Minutes of the meeting of Mongolia EITI MSG /2021-09-30/

The 56th meeting (online) of Mongolia EITI MSG was organized on September 30th, 2021 at 09.30 am.

The meeting was attended by Mr.E.Batbold, chief of Investment and research department of Ministry of Mining and Heavy industry(MMHI) on behalf of Mr.G.Nandinjargal, State secretary of MMHI, Mr.G.Misheelt, senior analyst of Investment and research department of MMHI, on behalf of Mr.E.Batbold, chief of Investment and Statistics and research department of MMHI, Ms.J.Iveelen, analyst, Accounting Policy department of Ministry of Finance, Mr.Ch.Battsengel, senior inspector of General department of Taxation, Ms.P.Zolzaya, officer of Mineral Resources and Petroleum authorities, Ms.B.Erdenetsetseg, secretary of Governing council of Coal Association, Mr.D.Enkhbold, executive director of Mongolian National Mining Association, Ms.T.Munkhzul, tax accountant of Boroo Gold LLC, Mr.T.Munkhbat, senior manager of Oyu Tolgoi LLC, Mr.N.Battulga, chief of internal control and monitoring of Erdenes Mongol LLC, Mr.B.Davaasuren, manager of Rio Tinto Mongol LLC, Ms.Ts.Enkhjargal, officer for public relations of Badrakh Energy LLC, Ms.D.Erdenechimeg, manager of Open Society Forum, Mr.D.Sukhbaatar, member of BOD of NGO Responsible Mining, Mr.D.Tserenjav, executive director of Transparency foundation, Ms.N.Bayarsaikhan, head of NGO Steps without Borders, Ms.D.Tserenpurev, head of NGO New initiative of Administration, Ms.L.Bor, head of NGO Ikh Bayansharga, Mr.E.Munkhjargal, manager of Transparency International Mongol, and Mr.Sh.Tsolmon, secretary of EITI MSG, coordinator of EITI Secretariat. The number of Members supposed to attend a meeting was 33, and actual attendance was 18, rate was 54.5%.

Also, Mr.N.Dorjdari, Mongolia manager of NRGI, Ms.N.Zoljargal, officer of NRGI, Mr.S.Borgil, researcher, Mr.D.Janchiv, director LLC Leader Vision Group, Ms.G.Bayarjargal, executive director of center for Human development, research and training, Mr.Z.Bayarkhuu, coordinator pf ADB TA for Improving Extractive Governance, Mr.V.Narmandakh, IT consultant of EITI Secretariat, Ms.Z.Tselmeg, Communication specialist of EITI Secretariat and Ms.A.Otgontungalag, financial officer of EITI Secretariat attended the meeting.

The meeting was opened by Mr.E.Batbold, chief of Department of Investment and Research of MMHI.

E.Batbold: Good morning, to everyone, dear members of EITI MSG. We have planned for 2021 many activities, but some of them has been postponed due to Covid - 19 Pandemic. There are 61 activities under 19 objectives to be implemented in the first 9 months. In other words, activities except draft law on transparency in mineral resources sector are in progress of implementation. Recently, we organized along with EITI International Secretariat a webinar on disclosure of beneficial ownership. The agenda of today's meeting of MSG is review baseline study on use of EITI data for diagnosing corruption risks, work progress of Contract implementation to improve EITI E-reporting portal and also work progress for research for baseline study capacity needs of EITI sub-national councils, to improve performance. So, I wish success for this meeting and thank you attention.

Sh.Tsolmon: Hello, everyone. Within other matters of the today's meeting Mr.Narmandakh has prepared introduction about companies and state bodies, which

have not produced EITI reports. After there will be probably discussion what to do following this introduction. Please give your comments and proposals.

The motion was supported by members.

Introduction one. Report on baseline study on use of EITI data for diagnosing corruption risks;

S.Borgil: Hello everyone. We conduct research work to diagnose corruption in extractive sector under methodology developed by Natural Resources Governance Institute. The first findings had been introduced to MSG and its sub technical group on June 28th, 2021 and research was selected for direction of operation of legal entities of this sector on the fourth stage. A corruption goes in hidden way, therefore, there is no specific research method. We have created basic data base of this research work through interviewing officials from State body and private sector, and those researchers, who did this kind of research in the past.

We have made classification based on interviews that there are 12 type of corruption risks, which have been grouped into 7 type of corruption risks. Namely:

1) Corruption connected to granting license (for exploration, production, extraction, sale and transportation), hand-over appraisal, report, plan and conclusion, which are necessary for operational needs;
2) Corruption connected to execution of procurement, sub-contracting in state owned enterprises:
3) Corruption connected to operation in regard to control and accountability framework of public servants;
4) Corruption connected to tax and obligation evasion;
5) Corruption in companies connected to avoidance of fair competition;
6) Corruption occurring mandates and powers of local authorities;
7) Corruption to speed up processing;

The mentioned 7 type of corruption risks had introduced to sub technical group on September 8th, 2021.

These 7 types were ranked based on these 3 categories, like (i) probability to continue further-on, (ii) risk factor (iii) opportunity to make change, participants of sub technical group evaluated under these categories with point from 1-5, and at the end the most pointed 3 categories had been chosen. Namely:

1. Corruption connected to operation in regard to control and accountability framework of public servants;
2. Corruption in companies connected to avoidance of fair competition;
3. Corruption occurring mandates and powers of local authorities;

At the last stage or 6th stage, based on 3 risks chosen by sub-technical group, recommendations were given that firstly, the 2022 work plan should include some activities to resolve these critical risks, should contain certain practical measures, secondly, to develop joint plan of cooperation with relevant State organizations and NGOs to address corruptions including those not included into plan. Thank you for attention. (Presentation is attached)

D.Tserenjav:

I have proposal it would be good to have work for making transparent information on license and assessment of environmental impact in relation to duties of public servants. Some companies, entities of private sector are collaborating with media workers and journalists, to remain protected their business, therefore in order to make local information more transparent, annual EITI Report can be disaggregated by soums, then it will have more efficiency. It is complicated to use data in the report, so I would propose to pay attention to feature that what is available data can through one button, is consolidated by soum. This proposal is made based on research study, therefore it would preferable to work for more technical aspect, then it would be more efficient.

It is wrong to classify information about license granted by state organization, risk assessment of natural environment impact as state secret or limited secret, because it is using public property, thus it should be transparent. If clear proposals are proposed for work under Corruption combat, then it will have support for EITI implementation. Thank you for attention.

Z.Bayarkhuu: So, one question from researcher Borgil. Is possible for Anti-Corruption Committee using data from EITI Report to determine risks of corruption? Is possible to make judgement that this information may contain some aspects of corruption? We work to improve use of data created by EITI. Discrepancies of reports of companies are justified by auditor, some discrepancies remain unresolved, so it may lead to corruption. For example, donation is reported by those, who donated, but those, who received donation tends to not report. Audit firm tries to clarify, but in some cases there was no answer, thus discrepancies remain unresolved. There is a suspicion, behind the discrepancies there can be corruption, probably it is by Anti-Corruption committee determination of risks of corruption, also some big companies did not report beneficial owners, then this leads to suspicion, who is from politically exposed persons behind this non-reporting. So, after EITI report, how it would be okay to work on data, which is not disclosed, what would your position be in this regard. Thank you.

S.Borgil: We assume that what was mentioned by Tserenjav is included into plan of action at certain opportunity. Information of state organization should be transparent, there is some issue not report, some procedure is outdated. As for question of Bayarkhuu, it is question in overall to Anti-Corruption Committee. Our research is done within methodology in accordance with objective. I think there is opportunity to use EITI data, and I understood Anti-Corruption Committee uses it to certain extend. But it is hesitant, inspectors do not work to follow up data, they are very busy people. As for disclosure of beneficial ownership, it will take at least five years to report and inform. So, I will convey your proposal as recommendations to Anti-Corruption Committee. Thanks.

L.Bor: EITI Report is one of best reports. The report reveals that very little amount is collected at the State Budget, something around 20 billion MNT. About 1700 companies obtained license for production, but the most does not operate. The State should implement law produced by state, should implementation. Mongolia sank into corruption; it can do nothing. There is no protection of human rights and natural wealth in any law. Reason that the country has so much wealth but lives so poor is reasoned by state policy. As of the end of 2019 profit amount was 19 trillion MNT, but the State budget received

only 6 billion MNT, there is such research existing. Licenses are diminished through pockets of foreigners.

Human life becomes harsh and harsh, so you, well-educated youngsters should work to use correctly natural resources, improve this work. There is information that licenses again will be granted on selection method, which is very much corrupted. Exploration licenses are granted to foreign companies, all belongs to the foreigners.

N.Dorjdari: Mr.Bayarkhuu mentioned a critical topic that EITI collected data to be used by Anti-Corruption Committee. We have been talking so many years to use open data. It would be good to package data into open standard format, then package will be applicable with software, which works on data, and we have to work to create opportunity to be used in training modules. My proposal would be to discuss this issue during presentation on progress work for updating E-reporting portal, to process data into open data, and hope donors will support it in bringing to the public. EITI law and legal framework are in process of many-year discussion, so far it is not enacted. Legal environment is much behind practical process, so there should be more improvement in this regard. It will be shame that we are taking about law almost 10 years, if it is beyond powers of MMHI, then EITI itself or MMHI should communicate directly the State Great Hural, and it should be intensified.

S.Borgil: I am consent with Ms.Bor. Because license for company to operate in local area is not resolved by local authorities and there is no centralized control, very a few revenues is collected at local budget. Namely, license for mineral of wide spread, like gravel and macadam, is granted by local authorities. Also, license for rehabilitation is granted, but it misused to some gold. Because of these factors, there is less and less revenue at state budget. Now we see boom construction sector, many buildings were constructed and it is a bit in hidden situation, which means there is no reporting of revenue, it has become place to launder revenue from mining sector. So, I agree with Dorjdari.

We have incorporated platform for open data in our report. If open data is supported, transparency of information can be insured, if transparency is insured we can provide public with information, and we foresee at the end there will be public control.

Members have supported report of work to define corruption risks and draft decision.

Introduction two: Work progress of Contract implementation to improve EITI E-reporting portal;

D.Janchiv: Hello, everyone. Our company Leader Vision group participated in tender for improving EITI E- reporting portal and was selected for the Contract. This poratl operates since 2015 and it is the system and contains big data. E-reporting system consists of reporting module, registration module, application module, audit module, research and study module, produces relevant data, State organizations and NGOs, companies and citizens use the information.

Within scope of work to improve reporting system, initially 18 works were announced within tender to be done, but now there is 41 works. Since the beginning the system has a few small updates, but as software, data and source codes are outdated,

even some is very old 5 years, also there is some errors connected to logics of software and functions, now it can not receive reports from companies as there is error in the section, which enables receiving reports from companies, what updates were effective, there was no test environment, because of all these reasons, the portal is now needed to be upgraded.

As these works are executed a comprehensiveness of data, reliability of the system will be insured, also some improvements will be done in operational side, and system information will be more understandable.

Contract was concluded on July 19th, 2021, there is a contractual time schedule and the work goes along with this schedule, will be completed by October 19th. Our remaining works are coding, test, then there will be installation, beta test, hand-over and close the Contract. TORs under the Contract consist of 18 works, but the Contract is concluded, the work started with introduction of the system, and some works should be done, otherwise some could not be done, therefore, we have decided and agreed to do so. Progress of the work is 50%. You can see from slides progress of work per each component. Also, you can what component is already done. Thank you. (Presentation is attached)

D.Tserenjav: How data of license will be updated, whether it will be automatically updated whenever there is update in Cadaster, or is it still manually updated?

D.Janchiv: Data of license will be updated as usual, but it can be updated automatically through MRPAM system, technically speaking. But this is job of the Secretariat.

L.Bor: Is it possible to update license data from MRPAM before the Report is produced, on quarter basis? It is impossible to use directly data of MRPAM.

V.Narmandakh: Change in license data can be manually updated every quarter.

D.Tserenjav: EITI Report consists of Report and attachments. Nowadays, we use more attachments rather than Report. Data in EITI E-reporting tends to be raw and consigned for more public. Attachments are critical, information is disseminated, please give your comments how to make it capable to diversify per aimag and soums. Thank you.

B.Davaasuren: I am fully agree with Mr. Tserenjav. As we have spent a lot of work to collect these data, we have to work to disseminate data to the public. My proposal would that the Secretariat should take actions in direction that what technical solution is needed, how data can be summarized, to produce more info-graphics, and maybe even in processing to make possible for converting. Thank you.

V.Narmandakh: Our secretariat is considering how to improve reporting system, and open-data. TORs to renew the system was developed in this January, and then during organizing reports by Companies and Government entities, some additional issues have been identified, which were incorporated to Contract TORs. Therefore it became 41 in total, Leader Vision Group has agreed to this additional input. As the time is limited, work to produce report in open data format is postponed.

With assistance of International financial corporation, plenty of data was converted into open-data format, was posted, we are considering to make automatic and planning.

D.Janchiv. You should define list of information, which can extracted from attachments, define in what format they can be collected, then it will be more clear and easier technically to be resolved. This project initially was produced by other company, where I was head of project team; therefore, I understand this system now. If there is a new person, then it will be not easy to understand and find resolutions. As the Contract is expected to be executed by October 19th, and there are some more requirements, and it is risky not to complete by this date.

D.Tserenjav: The Secretariat should organize questioning Members on which attachment how information can be developed, and get their feedback, also we can have online meeting with company, which is working for Contract. Hope Mr.Narmandakh, IT consultant will organize this.

D.Janchiv: Any program or application should be developed and updated every year after application. If not, then 5 years of operation, and will arrive at similar situation as today. Please consider this recommendation for the future, thank you.

V.Narmandakh: I am agree with Janchiv. Any system should be developed within warranty period. After this period is over, there should be service agreement for frequent and scheduled maintenance. But the law on procurement of goods, work and service by assets of the state property specifies software defined as with purchase of computer. The software should be renewed on monthly base, even by 14 days, but nothing is done since 2014, now complicated situation is created with renovation. The situation created as such not to renew based on old system, but renew completely the system. This is 100% because of the fact that no scheduled maintenance agreement.

As for state organizations reporting, they extract data from own system and modify into our format and upload manually, and send as report. So, to accommodate such manual there should be converter or systems of the two organizations should be interconnected, and these options are under consideration at the Secretariat. We will ask comments and proposals from members of Working Group as Mr.Tserenjav has proposed.

L.Bor: Is it possible to add a special menu consigned for local community in the system? I still can not obtain some information.

V.Narmandakh: We are planning to make possible in easier format to obtain needed information from attachments, but this time we can not do so.

D.Tserenpurev: Hello, everything, I am happy to hear that E-reporting system is under renewal to reach better accessibility of information to citizens. There should be some policy update in conveying information. Thank you.

Introduction three: Progress of Contract work for research for baseline study capacity needs of EITI sub-national councils, to improve performance, conduct monitoring, develop strategy to activate performance and outline work plan;

G.Tserenjargal: Our research center team has concluded the Contract and works on this task. The main purpose of this research work is to conduct baseline study capacity needs of EITI sub-national councils, to improve performance, conduct monitoring, develop strategy to activate performance and outline work plan and hand over to Mongolia EITI MSG.

Our work consists of individual interview, group discussion, questionnaire, field visit and analysis of documentations, based on findings of these work to outline conclusions and develop strategy plan. As for field visit, we have visited Dornogovi, Selenge and Tuv aimags, and Bor-Undur soum. Members of 21 aimag EITI sub-national councils had participated in questionnaire and relevant conclusions are made. We have reviewed work plan of Sub-national councils for 2021. Altogether, 253 works have been planned, which means each Council planned 13 works per year. Out of which, 48 works were for development of cooperation and partnership, capacity build-up of stake-holders, 119 works were for production of research, introduction and reports, 31 works were about informing in transparent way citizens report and introductions, organizing discussions of multi-stakeholders, some are truly related to functions of state organizations, a few not related to duties of sub-national councils.

Annual work plans of EITI Sub-national councils have different structure of direction of activities of each aimag work plan, activities planned to be implemented or name is not clear, there is no measuring indicators over implementation of activities, form of disseminating information to citizens is limited by website of local authorities, prime duties of public servants are included into work plan.

The research work has covered in total 46 persons, of which 11 are decision-making level, 23 are from state organizations, 1 is from the private sector and 11 are from Civil society organizations.

Also, the largest council in terms of members was EITI sun-national council of Dornod aimag, the smallest was Bayankhongor, where only 4 members joined and average rate of number of members was 10,5. The stakeholders balance was equal, state organizations are represented dominantly. 56% of members of Subnational councils were appointed following the result of local elections in 2020. We had studied expertise of some other countries on top to our sub-national councils.

Though, most of sub-national councils in Capital-city, aimags are established 8 years ago, operations are not consolidated, knowledge of members and local community about EITI is unsatisfied, impact at the local level is poor, therefore, we have commended to pay attention to the following aspect. Namely, governance in Sub-national councils is not well established, methods of operation and progress are not sufficient, and transparency of information is not satisfied. Based on findings of the research we are suggesting the following recommendations, namely:

To clarify scoping of activities of EITI sub-national councils, to appoint secretary of the Sub-national council from CSOs, provide salary and operational budget, to resolve funding of subnational councils as the Resolution of Government directed and enable and support mobilization of some funds for specific activities of subnational councils, to coordinate EITI Sub-national councils with methodology, other initiative and projects and programs, which can be linked with the EITI Secretariat, to create EITI Regional sub-

national council module in order make more permanent and active structure, and test this model.

The strategy to improve operations of EITI Sub-national councils shall consist of following 3 components: 1) structure and organization, 2) to insure transparency, 3) assessment of impact. Each component has own proposal with methodology to be implemented, initial strategy is drafted. Thank you. (Presentation is attached)

L.Bor: We heard introduction of the research work, it has quite acceptable research and conclusions. In the past, I have got funds in direction of EITI sub-national councils, worked in 2 soums of Sukhbaatar and Selenge aimags and used to organize training. This year there was some budget, PWYP coalition will probably will brief who and how it is disbursed. At that time, there was no Zoom, but Skype was available, we used that platform. In cooperation with Communication specialist and IT consultant of EITI Secretariat we used to organize those training quite easily. I guess, now there is more opportunity, PWYP coalition wish to work an initiative, it should be okay, we have not received any information about funding.

Recently, I travelled to Erdenetsagaan and Sukhbaatar soum of Sukhbaatar aimag, at own expenses, did not organize training. Per each trainer, 5 million MNT can be provided, which will be disbursed for capacity build up training and disseminate information. I extracted some information from EITI reports and produced newsletters. I disseminated them amongst citizens, and all was at own expenses. There is a multi-stakeholders council established by German International Development agency (GIZ) at local area. But that creates some kind of confusion at local community. If local community is more informative, they are able to require from companies.

D.Tserenpurev: I was introduced with TORs of research work, I assume research is quite okay. It covers many aspects and most needed research was done. Now, it is the time for the Secretariat and MSG to work with initiative and implement recommendations and strategy developed under this research work. Thanks.

Introduction four: Information about company and state organization, which reported for EITI;

The purpose of today's presentation to disclose information of organizations, which have not reported for EITI last 5 years, inform MSG and have decision what to do in this regard. The number of companies, which have not reported was 811 in 2016, and in 2020 it is 677, as for consecutiveness of non-reporting, 126 companies have not reported for 5 years, 294 companies for 4 years, 1588 companies for 3 years, 921 companies for 2 years, and 488 companies for 1 year.

As state organizations, which have not reported is 5 to 6 organizations, namely: Darkhan-Uul, Umnugovi, Uvs aimags, Sukhbaatar district, Agency for Standardization and measurement, 6 organizations have reported for 2016. Umnugovi, Sukhbaatar aimags, Sukhbaatar district have not reported for 2020.

There is a legal provision on EITI Reporting, in the law of minerals, nuclear energy, petroleum and minerals of wide spread, where it specifies that license holder shall inform public on sold products and paid taxes and payments to state and local budget in the respective within the first quarter of following year. If these provisions are not complied,

sanctions shall follow in accordance with law new edition of Violation law and law on procedure to resolve violation occurred.

L.Bor: Alright, this is very important information. Some companies obtained production license, did anything even for 10 years, sometimes, no drilling for example. So, this should be disclosed and shall good to make them more accountable.

Therefore, provisions about confiscation or annulation of license, if license holder does not comply with law, report on paid taxes and payments, also it does nothing after production license is granted, into the law on minerals. Licenses do become the subject of speculation of traders, even it is not allowed to transfer under law, and people use the gap between Minerals and nuclear energy laws. State bodies seemed just unable to conduct any control on this aspect.

Z.Tselmeg: I have proposal that companies, which have not reported should be sorted out with locations and be placed on our web-site.

Z.Bayarkhuu: We have introduced companies, which are operating but have not reported for EITI, and ask our Members to give feedback what should be taken that companies do report in future. If a company does not report there is a sanction under existing legislation to pay fine of 10 million MNT, in reality, there is no case that a company paid such amount. That's why there are plenty of companies, which have not reported, because there is no sanctions.

It looks like that law on transparency in mineral resources sector, drafted will not be enacted in the very nearest future. What should be done, how will they report? This year we have planned 90% for 2020 reporting, but it is about 60-70%. Then we have proposed along with accountability and law, to announce responsible and open company and policy to encourage, had consulted with MMHI and do work to have some amendment to relevant procedure. We propose to have consultation with Members of MSG what to do with companies, which do not report, and to make them to report. If the situation continues like this, probably it will flow like it, that is why we have introduced about companies which do not report, and what can be done that companies do report and make them more responsible.

Also, one theme is forgotten in today's meeting, on to the agenda. On previous meeting we have agreed to amend EITI Reporting template and established sub-technical group. We have received feedback from this group and 2 persons. Our proposal will be once we have agreed all these amendments go forward to submit amendment to National Statistical Committee.

We have posted templates at our website on August 23rd, 2021 and collected feedback from public, so far no comments received. Duration to collect feedback from the public is one month, which is passed if necessary we can re-introduce amendments to reporting templates, which had been introduced in previous meetings. Please give comments and proposal to this this subject.

Under these amendments, sale, export, salary, donation, plan and economic impact will be disclosed, also procurement information also will be disclosed, and all which was introduced to working group and got feedback. There was feedback from member of Tserenpurev and Tselmeg. If members do not have any other proposal, please our

proposal to submit amendment to National Statistical Committee and please give your support.

L.Bor: I have proposal to organize every quarter preferably face-to-face discussion about extractives and mining aspects. Also let's talk about law on transparency in mineral resources sector. There are issues that some do get loans depositing confirmed reserves, and pays nothing, and propose serial of discussions. Mining issues become more complicated. There are some reasons not to pass law on transparency in mineral resources sector.

S.Tsolmon: Draft decisions will be like this, that at the first step to publish information of companies, which have not produced EITI report on EITI website, to deliver MSG request to MMHI to convey amendments to reporting template to National Statistical Committee for approval. Thank you for active participation in today's meeting and wish all the best.

Decided: It was agreed from 56th meeting of Mongolia EITI MSG to issue the following decisions:

1. It is agreed to approve report on research on methodologies to use EITI data for defining risks of corruption and incorporating feedback from Members of EITI MSG.
2. It is agreed to include draft Work plan developed by researchers of the above-mentioned report into Mongolia EITI 2022 Work plan.
3. It was agreed to consider sufficient progress work for improving Mongolia EITI E-reporting portal and research of EITI Sub-national councils, recommended to submit final report to MSG meeting by the end of October.
4. It is agreed to post list of companies and state organizations, which have not produced EITI Report since 2016 at web site of EITI Secretariat.
5. It is assigned to EITI Secretariat to incorporate feedback from sub technical group on amending EITI Reporting templates and submit request to MMHI to interact with National Statistical Committee to approve amendments in accordance with relevant procedure.

The meeting ended at 13^{10} am.

The minutes are approved by:

State Secretary of Ministry of Mining and Heavy Industry,
Secretary of EITI National Council,
Head of MSG   G. Nandinjargal

The meeting chaired and the minutes are reviewed by:

Chief of Investment and Research department of Ministry
Of Mining and Heavy industry: E.Batbold

Coordinator of EITI Secretariat   Sh. Tsolmon

The minutes are taken by:

Finance officer of EITI Secretariat   A.Отgontungalag