LLC, a training for financial officers of SOEs was organized in order to improve their knowledge. In cooperation with the Ministry of Environment and Tourism, a multi stakeholder meeting on Environmental information was

hold. We discussed about the transparency in water usage and approved the report template for water usage. 113 companies disclosed information on water usage.

A training for the journalists in cooperation with the NGO “Transparency foundation” and a seminar for over 40 students about methodology of data usage with support of the IFC and Innovation center were organized. In regional information work scope, we held meetings Orkhontuul soum of Selenge aimag, Zaamar soum of Tuv aimag, and Dashinchilen soum of Bulgan aimag in cooperation with NGOs “My Mongolia Land Movement”, “Owners of Khuvsul Lake Movement”, “Ikh bayan sharga” in June and organized an EITI event in cooperation with NGO “Baigali ekhiin avral san” in Khyargas soum of Uvs aimag in July of this year. Moreover, we held a Western regional conference in Ulaangom, Uvs aimag. Representatives of the IAAC, Ministry of Environment and Tourism, General Authority of Taxation, Mineral Resources and Petroleum Authority, TAN coalition and information officer of Bor-Undur soum, Khentii aimag participated in this conference. As for promotion works, we signed a contract with Meguun Media LLC and started multi-step work to increase the public awareness. For example, we printed and distributed for each soums newspaper. Held a consultative meeting “Beneficial ownership transparency- Policy and Practice in Mongolia” with support of EBRD. And there is Mongolia EITI progress report. I would like to ask you to send us information about your operations. That information will be included in this progress report.

For upcoming 2019 we have set 5 main goals. Firstly, for disclosing and publishing non-financial information in accordance with the EITI standard on the websites of governmental organizations and its stability we have planned 9 actions. Regarding the developing the draft law on transparency of Minerals sector and submitting it to the Parliament for approval 5 actions are planned. Third goal is improving the information and registration system for Beneficial ownership transparency and collecting information on BO as test and for this goal are 7 actions planned. For the fourth goal, 5 actions are planned for producing EITI 2018 report, approval and dissemination. Final goal is promoting and advertising the impact and important of EITI at national and subnational levels, enhancing collaboration, creating legal framework and announcing the BO and here we have planned 13 actions. I request National Council members to review the report and the draft plan, give your comments and approve it. /Presentation is attached/

B.Delgerjargal: If you have any question in relation to the presentation, please ask

N.Bayarsaikhan: How much budget does the EITI Secretariat have for 2019? From state budget? Do you have any other sources?

Sh.Tsolmon: The budget is still unclear. 254.4 million MNT from the State budget for the reconciliation report is approved. The budget for the Secretariat is still ambiguous. At initiative of Ministry of Mining and heavy industry, we are talking to the Asian Development Bank. There is direction to start from March 2019. We have developed the action plan not in

accordance with our budget but owing to the scope of the work that needs to be done. Hoping for the success.

B.Delgerjargal: We did not know about resolution 289. If we had known, we could have set a budget in the ministerial budget. But this situation has arisen suddenly. No budget for 2019. Because of it, we are trying to work with the given conditions. The government has also no budget. We are working for solution on the executive level.

D.Erdenechimeg: We have drafted a resolution draft and would like to discuss it in today's session and submit it to the Government. It needs to be included in the plan. It is important to develop a draft government resolution, to plan actions toward approval and to clarify roles and responsibilities for specific government agencies. There is issue regarding the beneficial ownership. At first, we need to unify our legal term. If the term is different in our proposals, it could be the reason for the fall. Because of it, I suggest that we use the term "beneficial owner" in the future. There is a center for securities settlement. There is a list shareholder of all listed companies. This information is changing every day and due to it, it is impossible to have complete shareholder information. That means, information at the legal entities registration office is out of date. It is important that these two organizations exchange information. If they do not exchange information, there will be no accurate information. Disclosing of shareholder information and disclosing the beneficial ownership information are not the same. Therefore, let us work on beneficial ownership transparency.

N.Bayarsaikhan: Our motto for 2018 was "from reporting to resolving". In reality, we have not reached the resolving. Over the last few years there was no accountability and because of it, I suggest that 2019 should have a motto. Implementation of recommendations and improvement of stakeholder accountability should be included in the 2019 work plan as an independent objective. Contract transparency is lacking. One organization build a website and there is no initiative from the government or company regarding it. Therefore, contract transparency should be an objective in the 2019 work plan. It is better to go after a specific task. It is shameful, that the government received 2.2 trillion MNT from the extractive sector and cannot finance this small Secretariat because of lack of budget. Is there any possibility to make changes in the government budget? Is there any possibility to get budget from the reserves of the Prime minister or Deputy prime minister? What if we submit a proposal? To present the EITI report to the Parliament and Standing committee on State budget means also to make it clear and understandable that it needs money. Therefore, the proposals should be included in the meeting decision and work plan.

B.Delgerjargal: We will discuss about the amendment of the resolution draft. The problem is whether the Government will approve or not. But we should do what we can.

### **3.Topic Discussed: "Beneficial ownership disclosure in extractive sector" roadmap implementation and 2019 work plan**

B.Delgermaa: Good afternoon. "BO disclosure" roadmap consists of 7 objectives and 32 actions. The aim of the roadmap is to ensure that investor, bidder or license holder companies in an extractive sector disclose their beneficial owner by January 1, 2020. In 2017 and 2018, we focused more on the objectives 1,3 and 5. Objective 1 was to link BO disclosure with National Reform Priorities and within this scope we participated in meeting about NAP III of OGP which was held in August 2018 and BO related activities are being included in the NAP III. Also, In May 2018 we organized a summit with the Parliament and the Government representatives and other stakeholders. For the second objective, we planned 3 actions and 2 of them are implemented and one is postponed. In February 2018, a consultative meeting was held in cooperation with the Ministry of Mining to coordinate the management of all government agencies, such as the Securities Committee, the Financial Regulatory Committee, the Bank of Mongolia, the Audit Department, and the statistical committees. Our lawyer has drafted amendments to the draft law and presented it to B. Munkh-Orgil, Member of Parliament. The opinion of the State registration authority is being asked. In 2019, we will work on improving the e-reporting system. The third objective and its 8 actions are implemented fully. More than 260 people were asked their opinions and the result was presented to the National Council meeting in 2017. The term was relegated to the Ministry of Justice and Home Affairs. Within the scope of the fifth objective, we implemented the actions with support of EBRD. For example, the Open Society Forum initiated a discussion forum for companies and civil societies and it was held in September and December. Also, we organized a meeting in December with support of EBRD. In 2019, we are aiming for disclosing the beneficial owners who are politically exposed person. 17 out of 32 planned works have been implemented, which represents 53 % implementation performance. This year we have disclosed the beneficial owner information with the personal registration numbers. It is improving. More information and cooperation with the associations getting better. We are working not only with mining associations but also with Mongolian National Chamber of Commerce and Industry and other chambers. We exchange information and promote to the public. We published and distributed a guideline about Beneficial ownership disclosure. In 2019, we are planning to improve the government organizations information collecting system, and other works with support of EBRD.

Government agencies should work together with the investigative journalists to find beneficial owner because neither can find it on their own. For the legal aspects, there should be a working group with the support of the Government agencies. The law on transparency of the mineral sector shall be more detailed. The companies that provide their information voluntarily should be encouraged, and their experiences shared. Specially the investigative journalists need support in their search of beneficial owners. Thank you. / Presentation is attached/

B.Delgerjargal: Thank you. Does anyone have questions or suggestion?

B.Munkhbat: I support the term. First off all, we need to make sure that the Secretariat has budget and money to continue their work. Earlier, we have talked that the Secretariat should stay at the Cabinet Secretariat of Government. This shall stay in the draft resolution. Generally speaking, the Secretariat should not be appertained to Ministry because it will reduce the importance of it. For example, the geological sector had its own ministry. Since this sector has become a part to the mining ministry, this sector collapsed. I think, that the future of the EITI Secretariat should not become like this.

D.Erdenechimeg: How we should evaluate the implementation and its effectiveness? Shall we evaluate the organization of the meeting as an implementation? In generally, not only the road map implementation, but also implementation of the work plan should be evaluated by the effectiveness and efficiency. The implementation report is consolidated report not only of the Secretariat but also of MSWG and National Council. You said that in the round table meeting was organized in May. But not one member of Parliament has participated in that meeting. As a principle, the Secretariat should have prepared the report and it should have been discussed by the MSWG. The report should have been developed according to the suggestions and then presented to the National Council. TAN coalition and Open society forum contributed to the organization of the meeting which was financed by the EITI International Secretariat. This should be added. Also, you said investigative program is being prepared. Is it different work than the one organized by TAN coalition? If it is the same, we, TAN coalition and OSF, would like to be mentioned.

B.Delgermaa: For the work financed by the EBRD the Secretariat was not included and we had no information. The information we have, was given to us from Erdenechimeg. These works are included in the report. TV program is being financed by the EBRD.

D.Erdenchimeg: Investigative work for the TV program was financed by the OSF.

Sh.Tsolmon: There was no time to present the report to the MSWG. In the meeting in May, Ayursaikhan, member of Parliament, has participated. The organization of that meeting was very hard. The program was presented to every Standing Committee of the Parliament. Everyone said yes, but when the meeting time came almost no one participated. Generally speaking, such events should be organized in the future by more than one. The draft law amendment was presented to the member of Parliament Munkh-Orgil but there is no answer yet.

B.Delgermaa: Regarding the effectiveness of our work, how much information and knowledge were gained, an independent team should research it because it cannot be measured directly.

D.Erdenechimeg: It is possible that it cannot be measured by numbers. Since the beginning the implementation of this initiative, how much has changed in the sector, was there any policy changes etc should be included in the report. For example, PSC confidentiality was deleted owing to the results of our work. Changes in the policy should be

formulated and promoted to the public. At the end, the only work we are doing is publishing the EITI report. Out law project was rejected. If not in the report, we should make a presentation.

N.Bayarsaikhan: EBRD implemented gigantic project and had big budget. We should organize a project report hearing in 2019. They did not include the Secretariat, and did not send the report. We have not seen the documents or report. We should not be the money laundering machine for the foreign companies. Due to it, in the 2019 work plan should be included the project report hearing. Furthermore, we have to make clear for whom we are writing the report. Earlier, we have written it for the EITI international Secretariat. Now it should be for the citizens. This report should be improved and it should have more colorful, with pictures. Then we could print it. Munkh-Orgil would not submit that project. Because of it, we should present it to other Members or Minister of Mining and organize a lobby group. We should organize a group with participation of each parties and work for it. Also, there should be organized a debate for the journalist.

B.Delgerjargal: Let us vote. Proposals regarding the presentation to be reflected in the resolution.

#### **4.Topic Discussed: Amendment of the Government resolution regarding the EITI**

B.Delgerjargal: Regarding the resolution #289 of the year 2018, a working group was organized and an amendment of the resolution was drafted. The extractive sector is a major sector which accounts for 20% of the GDP, and almost 90% of the export. Because of it, the working group concluded that the EITI Secretariat should be appertained to the Prime Minister or Cabinet Secretariat of Government but not at the Ministry of Mining and drafted an amendment. The amendment was distributed to you in printed form. If you have any question regarding the amendment, please rise your hand.

N.Bayarsaikhan: Does it mean that the amendment was drafted just for the sake or did you consult with the Deputy Prime Minister or Senior Consultant of the Prime Minister? What if they do not approve the amendment? Representatives of the multi-stakeholders would like to meet the Prime Minister. He is talking about reducing the corruption and doing justice. How appropriate is it to reduce the status of the EITI and appertain it to the Ministry at this critical time?

B.Delgerjargal: We have not consulted the Deputy Prime Minister or Senior Consultant of the Prime Minister. Within the working group we came to this conclusion and drafted the amendment. If the National Council approves it, the next steps will be organized afterwards. If we go directly without giving the basic information, there is a possibility of failure.

N.Bayarsaikhan: The position of the civil societies is that it should stay appertained to the Prime Minister. What is your position? We should have one unified position.

D.Tserenjav: We, the working group decided it will be better at the Cabinet Secretariat of Government.

D.Sukhbaatar: The National Council has become incompetent, headless and ineffective. There is a Government resolution #1 of the year 2006.

B.Delgerjargal: If we approve the amendment today, we will talk next step. We will present everything from the beginning.

D.Tserenjav: We have discussed a lot and think that we found the most possible variant. Even if we appertained to the Prime Minister or President, we are headed by the lower level officers. Instead of worrying about such nonsense, we should agree on the Chief Cabinet Secretariat meaning he is the chief of all Ministers, and after approving the amendment draft start with lobby work.

D.Galbaatar: It is a huge policy to protect the minerals rich countries. The EITI was established in 2002 by Tony Blair. If used correctly, it is good idea. Although the head is Cabinet Secretariat of Government, the main work is done by the EITI Secretariat. The EITI Secretariat did until today all the work and will do in the future. We became the second country in the world which meets all requirements of the Standard. In order to process its small coal resource, England has turned its soil three times. After that they came to conclusion that the standard for this sector should be different. International financial reporting standard is something altogether different. The EITI standard is the standard which sets out whether 5 million MNT is correct or not. The cost of production decreases in other enterprises when the production increases. While the production is increased in a small-scale mining company, the cost of production increases also due to the geological condition of the mining site. I think that this initiative is to improve this situation. Today, we are reporting and we made progress. By using it as an advantage of minerals rich country we have the responsibility to decide the future of the Mongolia. There is a cost for stripping soil and it is direct cost. It is an expenditure for our future and the todays stockpiles made by us are the benefits of the future. The way or the opportunity to correct these things is the EITI. Because of it I support the suggestions and work plan. Does Mongolia lack the resources to finance this initiative? Basically, it is just the issue with the salary of the four people. Do not want to talk about it here.

B.Boldbaatar: I support the draft resolution. Prime Minister participated just as a symbol or sent a person on his behalf. The Cabinet Secretariat is better suited to address our decisions and goals.

D.Tserenjav: After new year, the work is going to be done as usual. The publishing and distributing the reports etc. What is the plan of the Ministry?

B.Delgerjargal: Whether the resolution is approved or not, the work must be done. If we approve the draft resolution, we shall decide the next steps and appoint the lobbyists from the working group.

Ts.Urantsooj: I support the draft resolution.

D.Erdenechimeg: If the resolution #289 is invalidated, resolution #222 shall be in effect. Due to it, we have to delete the words "National Council crew". Because the budget of 2019 is approved, we have written beginning from 2020. Although there is a talk about the project starting from March by the Asian Development Bank, we at the OSF have decided to pay the salary of the IT consultant until then. We cannot finance all of them. Maybe there will be some other possibility.

Sh.Tsolmon: The Ministry of the Mining and World Bank are discussing about the unused project money.

B.Delgerjargal: If it is possible, we shall incorporate a foreign financing in the resolution. We shall ask the lawyers. If it is possible, it will be support. Shall we vote on approving the submission of the draft resolution.

The members approved the draft resolution 100%. Please give the names of the members who wants to be in the lobby group which shall submit the draft resolution.

N.Bayarsaikhan: Firstly, each party shall decide who will represent them in the group. Then, give you the list with the name.

B.Delgerjargal: Please give the list to the EITI Secretariat. Thank you very much to you all for dedicating your time and taking active part in the meeting.

The meeting ended at 18:20.

Minutes reviewed by:

State secretary of Ministry  
of Mining and Heavy Industry,  
Secretary of EITI National Council,  
Chair of MSWG

G.Nandinjargal

Minutes revised by:

Head of the Mining Policy Department,  
Ministry of Mining and Heavy Industry  
Secretary of the MSWG and  
Coordinator of EITI Secretariat

B.Delgerjargal

Sh.Tsolmon

Minutes taken by:

Finance officer of EITI Secretariat

A.Otgontungalag