

**Minutes for Mongolia Extractive Industries Transparency Initiative National Council 14th
Meeting in order to organize Extractive Industries Transparency Initiative and review the
regulatory role /2015-12-18/**

The National Council 14th Meeting was held in Conference Hall B of Parliament House at 2 PM, on 18 December 2015.

Members present: R.Jigjid (Minister for Mining), N.Enkhbayar (Head of Fiscal Policy and Planning Department of Ministry of Mining), D.Damba (Head of Mining Department of Ministry of Mining), S.Mendsaikhan (Chair of the National Statistic Office), G.Zulai (Officer of Accounting Department of Ministry of Mining) in acting of B.Bolor, (Minister for Finance), N.Algaa (President of Mongolian National Mining Association), L.Davaatsedev (Head of Board of Coal Association), S.Enkhtuya (Executive Director of Monpolymet LLC), E.Bolormaa (Officer of PetroChina Dachin Tamsag LLC), B.Sugarmaa (Specialist of Energy Resource LLC) in acting of G.Battsengel (Chief Executive Officer of Energy Resource LLC), Kh.Lkhamaa (Consultant of Oyu Tolgoi LLC) in acting of Andrew Woodley (President and Chief Executive Officer of Oyu Tolgoi LLC), L.Tur-Od (President of Transparency International Mongolia) in acting of D.Erdenechimeg (Coordinator of What You Publish), N.Bayarsaikhan (Head of Step without Border NGO), G.Urantsooj (Head of Human Rights and Development center), G.Chagnaadorj (Head of Sacred Stupa Movement NGO), L.Dolgormaa (Board member of Accountable Mining Initiative NGO), N.Narantsetseg (Head of Baigal Ekhiin Avral NGO), B.Bayarmaa (Head of Owners of Khuvsugul Lake Movement NGO), D.Tserenjav (Executive Director of Transparency Foundation NGO), and B.Batbold (Member of Board and Civil Council for Environment) of 30 members of the National Council and 18 members (60%) have attended.

Other attending members: D.Enkhtuya (Tax inspector of General Department of Taxation), Sh.Tsolmon (Coordinator of Mongolia EITi Secretariat), B.Delgermaa (Communications Officer of Mongolia EITi Secretariat), A.Oyuntungalag (Financial Officer of Mongolia EITi Secretariat), and G.Ganbat (IT Consultant of Mongolia EITi Secretariat).

R.Jigjid (Minister for Mining) has opened and made his remarks for Mongolia EITi National Council 14th Meeting.

R.Jigjid: Goodday, today we have been gathering for arranging Mongolia EITi National Council 14th Meeting. During that time Mongolia has been receiving a good rating among about 30 countries which have been implementing EITi, accepted by forth country which has been qualifying EITi principle, rewarded of the cup honored by the Director of EITi Board during International EITi Fifth Global Conference in Paris March, 2011.

The trust will be increased, the accountability will be improved in the outcome of the EITi implementation, it is important to strengthen the accomplishment regarding of all the parties have to pay special attention. The Government of Mongolia has been carrying out large amount of activities in order to provide sustainable development of the geological and mining sector for long term, ensure the economic growth, and improve the legal environment in this sector. For instance numbers of legal acts adopted by the Parliament including state policy in mining industry in 2014-2025, Law on Common Spread Mineral Resource, revision of the Law on Monitoring on the Turnover of the

Explosives and Blast Equipment, revision of the Law on Petroleum, Law on amendment to the Law on Natural Resource, Law on Nuclear Energy, and other legal acts for joining to the 176th international convention on safety and hygiene in minefield approved by International Labor Office. Furthermore the Government of Mongolia has been planning to revise of Law on Subsoil, establish National Geology Office, and develop geological database. Therefore, the preparation has been carried out to discuss Law draft on Transparency in Mining Sector by Parliamentary session and discuss by the preliminary discussion by Standing committee on Economics of the Parliament, and this Law draft processed to be finalized by this Parliamentary session. The EITi is the one of the important part of the equal collaboration between the Government, entities and civil society organization, as continue principle, it is important to solve social and economic problem, increase the fecundation from the extractive industries and improve the investment. I have been calling that we have to prepare and attend to the EITi Validation which will be conducted early 2016, and raise country's name. Once again thank you so much for opening this EITi National Council and wish the best luck all of you.

The agenda was presented in accordance with hearing of the meeting. After approval of the agenda by the members, National Council has commenced.

R.Jigjid: The National Council will be chaired by N.Enkhbayar, head of Fiscal Policy and Planning Department of Ministry of Mining. I would like to ask a leave for reason for immediate presentation to the issue to the Government session and Parliament.

N.Enkhbayar: First issue will be presented by Mark, partner of KMPG LLC according to the agenda.

One. TOPIC: MONGOLIA EITI REPORT 2014

Mark Eberst: The recommendation on the faced issue, explored issue connecting to the new standard, and performed duties by the independent Administrator will be presented according to the agenda. In this year new performed duty has been the Start-up seminar. The main goal was the negotiation based on this, we have conducted Preliminary report considered to be new idea. Second main goal was the selection of the companies which that will be attended in the reconciliation. We have decided to select the companies based on the risk method, and have divided into two groups. Firstly, the company which will be examined fully, used the methodology to compile to risk based methods. After that we had focused on the report submitted from the local areas. During the Preliminary seminar, multi-stakeholder working group has proposed that focus on the local reports, based on that proposal made special strict and the companies attended in the reconciliation that which did not attend before. The EITi e-reporting system has been implementing since this year, we conducted evaluation in e-reporting system on the information integrity and accuracy which conclude in the e-report. Therefore we have been focusing on the verification of the information integrity and accuracy in e-reporting. Not only the companies but also Government organizations sent the request for providing validation, based on that, would like to ask the limited verification report for independent audit. We have been selecting the companies that will be attended in the reconciliation using of total 4 strict. For instance: if a company earns more than 250 million it will be integrated completely, if a company earns between 100-250 million, it will be selected and integrated to the reconciliation. In the local areas if a company earns more than 100 million concerned first group, each company has attended in the reconciliation. If a company earns between 30-100 million concerned second group and the companies were selected of selection method. In this result, total 158 companies which meet the material requirement and will be attended in the reconciliation in nationwide, in local area total 59

companies meet the requirement. Selected randomly 22 companies from total 44 local companies selected and attended in the selection in local area, removed from duplicated number totally 236 companies attended in the reconciliation 2014. (the introduction set forth in appendix)

The total amount was 1.92 trillion according to the Preliminary Government report, total amount was 1.65 trillion according to the company report according to the presentation of result of the reconciliation. The total amount was 1.58 trillion according to the Government report, total amount was 1.58 trillion according to the company report after the adjustment, the difference between the reports decreasing, total difference is 2.4 billion. Most of this difference 2.97 trillion has been raising from not submission of reconciliation information form. If remove that companies, due difference is 577 million. The discovered findings during reconciliation, firstly company had re-submitted report, secondly the payments included in incorrect income category. The returned payment has not been refunded, the reason of the difference was the payment paid on behalf of different company's name. Concerning of main revenue stream selected in the reconciliation 2014, General Department of Taxation earned highest earnings 56 percentage, secondly Petroleum Authority of Mongolia and Customs Office. It's time for introduction of mistakes and recommendation during the reconciliation. (presentation set forth in appendix)

N.Enkhbayar: Thank you for representative of the company for presentation of report. if you have questions on the presentation, raise hand please. If there is no question, any members have proposals?

S.Mendsaikhan: What is the trend of the amount of correction of report by Government in recent years? Is there any reduction of difference in the report? Even the entity and company that owns a license has not been running extractive operation, all the revenue from the operation was included in the Government report. The Government means: Customs Office and General Department of Taxation, have you studied of the opportunity to distinguish the information, and information include in the report? Have you noticed that?

Eberst Mark: We have not been acquitted to the report by the Government for past years, the report by the Government has been higher during reconciliation. You can see more detailed information aboutnprevious reports on website of EITi Secretariat. The findings that we observed that if there is an examination that the company has been running extractive operation during a year, expected disqualified number of companies, before the approval of report by the Government in presence of collaboration to the General Department of Taxation and Customs Office.

D.Erdenechimeg: What does it mean to be a limited validation report?

Eberst Mark: This is an International standard 3000. This is a primary report includes specified information comparing to audit report. Firstly the report shall be made in accordance with the agreed procedure or duty will be performed in accordance with approved standard. Agreed procedure means that just request for perform primary item from auditor, the auditor shall perform only this duty. This standard can be the strongest comparing to the International standard 3000, but it shall not to be the complete audit report, thus we can provide detailed explanation during the trainings which will be held next week.

Kh.Lkhamaa: It means that you will provide additional explanation on the integrated report 2014?

Nomindari: Yes. It does.

G.Ganbat: Do you receive any additional charge from the entities for issuing limited validation?

Nomindari: This performance shall be paid, it has been the one of the main obstacle.

L.Tur-Od: What was the difference between unknown income amount of the companies that not submitting reconciliation information forms? I read some companies refused to provide information, have you collaborated with the Mongolian National Mining Association for obtaining information? have you tried to send formal request for asking complete representing letter from the Government organization on behalf of the Secretariat of the Prime Minister? I have couple of proposals that reflect of the recommendation by the reconciliation report in the EITI Plan 2016 and it is important to appoint the Independent Administrator within January-February.

Nomindari: The name list of the companies that not provided the information shown in Appendix-7. The biggest difference was found from report by Darkhan Metallurgical Plant, reduced as much as possible. The maximum of the difference is 200 million. We have been collaborating with EITI Secretariat and independently, but not have been collaborating with the Mongolian National Mining Association, and Government organization yet.

G.Urantsooj: I read that most of recommendation has not been implementing and has been implementing partly according to the recommendation by the reconciliation report 2013. What is the importance of the reconciliation report if the recommendation has not been implemented. There are total 12 recommendations provided in this annual report. Any link between the recommendations that has not been implemented yet? or new recommendations?

Nomindari: The recommendation has been connecting to the previous recommendation. If there is a recommendation that not implemented remained it will be reflected in this recommendation.

G.Chagnaadorj: This report 2014 made in high quality comparing to the previous report, and I would like to express my appreciation for the company. It was closed to obtain information from the Government organization for civil society organization until 2009. Now it has been changing, it is possible to know what kind of information is needed. About 170 companies concluded the contract to the Local Administrative organization. Why do the other companies have not concluded contract? Why does Petrochina Daichin Tamsag LLC not conclude contract to the Local Administrative organization? The Customs Office has been involving ineffectively in annual report according to the previous report, in this year report there is no mentioning of the Petrochina Daichin Tamsag LLC. I believe that the Government organization working well. It is great full for becoming transparent of the information by Mineral Resource Authority. I wish you best of luck.

Nomindari: We sent formal request to Ministry of Ministry of Environment, Green Development and Tourism and obtained the contracts made to the 170 companies. If there is no name of the Petrochina Daichin Tamsag LLC in the list of the companies that made contract, it means that the information is not submitted yet from the Mineral Resources Authority or Petroleum Authority.

D.Erdenechimeg: During the working group meeting proposed that it's necessary to review of the translation of report, now the translation has been improved. In addition we need to review of the information include in the report. For instance: The amount and percentage without explanation shown in Appendix-23. It has been correcting into total amount in the bank account. It is not significant for us. The collected property in the special account and it's spending shown in the previous report, it is more important for us. But how to reflect in the performance assignment and do you perform duty in conformity with the terms of reference? The contracts made with Local Administrative organization, lists of the special license occupied more pages, instead of that it is better to include detailed information about contract made with Local Administrative organization.

N.Enkhbayar: If there is no question, let us have a proposal.

N.Algaa: KPMG LLC concluded report in accordance with the international standard. It is more effective that hold the competition in two year period in further. Firstly it's important to arrange training in order to increase public awareness and prove the recommendation. It's necessary to select one year ago during two year period, work together with auditing firm during the report period. The working group worked on the terminology well, reflected in the preliminary report, it is more effective to select the reconciler organization earlier.

N.Bayarsaikhan: As I understood that agreed to reflect of the contract associated to local development in report, and others will be reserved in the database during working group meeting. The audit firm is mentioning that if working group made decision, it can be removed from the report. This decision not made yet?

N.Enkhbayar: Let us review of whether included in the previous decision?

B.Bayarmaa: I would like to express my thanks for concluding report 2014 and organizing discussion. We have been aiming to make contract transparent, but it is necessary to evaluate the progress and operation by the audit firm. Had it reflected in the terms of reference? Legal environment shall be evaluated by new standard, do we include it in next report? I think that it's important to conduct recommendation after the evaluation of law will provide to transparent of the contract and procedure of issuance of license, and it's easier to work together with the parties. The companies have been providing incomplete information caused by law has not been transparent. The audit firm obtains less information whether information secure, and audit firm shall not perform duties likely it is enough to receive information only. There is no guarantee on information provided by the Government organization. It's necessary to reflect it in the terms of reference of audit next year.

Nomindari: We shall perform the duties under the contract in accordance with agreed procedure and relevant International Service standard 4004. We have to indicate issue what it is, without any assessment. We do not have to provide any explanation and do not make any assessment and survey. Instead it's possible to reflect the issue in the terms of reference.

S.Enkhtuya: The quality of the report is depending on contract that made year by year. In other word it's easy to make report 2-3 years. We need to reflect it in legal acts, conduct conclusion

and evaluation in the terms of reference, and develop specified qualification in order to compare the accomplishment.

D.Erdenechimeg: The state-owned companies obtained inadequate result according to the preliminary validation, it was like that previously. This result included in the recommendation by the report. There is no special report form dedicated to the state-owned companies in report form, but the private companies have been requesting to obtain specified information. From the beginning the report form has not been downloaded in this regard the companies has been submitting report according to current form, it shows that it's complicated to obtain additional information. In this regard how about update the report form?

G.Chagnaadorj: The information about payments for used of land and water have been included in the report. I am proposing that it's important to classify more narrowed information, for example how many liters of water do they use for washing one ton of gold, and how much was the cost, have to deliver more detailed information to public.

N.Enkhbayar: Any proposals on draft of the decision associated with the reconciliation report 2014?

N.Bayarsaikhan: I am supporting of the draft of the decision. But I have a proposal that it's necessary to include proposals by other members.

D.Erdenechimeg: This report introduced to the Standing committee on Budget under the Parliament, I have a proposal to reflect in the decision too.

N.Enkhbayar: It is time to finish the First issue. Thank you for the representative from the company for the presentation.

DECISIONS MADE:

1. Assign to support and approve the Mongolia Ninth EITi reconciliation report include proposals by members and the joint Consortium of KPMG Audit LLC and KPMG France.
2. Assign Mongolia EITi Secretariat and all parties to post reconciliation report in their websites, it's important to promote and transparent of summary of report to public.
3. Assign EITi Secretariat to send this report with the inclusion of Implementation of the Operational Plan 2015, Operational Plan 2016 to the International EITi Board not later than 31 December 2015.
4. Assign Press Office of the Cabinet Secretariat to collaborate with the EITi Secretariat for organizing conference activity about this report and National Council meeting.
5. Each recommendation by this report:
 - 5.1 Assign EITi Secretariat to conduct examination in second stage of e-reporting in order to improve IT information platform used for the payment reporting and relevant IT control and improve its environment and the result shall be presented by EITi Secretariat.
 - 5.2 Assign EITi Secretariat to appoint an Independent Administrator in order to identify the scope, develop report form model using of e-reporting system and collected key data form.
 - 5.3 Assign EITi Secretariat to disseminate name of 7 companies that have not submitted reporting information to public by mass media.
 - 5.4 Assign EITi Secretariat to prolong of operation of sub working group designated to establish in order to separate the operation revenue of the extractive industry from other operation and the result shall be presented to the Working group

- 5.5 Assign EITi Secretariat to reflect of the level of section of 5, 4 within the framework of the project transparent level to the terms of reference of sub Working group, supervision and result shall be presented to the Working group.
- 5.6 Assign EITi Secretariat to update communication reference of companies within the framework of the E-reporting 2015.
- 5.7 Assign EITi Secretariat to update guideline of reporting duplicate in CD and paper form.
- 5.8 Assign EITi Secretariat to implement guideline of reporting within the framework of e-reporting of the financial statement and main data reported by the companies which required to the limited validation.
- 5.9 Assign EITi Secretariat to solve of data reporting validation that reported by each Government organization in the cooperation with National Audit Agency.
- 5.10 Assign EITi Secretariat to organize training dedicated to State-owned entities, and develop hand-book separately.
- 5.11 Assign Mineral Resources Authority to solve data required from the cadastre in accordance with the EITi Standard within the framework of second stage of e-reporting.
- 5.12 Assign EITi Secretariat to select an Independent Administrator as soon as possible.

RESOLVED TO: Implementation of Mongolia EITi Operational Plan 2015

Sh.Tsolmon: Mongolia EITi Operation Plan 2015 was distributed to the members in advance. The experimental validation was organized successfully in result of organizing numbers of activities within the framework of introduction of new standard, current legal environment, transparent data, organize campaign collect and develop sector main data in accordance with International recommendation in rural level, create integrated database, located in website, prepare to the validation in cooperation with the International EITi Secretariat, GIZ according to the new standard, organize self-evaluation activity, develop complementary Operational Plan and approve by the Prime Minister. Five sub working groups were established according to the Reconciliation report within the framework of the promotion of the Mongolia EITI Reconciliation report 2015, has been arranging a campaign for gathering contracts pursuant to preliminary result presented to the National Council and Working group, and has been developing website designated to the transparent of contracts.

The network project has been implemented in cooperation with the GIZ in local area level Mongolian Mining journal published within the framework for strengthen capacity, 52 journalist from 16 province trained, the events held and consists of around 280 attendees in Tuv province and 3 soums, in North and Western regional conference arranged.

International EITi Validation will be arranged dated on January 2016 upon decision by International EITi Board. The experimental validation was held in November. Decided to negotiate of the law draft on Transparency in Mineral Sector, the Working group was established designated for preparing to the negotiation by the session under Standing committee on Economy. (presentation set forth in Appendix)

N.Enkhbayar: Any questions on the presentation?

B.Batbold: About MNT 100 million has not been spend according to the report, it means that total amount of fund by World Bank transferred to the account? How do you spend the balance of account? Why did you not hold training?

Sh.Tsolmon: The total amount of financing by World Bank was funded completely, have been spending as much as possible, and the balance of the financing shall be re-transferred pursuant to the principle.

D.Erdenechemig: The next financing can be castrated because of undrawn balance. In this regard how about organize training and promotional campaign in cooperation with civil society organization. It's important to focus on Operational Plan of next year. The Open Society Forum has been providing financial support for organizing the National Forum, it shall be reflected in the report.

G.Chagnaadorj: I have a proposal that print report 2014 and distribute to the local sub councils of each province and soum.

Sh.Tsolmon: We have been trying to spend all the finance. Large numbers of books will be published. The material will be prepared dedicated for exhibition for EITi Conference will be held on February in Peru.

B.Bayarmaa: EITi Secretariat has not been doing large amount of work alone after I have acquitted with the report. Our proposal and recommendation has not been implemented, they should give a job to others who is professional.

Sh.Tsolmon: All recommendation by the working group meeting was reflected in Operational Plan 2016.

N.Enkhbayar: This is the project that has been implementing funded by World Bank. The foreign loan and grant fund is considered to the one of the component of budget. The financial and procurement activity shall be carried out in compliance with regulation by World Bank and other law. Asl observed that it has been impossible to decide financial issue because of the year is ending.

B.Delgermaa: It is likely to remain finance for this project for specific reason. It's impossible to provide total 30 000 USD expenses for representatives that participate in the conference will be held in February in Peru, by this project according to the decision by World Bank. Even we were planning to arrange training to sub council, specified finance saved, instead of that National Forum was held. We have been concluding a contract for arranging promotional and media operation. Some operation will be carried out by civil society organization reflected in the Procurement Plan 2016 and approved, in this regard, civil society organization will perform some duties under the Procurement Plan 2016.

Ts.Davaatsudev: The companies have been involving deficiently according to the conclusion of report. It's connected to legal environment. Our companies have been running operation in accordance with the legislation, our operation has not been carried out in accordance with specified ground of legal procedure because it looks like that. Some of companies has provided report which not regulated by law and some of companies has not provided any report. Thus it's important to improve of accommodation between legal acts, and plan expenses of human resources and we have to reflect in the next year report. It's more effective and faster that Mongolian National Mining Association, Coal Association, and Mongolian Gold Producers Association deliver information on today's meeting. In addition, we have to improve capacity of human resource that will deliver information. I wish from you to focus on support of producers and improve capacity of civil society organization next 2016.

N.Bayarsaikhan: As I observed the numbers of the companies that submits report has been reducing last few years. It may cause that companies started to submit report by e-reporting system. The small entities obtain less information and capacity on e-reporting system, maybe in this reason

some companies have not submitted report. It's necessary to incorporate with Mongolian National Mining Association and other relevant professional associations in order to implement EITi.

N.Algaa: We have been appointing the representative from companies which run mining operation to the Working group and National Council on a voluntary basis. We will be selected more representatives from dynamic companies and appoint them in the next meeting.

L.Tur-Od: Is it possible to detailed reflection of implementation of EITi new standard in the Operational Plan? In my opinion it's vital issue to implement EITi new standard completely. Natural resources governance institute has been cooperating within the framework of this operation. Natural resources governance institute made a decision to approve specified budget in order to implement EITi new standard in cooperation with EITi Secretariat. Mongolia has been participating effectively in Great-7 Partnership in cooperation with GIZ. We have been participating this partnership in order to share other country's experience and receive assistance from them. It's important to reflect this operation in the Operational Plan, and decided to perform this operation next year. Therefore we announced survey named "Mining and corruption". Regional center of UN will be implementing for three year's period, it's feasible to cooperate with EITi Secretariat.

N.Bayarsaikhan: Is this a report by EITi Secretariat? Or is this a financial expenditure of contracted operation by World Bank?

Sh.Tsolmon: This is the report by EITi Secretariat. If you have additional proposals, we can make it more comprehensive report.

N.Bayarsaikhan: The report should have been developed in detail from the beginning, the World Bank can introduce the carried out operation by the parties, can expand the operation, can make a version of increasing budget. If you amend to the report of planning, when is it possible to receive?

Sh.Tsolmon: It's possible to propose not later than next Thursday.

B.Delgermaa: This report has been made in accordance with the plan. If we amend to this report it will be incoherent. Each proposal can be reflected by each party and sponsor organization next year report.

N.Bayarsaikhan: This report will be remained like this. Let us agree to reflect in detail in the report that will send to International EITi Secretariat.

N.Enkhbayar: If you have no questions and proposals, shall we move to the next topic.

Decision made:

90 per cent of all members supported implementation of Mongolia EITi Operational Plan 2015 and said "sufficient".

THREE. RESOLVED TO: draft of plan for Mongolia EITi Operational Plan 2016

Sh.Tsolmon: The draft of plan for Operational Plan 2016 distributed all of you in advance. We have been prepared Operational Plan within four main objectives, and announced this year is the year for improving capacity of Sub council. One: EITi report and e-reporting system shall be the reliable resource of confident and coherent data on socio-economic contribution of extractive industries (mining, petroleum, and uranium) in a spot. Two: The data of EITi report shall be useful, shall be support to discuss in entire extractive industrial process beginning from the issuance of the license until disbursement of the revenues. Three: Advertisement of EITi, the promotion for creating

of proficiency in order to improve practical participation by the parties, knowledge, understanding, strengthen the capacity, mutual understanding, cooperation and improved trust will be improved by the EITi parties. Four: To ensure sustainable implementation of EITi and create real financial support. We have been facing to the specific difficulties for implementing EITi. If you have proposal please propose to the draft of the plan. (detailed plan set forth in Appendix)

N.Dolgormaa: I proposed numbers of verbal and written proposals to the plan 2016 during the last Working group meeting. We have to pay attention on legal issue. The companies will provide report constantly, and the working group will carry out the operation sustainably if a law passed. We have to undertake specified measurement for adaptation of law within this year, and need to arrange campaign. We need to reflect of ensuring of legal environment and improve capacity of infrastructure in calling for the plan. Secondly, we need to consider of the report 2016 in detail for including unique content appropriate for Mongolian trend, obvious and handy to read by everyone who wants to read the report. Thirdly it's necessary to conduct analysis in the report for last eight year's time.

N.Algaa: If you have a question and proposal on the plan in order to save time.

B.Delgermaa: The issue associated to the law proposed. There are four operations reflected in the plan. Next topic is to conduct analysis in the report for last eight year's time. We have been displaying detailed growth and reduction of difference of the report in the annual brochure.

L.Dolgormaa: Thank you, understood.

N.Algaa: I would like to express my appreciation to EITi Secretariat. The attendance of the EITi report 2015 was less than 85 per cent according to the plan, that percentage can be the impossible mission, some of the entities have not been running operation for last 3-4 years. It's important to identify forms of the report, the word of "confidential" replaced to a different word, thirdly we need to focus on formulate e-reporting system in the result of 3.

B.Delgermaa: It means that 85 per cent of special license holders.

G.Urantsooj: It's necessary to reflect in the result 4 that the plan shall be introduced by Standing committee on Economy and Budget, if it's not possible, assign to "Publish What You Need" coalition. Secondly 12 companies earn 80-90 per cent of total revenues from mining sector. It's necessary to accommodate EITi report to the development policy. I think that the importance of the report can be effected in the policy. Is there any demand to issuing of special license to many companies, most of budget income constituted by few companies. Has not been restoring and has been damaging to natural environment. Thus officials who developed policy, should develop the policy in the inclusion of accommodate to the development policy. Is it possible to assess the report in social and economic order? Then the report will be significant.

N.Bayarsaikhan: I have been proposing that the year 2016 will be for improving capacity of Sub council in the draft of the plan 2016, but in the plan it was described as a claim. I have a proposal that reflect in as specified chapter. The operation dedicated to Sub council was reflected in the plan separately in the different chapter, in this regard is it possible to add an independent objective *Improvement of capacity of Sub council*. The reconciliation report shall be made in each province will be added in the result 2, section of 2.11, 4.1 will be divided into two group and reflect in, 5.1 will be deprived in two group, to conduct survey in section of 5.3, this is unnecessary for this year. It's unnecessary to reflect in daily work plan of EITi Secretariat. For instance: Does section 8.1 necessary to include in the work plan? I am proposing that reflect in 10.4.1 to make disclose of information completely. Thank you.

S.Enkhtuya: The company is being the main heart of our operation. In this regard it's important to communicate to companies. "The companies not provided report" according to the

provision of 1.1 of work plan. In particular it's necessary to provide introduction to each company that holds license. In addition we need to organize meetings with quality covers a wide range. Some of the companies obtain less information how to make report, thus we need to work closely. I hope that the planned and carried out operation set forth in the result 7.1.2 will be effective during the meeting to the representatives by companies.

S.Mendsaikhan: The digital information associated to extractive industry being different. The proposal for integrating digital information included, we need to collaborate, ask counseling from the Government bodies specially Statistic Office, if not this can be the resource for conducting report concludes of different information. The General Department of Taxation has been obtaining information by e-reporting, the objective is to gather taxation completely, the companies that has not been running extractive industry, reflected in. We need clarification on that. The entities have been making tax report, and again EITi report, it might be complicated to the entities for making report again, 70-80 per cent of the report. Thus we need to accommodate to main report, it might be large amount of property might be ruined. The Smart Government project under the Cabinet Secretariat has been implementing in order to eliminate data redundancy and reduce burden of reporting of citizen and entities. I would like to propose if you have introduction of the draft of e-reporting.

Ts.Davaatsudev: We have been suffering to issue new topic next to the issue that already existed. Creation of legal environment in the plan 10. I have a proposal that it's important to establish a working group designated to develop model of report form in cooperation to the relevant Government bodies, I would like to reflect it in the plan.

N.Bayarsaikhan: The companies learning to make report relatively. The numbers of the companies that provides report reduced in 2013, because some of the companies have not been running operation, might be caused of e-reporting system. The small and medium entities not provided report because we did not provide the guideline how to use of e-reporting system, the permanent accountant not employed in some small and medium entities and we need to discover the reason for not submitting report. Furthermore we need to determine the cause of not submitting report, it's important to develop appropriate measurement on the self-assessment, no need to blench. The positive view of mining sector has been starting in the social life, the investment of the companies has been improving, and social trust has been increasing. The related laws and legal acts passed, companies that owns special license shall submit report in accordance with the Law on Petroleum and Law on Natural Resources. Thus no need to inform that blench, and specified accomplishment has been strengthening.

S.Mendsaihan: There is no need to mention of blench anymore. The information provided by the companies has been reliable, difference has been reducing in the report for last few years. No need to coincide the same number in different issue, need to download the report separately for example Tax financial statement and EITi report separately, Government body shall work closely each other. In other word it's important to obtain information from one primary source.

B.Bayarmaa: There are numbers of Association in Grindstone and Construction material Producers have been running operation under the companies. Is it possible to appoint as the member of the National Council and Working group from Directors of above associations? I would like to ask from the Secretariat that involve this associations into the operation in 2016, to initiate to involve in the training.

B.Delgermaa: The professional association means consists of all kinds of association.

B.Bayarmaa: Those associations are the Independent associations not belong to the Mongolian National Mining Association.

Sh.Tsolmon: National Mining Association has a right to appoint the representative according to the Government order #222.

N.Algaa: Independent association has been starting to open. For instance: Flourite Producers Association, Gold Producers Association, Metallurgical Producers Association opened latest. Independent association has been starting to run operation required to solve problems regarding of market and tax policy. Thus we can include in the component from the association that has been collaborating with us, about Grindstone Producers Association, I have no idea.

B.Delgermaa: Grindstone Producers Association is a member of capital sub council, it's possible to include in Nalaikh and Khan-Uul districts' sub council's component.

N.Algaa: We will solve possible order upon interview and study. In the operation by sub council it said MNT 20 million to Mongolian National Mining Association. I have a proposal that we will perform duty under the work plan in cooperation with civil society organization. It's necessary to add budget of sub council and promotion.

MADE DECISIONS:

Mongolia EITi Operational Plan 2016 approved in the inclusion of proposals by members of National Council in principle.

FOUR. RESOLVED TO: Amendments to the regulation of Mongolia EITi National Council

G.Urantsooj: Zorig foundation has been assessing a monitoring on the recommendation in order to improve implementation of EITi reconciliation recommendation upon initiation by Human right development center, is a member organization of "Publish What You Pay" coalition. The implementation of recommendation was 20 per cent according to the result of assessment, there are 2 causes. Firstly it's not identified how to institute to the recommendation in the stages for preparation, negotiation and approval of reconciliation report. Secondly it's not determined of the responsibilities to the parties in order to implement EITi and recommendation according to the result of assessment. In this regard, Working group was established designated to develop specified proposal in order to reflect of determined article connected to the recommendation in relevant regulation. I would like to express my appreciation to make decision in each recommendation by the report 2013, by today's meeting. I have a few proposals on amendment to the regulation of the National Council. To hold a meeting for National Council less 2 times a year, in the agenda of the meeting for National Council, decision in order to implement recommendation by the reportthe implementation of the recommendation by previous year's report in the 17.2 section of the agenda of the National Council meeting, "Implementation of the recommendation" will be reflected in the terms of the reference of Working group, section 10.7, recommendation by the report, implementing proposal, implementation of the previous recommendation" will be added in the terms of reference of Working group, section 29.3, to make decision how to implement recommendation in the terms of reference of the Secretariat shall provide the implementation of the recommendation" will be added in the and has been developed.

N.Enkhbayar: Is there any question on the introduction?

N.Bayarsaikhan: It's necessary to hold a meeting of National Council and if necessary to hold a meeting, we can call a meeting in specified time. It's required to Prime Minister participate in the National Council meeting by himself, to improve quality of meeting, to expand agenda of a meeting, not restricted of the agenda of a meeting.

G.Chagnaadorj: I am supporting presentation presented by Urantsooj, of the proposal to the decision by National Council meeting in principle. The minister and heads were participating in the National Council meeting previously, nowadays they have been participating as a symbol and mostly do not participate. The chairman of General Agency of Statistics and Registration is attending today, members of Parliament and heads will not read decisions made by this meeting, National Council has been performing duties ineffectively, and missing by the Secretariat.

N.Algaa: It's important to review of terms of reference of National Council completely. Need to establish independent working group, we have been experiencing for last eight years. The meeting will be more symbolic in the presence of the high ranked officials, instead the representative from 3 sectors will be chair a meeting and I am proposing to amend to terms of reference.

B.Bayarmaa: There is no big difference between National Council and Working group meeting. We have been listening one issue twice, does it mean that this meeting can be the National Council meeting, if it's holding at Government house. In a Working group meeting, proposed that distinguish duties between National Council and Working group, establish a working group designated to formulate guide and rule. This proposal has not been reflected by this terminology, that's why attendees re-mentioned. I am proposing to reflect it by this terminology.

Ts.Davaatsudev: Above proposal included in the 10.5 of this plan, thus we need to propose on the forth agenda separately.

Decision: The members supported 100 per cent and amendment approved fully.

FIVE. RESOLVED TO: The methodology for solving faced difficulties in ensuring sustainable operation effectively by EITi local Sub council.

N.Bayarsaikhan: Do we need to run Sub council's operation in the local area? What kind of operation will they perform? We have been studying of what kind of methodology to solve financial issue. The sub working group was established during a Working group meeting which was held dated on 8 December 2015. During this meeting the groups comprises of G.Zulai, officer of Ministry of Finance, Sugarmaa from Energy Resource, B.Delgermaa from EITi Secretariat and me.

To assign to establish sub council in capital and provinces in accordance with Government order#222. But decision for establishing sub council in soum not provided, the rule and regulation on the operation of sub council is not prescribed yet. Thus we have been trying to build capacity of sub council in conformity with development of pilot rule of sub council. The draft of law on Transparency of Mineral Sector has introduced in the Parliament, it's on the way to enacted. Any provision of regulation of sub council is not provided by this law. Does the sub council establish by order of Governor or Decree of Citizens' Representative Khural? Still controversial. Most of the sub councils were established upon Decree of Citizens' Representative Khural. Governors shall have a right to grant identified license for using water and land, it's not appropriate Governor manages sub council himself, in this regard it's appropriate to establish sub council upon Decree of Citizens' Representative Khural. In soum and district no sub council established for the certain reason. The sub council is beneficial to the company and local area both. For instance: mining project has been running operation within the territory of local administrative units such as bag and soum. The negative result of the project will be notified in the preliminary level of local administrative units firstly. Thus people understand like that there is no need of mining, violating human right, damaging natural

environment. The initiation shall be delivered to local citizens in order to provide information on project maker in a good way and provide information on revenues from mining sector to local citizens. The initiation shall be delivered and located in local level, as I observed that if we holding training for 1 or 2 days, the effect not lasted and no result provided. We have been implementing EITi in nationwide level, but sub council not established in each soum where mining operation conducting. Thus it's required to expand duties and obligation of the operation of sub council, the main 5 goals was developed according to the pilot rule of sub council. There are 5 problems faced during the implementation of the initiation. The information of EITi is insufficient, using of EITi report is difficult in local level, the opportunity and condition of sub council is no good in local area, the financial resource of operation of sub council not provided. There are 8 kind of operation shall be carried out by sub council, MNT 8 to 10 million is required a year, amount of budget estimated based on proposals by members of Working group. There the following proposals developed in order to reflect in the Operational Plan 2016, some of them reflected in, I would like to ask to reflect proposals which not reflected in. In addition I have few proposals reflect in the draft of the decision will be made by National Council meeting.

It's important to integrate numbers of sub councils in the level of soum. The Ministry of Mining shall focus on this issue. Nowadays in local area there are numbers of sub council comprised of multi-stakeholders, sub council for Natural Management comprised of multi-stakeholders was established in soums within the framework of implementation of the project implementing by Asia Foundation and Ministry of Mining jointly. The Ministry of Mining sent request for developing model of contract of multi-stakeholders to World Bank in compliance of the article of 42 of Law on Natural Resources, furtherance model of contract was developed by law firm, and it's in the stage of approval by the Government. Contract of sub council of multi-stakeholders shall be established in conformity with this draft of the contract. Thus necessary to establish numbers of sub council in 1 soum, thus we need to integrate sub council will manage all of them. It's important to accommodate to the project implementing by Asia Foundation and with sub council, thus sent request to Asia Foundation but will be possible to integrate if Ministry of Mining sent request to Asia Foundation. In addition Mineral resource complete initiative of sub council will be established in local area, and it's important to accommodate to the sub council.

Determined amount of the income will be allocated to local budget in conformity of Law on State Budget. This is the property except the general specified budget of soum. The corruption might be created in local area, and inadequate spending might be created in local area, in this regard, those will be supervised by the activity of sub council with multi-stakeholders, this it's possible to provide financing of sub council by appropriate amount of the budget, thus Ministry of Finance shall focus on this activity initiatively. The draft of the Law on Transparency in Mineral Sector introduced, it has been taking long time since introduction in the meanwhile numbers of activity to be solved. Thus what about reflect in the draft of the law? We need to study this issue. I would like to express my appreciation to members worked in working group.

N.Enkhbayar: Thank you for your information. If you have a question on the information? You can ask now.

B.Delgermaa: Do we have to reflect of in operational plan that Sub council will hold stump and official blank?

N.Bayarsaikhan: Senior Advisor to Prime Minister outlined that we have been aiming to ensure independent stamp and official blank to sub council during approving pilot rule of sub council. during a meeting with sub council in local area they asked questions on official stamp and blank. Do we use official stamp and blank of Governor Office? Thus we might not finish in 2016. But it's possible to reflect this issue in developing strategic plan-2020.

G.Urantsooj: It's unclear that sub council obtain own stamp and blank. National Council is not a legal entity, the Governor's Office has been conducting this activity in local level, and the activity of sub council shall have own budget. The Governor's Office approve plan and budget instead and it's possible to work one officer from Governor's Office in charge of sub council budget? It's inappropriate that State body obtains different stamp and blank.

B.Batbold: I have mentioned that sub council obtains stamp and blank and implement project. What will we do if they starting to implement project not doing initiative? Own stamp and blank means that one chairman will be occurred, and the chairman will be switched by the election. Thus what about to remove this issue?

N.Bayarsaikhan: This is not only my proposal, also proposed from the members of the sub council, it will be regulated by the rule, may it's possible to regulate this will be implementing only this issue by project, thus it's required to introduce because this proposal submitted from the local area.

G.Chagnaadorj: It may inappropriate that sub council obtains stamp and seal, 29 branch administrative bodies financed by the State previously. The state big man and member of Parliament hidden behind the state-owned companies, thus they need to participate in National Council meeting in order to obtain determined information.

N.Bayarsaikhan: Activity of sub council may not reflected in budget of Governors' Office in respective soum. The budget is stipulated strictly, imposed duty to spend appropriately, then it's impossible to provide finance of state to other projects. Thus it's necessary to study of the demand to spend for supervising and improving governance of determined amount of revenues from the mining sector.

G.Urantsooj: We have to consider that this is the law enforcement structure.

N.Bayarsaikhan: It's more important to understand that this is the council aiming to implement Order # 222 of Government.

N.Algaa: In the provision of 10 of this plan that Sub council shall revise a rule on terms of reference of working group, Secretariat and sub council and introduce it to the National Council meeting this provision is adequate provision.

Sh.Tsolmon: During local appointment local citizens asking any official from Ministry of Mining regularly. Thus it's possible to expand the sub council into mining professional council and supporting of resolving budget. The Governor is the political servant, one day transferred to different position thus mining activity passed over. I am proposing that establish sub council expanding widespread including accommodation to the Ministry of Mining.

N.Bayarsaikhan: Each company has been conducting mining operation in local area, has their own council and the employees have same rights and duties. Only changing the name and address, in the province of Umnugobi, Oyutolgoi and Energy Resource have been establishing and financing the sub council. Thus each company establish sub council is not necessary if established and improving capacity of sub council. I am considering that we can solve all the issues through the sub council.

N.Dolgormaa: In my opinion, it's required to establish working group, combining the proposals of Tsolmon and Bayarsaikhan, need to reflect in the plan in order to develop potential structure.

B.Batbold: It's obvious to approve that assign to the Ministry of Mining to organize campaign to issue Government order in order to resolve financing issue of sub council.

N.Bayarsaikhan: If the Governor responsible for the activity of sub council, then they appoint familiar citizens in representative meeting, we have been telling and providing guideline to appoint and select citizens by Citizens' Representative meeting in conformity with pilot rule.

N.Algaa: Initially need to approve decision, and find out that we will have financing or not. What about to take the remaining finance in accordance with the regulation of Ministry of Finance. Generally companies shall establish own sub council deniably in respective local area. The civil participation will be improving if establishing numbers of councils. We need to improve rule of sub council and select representative in the component of sub council carefully. If obtain inadequate rule and our activity will be insufficient. The revision of rule is very important issue. Otherwise need to provide guideline and counseling in creating civil participation and representative. I think that sub council shall conduct operation in compliance with EITI functions.

L.Tur-Od: It's necessary to sub council establishing in local area shall provide equal representatives from 3 parties in performance comparing to National Council. It's important to include in the component of sub council representative of Citizens' Representative meeting.

The draft of the decision approved upon the acquaintance and read and members support.

DECISIONS:

Assign to the Ministry of Mining to issue the order of Government designated to resolve financing of activity of EITI sub council within January of 2016.

N.Enkhbayar: If you have any questions in plan 2016, please raise hands. Cut the questions by 3 members.

D.Erdenechimeg: To conduct survey of EITI state-owned companies in accordance with the provision of 10.4.3 of this plan, what does it mean? What do they study?

Sh.Tsolmon: Study how to implement EITI in compliance with the standard.

D.Erdenechimeg: Is it necessary to study? Instead of that it's necessary to develop model of form and reflect it in the plan. It's unnecessary to re-study, when the conclusion has been concluded in preliminary validation.

B.Delgermaa: It's necessary meet state-owned companies in order to provide information on explain what exactly need to make transparent, there is some case of failure when they obtained less information what do they do. Thus will reflect in the plan that conduct recommendation, meeting and counseling instead of studying.

B.Batbold: To improve capacity of members of sub council according to the plan. There is a big difference in amount of training expense according to the plan. What was the ground of training expense?

B.Delgermaa: We have been holding trainings and events last 3 years in the meantime collected determined experience, based on that experience and expense estimated expense. It depends on where and how many people involve in the meeting and thus the budget is different. In particular the budget of incoming 3 years relatively regulated lower, deemed to reduce expenses, but stipulated local budget without reduction.

B.Batbold: What kind of organization is professional association?

B.Delgermaa: It includes each association.

N.Bayarsaikhan: It's important to reflect in the professional association add civil society organization they will carry out duties jointly according to Algaa. 4 MNT million in organizing promotion of making report estimated in the plan. Why do we have to pay to the companies in fulfilling obligation?

B.Dergemaa: We have been publishing announcement for making report in daily news and delivering announcement by phone message. We did last year, it was really effective.

N.Bayarsaikhan: If it was effective, last year only 600 companies submitted report. It's possible to make promotion through Mineral Resources Authority.

B.Dergemaa: Mineral Resources Authority sent official request and forced to undertake when making report in paper. After making report by e-reporting, it became impossible, reporting is 60 per cent this year considered to be significant.

L.Tur-Od: Natural resource institute resolved determined property initiation in order to implement in the resource of financing operation, thus reflect it in resource needed. Next question, the plan will be discussed by National Council meeting, and approved, this duty is belong to National Council and EITi Secretariat. Is there any possibility to work and contract with the partner organization and carry out duty together?

N.Algaa: Organization which undertakes promotion will be selected? What is the procedure and rule of selection process? For example: if our association would like to apply this selection, what procedure do we have to follow?

B.Delgermaa: We shall spend the approved budget by World Bank in conformity with principle, we shall refund if breaching regulation and spend inappropriate purpose. The expenses of budget shall be examined by specialist in charge of finance and procurement of resident mission of World Bank, consultants of Beijing and Washington offices regularly, we shall make report according to the rule.

L.Dolgormaa: Is there any reflection of revision of this report in the plan?

B.Delgermaa: Publishing of brief report to the vulnerable group and handouts in the provision of 4.2 of this plan. This means report will not be printed completely you can print report partially.

N.Algaa: I understood differently. It's necessary to formulate report form in order to collect inadequate information and improve report, I have been mentioning more often. It will be more effective if we discuss report form in order to improve report.

B.Delgermaa: This opinion that you proposing reflected in the provision of 2.2 of this plan.

N.Bayarsaikhan: Can we separate by each province of Publishing brief report in the provision of 2.2 of this plan?

B.Delgermaa: Yes, we can.

N.Algaa: I understood fully, I mean select from this big report.

B.Delgermaa: Selecting independent Administrator, organize preliminary seminar, discuss report form, indicator, material scope and finalize according to the provision of 2.2 of this plan. Multi-stakeholders council can discuss and make final decision.

D.Erdenechimeg: Is it possible to reflect form of state-owned companies in the plan?

Sh.Tsolmon: This is the audit form.

B.Delgermaa: EITi report form shall be approved by National Statistic Office. To discuss what kind of information do we need in order to collect additional information, this discussion is duty of auditor.

RESOLVED:

N.Enkhbayar: Draft of plan approved in the inclusion of proposals of members. Today meeting is closing now. I would like to appreciate to all members for active participation.

The National Council meeting has closed at 18:00 PM.

Minutes introduced by:

N.Enkhabayar, Head of Fiscal Policy and Planning Department of Ministry of Mining
Sh.Tsolmon, Secretary of Working group,
Coordinator of EITi Secretariat

Minutes developed by:

A.Oyuntungalag, Financial Specialist of EITi Secretariat

