
TA 9752 MON Improving Extractive Sector Governance, Mongolia

PROGRESS REPORT FOR THE 4th QUARTER OF 2020

11 JANUARY, 2021

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Brief introduction

In the early 2019, the National Secretariat finally transferred from the Prime Minister's office to MMHI, which has taken all efforts to secure adequate budgetary allocations.

Since September, 2019 ADB has been funding EITI in Mongolia under TA 9752 MON Improving Extractive Sector Governance, as a result of these assistances Mongolia EITI could publish the 13th Mongolia EITI Report-2018 on time by the end of 2019.

As well as the Mongolia EITI project team is successfully implementing the working plan even though some issues of quarantine due to COVID19. Except for the making some seminars included in the working plan of 2020, the activities are being implemented successfully in the first half of 2020.

The project team of EITI Mongolia has amended EITI 2020 Working Plan due to quarantine for COVID-19.

In the fourth quarter of 2020, the following works are being progressed within each output in the Technical Assistance Report of ADB.

Output I. Commitment to the Extractive Industries Transparency Initiative standard maintained and improved.

Organization of EITI Reporting for 2019.

Total 2094 mineral license and petroleum contract holding companies, 1091 (792¹) companies with exploration license, 1157 (687²) companies with production license, 21 (12³) companies with petroleum production sharing agreement should produce EITI report for 2019.

As of 1st of July, 2020, 1458 companies have produced their EITI reports at E-portal. The project team has been by-phone and E-mail providing methodological advices to companies in producing EITI reports, and received some visits, when it is complicated for companies to produce EITI reports. These reports are produced under old templates, as new templates had been endorsed by the Ministry of Justice and Internal affairs only on April 20, 2020 and published at the Government law portal.

The Secretariat updated E-reporting portal with new templates, conducted 4 webinars for company representatives how to produce under new templates. The companies continued reporting under new template until the end of October.

As of October 17th, 633 companies of 1458 have produced a new report under new template, and 449 out of 633 have forwarded final version of this report to Mongolia EITI E-Reporting system. Since July the Secretariat worked to reach each out of 1458 companies through and E-mail and mobile mass messaging.

The same activity has been conducted by the Secretariat in relation to EITI Reporting by the all level Government organizations, including ministries, agencies, aimag, capital city, soum and districts, which have received revenue from the extractives, and reporting process will last until the middle of July, 2020.

By this date, 5 agencies (taxation, mineral and petroleum, customs, state inspection, and social insurance and benefits), 19 aimag (except Bayan-Ulgii, and Tuv), 8 districts (except Bagakhangai⁴) did produce EITI reports on revenue from 2423 companies through Mongolia E-reporting portal. The Secretariat continued working with those, which have not reported through but without success.

After convincing efforts by E-mail and official letter from the Secretariat aimag authorities like Zavhan, Dornod, Selenge, Dundgovi and Orhon have published their 2019 EITI Report at respective aimag's official website administered by Governor's office aimags.

We estimate progress of this activity with 80 percent implementation.

The government procurement process for the 2019 EITI report.

¹ This number indicates companies with exploration license reported for 2018.

² This number indicates companies with production license reported for 2018.

³ This number indicates companies with PSA reported for 2018.

⁴ Bagakhangai district has informed Secretariat that they have nothing to as no revenue was collected from extractive companies.

According to a detail action plan of working plan 2020, there would have to be following activity related to the government procurement for 2019 EITI report in the first quarter of 2020.

- publish the government procurement plan in the newspapers;
- establish an evaluation committee in the Ministry of Mining and Heavy Industry under related law;
- produce terms of reference of tender;
- approve terms of reference by an evaluation committee;
- publish terms of reference;

The government procurement plan was published at the daily newspaper early January, Evaluation Committee has been established in mid-February at MMHI, by order of the State Secretary of MMHI, consisted of each 2 representatives of MMHI and NGOs, and one from the Secretariat. The Evaluation Committee have approved the term of reference in the early March. The Selection and bidding process has started on 23rd, March with publication of invitation of expression of interest both at Government Tender site, EITI portal and one of central newspaper, the same day. By the 30th, March, the Secretariat has received only one interest, and it was extended and received 2 more interests. All bidders were short-listed and received notification to prepare proposals. The technical proposals were received from 2 bidders, which was evaluated on May 27th, and financial proposals were opened on June 8th, but one of bidders had submitted a complaint to MOF, which had suspended the selection temporarily to have double check, and on June 17th, MOF has recommended to have another assessment, the Evaluation Committee did so July 3rd, and submitted all necessary letters to bidders.

But legitimate period of this tender expired, therefore a new Tender evaluation committee was established at the end of August, and a tender was published.

5 bidders such as Grant Thornton, BDO, Golden Page audit, consortium of Growth finance, Solid Unity, and Ulziit audit did submit their interest to participate. After the evaluation, all 5 passed, and shortlisted, received request for technical and financial proposals.

But 4 out 5, i.e. Grant Thornton, BDO, Golden Page audit, and Ulziit audit submitted proposals respectively. By evaluation of technical proposals by Evaluation Committee, only BDO was eligible for award Contract and recommended for Contract signing. But there was complaint from Grant Thornton and Ulziit audit to MOF on results of evaluation of technical proposals, MOF considered complaint from Grant Thornton fair to be reevaluated, but Ulziit audit's was not fair, decision of Evaluation Committee was confirmed.

As MOF decided the Evaluation Committee had conducted reassessment of technical proposals, Grant Thornton, BDO and Golden Page audit had passed the threshold, and became eligible to open financial proposals. However, 2020 State Budget law was amended in August by the State Great Hural, official notice on reduction of EITI cost was delivered to MMHI in September after announcement of the Second Tender. Therefore, this Second tender was considered unsuccessful, automatically became the subject of direct purchase with lowest offer. MMHI has made recalculation for this work budget, 170 MLN MT, which was delivered to Grant Thornton, BDO and Golden Page audit. The opening of the new offers was conducted and the lowest offer was selected and the selection was finalized. The lowest offer was from Grant Thornton audit LLC, with that firm the contract was concluded finally on November 11th.

The Inception of seminar had been organized on November 6th and agreed on scoping of the 2019 Report and that 171 leading companies would be reconciled, cover all data reported by companies under new and old templates.

Despite Covid-19 pandemic lockdown since November 11th the Grant Thornton audit LLC managed to produce the Report, submitted to EITI MSG to their 52nd meeting on December 15th, and 19th correspondence meeting of EITI National Council, and 2019 EITI Report produced by Grant Thornton in Mongolian and English has been endorsed and published with all attachments.

We estimate the progress of activity with 100 percent. This is another well prepared EITI report and should be used as possible for better understanding of the mining sector and good governance.

Updating Reporting templates and new content.

As the National Council has decided that Secretariat has started and completed updating of EITI Reporting templates for companies. The technical working group was established and composed of representatives from National Statistical Committee, Mineral and Petroleum authorities, Anti-Corruption committee, Erdenet Mining Company, Coal Association, NGOs Step without border, New initiative of administration, Transparency International, worked together in January and February, produced and updated templates in compliance with EITI new standard and some Mongolia specific requirements.

The templates have been approved by chairperson of National Statistical Office on February 21st, following 2 technical meetings and recommended to the Minister of Mining and Heavy Industry on March 5, 2020 to endorse them for universal application.

So, in accordance with regulation of law on General Administrative decision, enacted in 2015, that any order as administrative act should be registered and validated by the Ministry of Justice and Internal affairs, new templates have been confirmed with the Ministry and published at the Government law portal: www.legalinfo.mn/law/details/15277?lawid=15277

Here is a very brief on new content of updated templates⁵ is covering requirements for license application data, disclosing information on reserves, project- level, quality of financial report, disaggregated employee, disaggregated on extraction, production, sale of mineral product, rehabilitation of damaged fields, payment of state and local owned enterprise for transportation service, water use, use of electricity, gasoline, fuel, merchandise for labor safety hygiene, waste disposal, use of chemicals, enriching enterprises, operator and subcontractor, zone of impact, beneficial ownership, dividend of state and local owned enterprise, Board of director, details of contracts concluded with local authorities, infrastructure investment and barter contract, loan of state and local owned enterprise, petroleum production agreements and details of oil reserves.

We estimate the progress of activity with 75 percent. Because 633 companies have already produced new report under new template.

Progress of implementation of Output I: Average 83 percent.

⁵ Translation of both is attached.

Highlight of progress of achievement of this output- Mongolia EITI 2019 or 14th report is has been produced in timely manner, covering reconciliation of reports of 171 companies, and disclosed information in compliance with EITI 2019 report⁶, 1458 companies, 5 agencies, 19 provinces and 8 districts have reported for EITI and, new templates, meeting requirements to EITI 2019 Standard are approved, and companies have started to report under the new templates and the selection and bidding process has almost ended in more or less in timely manner. 633 companies have report under new template.

Output II. Legislation to improve transparency in the extractive industry identified.

Participation in drafting of Law on transparency in MRS.

The Secretariat has provided inputs to the law concept note and law on transparency in mineral resources sector in consultation with the legal task force. The task force is comprised of representatives from MMHI, lawyers from company Energy resource, Open society forum, Transparency International, their contractors- law firms and the Secretariat.

The concept note of law draft is approved in the first quarter of 2020, and the law draft is finalized by the working group which has responsibility for making law draft. The law draft consists of 5 chapters, 30 articles, covers issue of law objective, package of laws regulating transparency in the sector, definitions, principles, powers of State Great Hural, Government, of State organization and public officials, functions of Central and state administrative organizations, aimag and capital city's Hural, Governors of aimag, capital city, soum and district, state and local owned enterprises, rights and obligations of legal entity engaged in mineral resources sector, obligation to create data base of MR, composition of data base, security of data base, organizational structure, National Council, functions of National Council, report of Transparency, initial transparency report of State organizations and legal entities, transparency report of NGOs Coalition, EITI Reconciliation Report, procedure to resolve discrepancies, financing of implementation of transparency activities, procedure to resolve complaints, liabilities to violators, coming into effectiveness.

The concept note of law draft is re-approved in the August, 2020 by relevant ministers of the new Government, and accordingly a law draft is updated and translated into English.

The Secretariat had consultation with working group and MMHI, and agreed to hire International and national legal experts to prepare final version of draft, finalized TORs with MMHI and posted by October 13th, at ADB Consultant announcement site.

The Secretariat has published this draft for public discussion at own web site, disseminated to members of EITI MSG, Subnational Councils, to 1458 companies, which have produced EITI reports. The Secretariat co-organized very first discussion of this draft with Civil Society Organizations.

MMHI has organized a selection of international and national legal experts, they have launched their activities on December 11th, 2020.

⁶ <http://eitimongolia.mn/en/reconciliation-report>

Progress of implementation of Output II: Average 75 percent.

Highlight of progress of achievement of this output- International and national legal experts are recruited and launched their activities to finalize the draft of law.

Output III. Review of opportunities for better information dissemination and public monitoring of extractive sector activities conducted

Communication with Subnational councils.

The Secretariat with all aimag Subnational EITI Councils and had consultations over 2020 work, and agreed to develop work plan. So far, 19 Aimag and Capital city Governor's office have delivered their EITI 2020 Work plan, and only three aimags, Bayankhongor, Govisumber and Hovd have not delivered the Work plan. Aimag and Capital city 2020 EITI Plans are published at Mongolia EITI Web site, <http://eitimongolia.mn/mn/eiti-local-areas>

The core activity mentioned in 2020 aimag work plan is to produce aimag EITI Report for 2019 in timely manner and organize regional EITI conferences, where experience sharing and exchange of information will be very critical. There will be activation at local level with support from the center, MMHI and Secretariat. The Secretariat had by-phone and E-mail provided methodological advices to local councils to produce EITI reports, as result only 2 aimags have not produced yet.

5 aimags like Zavhan, Dornod, Selenge, Dundgovi and Orhon have published their 2019 EITI Report at Aimag's official websites.

Training activities.

The training activities for the time being, are all halted to due to Covid-19 precautions in Mongolia, which lasts till the middle of July, 2020.

Therefore, Secretariat had organized 7 Webinars, using free programs like Webex and is checking needs to have online training activities. The most probably, the Secretariat will continue online training due to pandemic.

So, 2 webinars for EITI subnational councils had been on subjects of EITI update and new EITI templates in April and May and 4 webinars for companies in assisting to report under new EITI templates in June. One webinar was for representatives of MMHI. MOF, agencies like taxation, mineral and petroleum, customs, state inspection, and social insurance and benefits.

Information of online training⁷

Date	Training topic	Participants	Expected number of Participants	Number of Participants
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⁷ One face-to-face meeting, organized before Lockdown of November 11th

Apr 30	EITI implementation and New Reporting templates	For Sub-consuls of Aimags	11	11
May 4	EITI implementation and New Reporting templates	For Sub-consuls of Aimags	9	9
May 29	EITI implementation and New Reporting templates, guidelines	For mining companies	35	11
Jun 4	EITI implementation and New Reporting templates, guidelines	For mining companies	35	13
Jun 12	EITI implementation and New Reporting templates, guidelines	For mining companies	35	10
Jun 19	EITI implementation and New Reporting templates, guidelines	For mining companies	34	13
Jul 30	EITI implementation and New Reporting templates, guidelines	For Government Ministries and Agencies	20	6
Nov 2	⁸ Inception seminar of Mongolia EITI 2019 Report	Mongolia EITI MSG	30	30

The Secretariat provided reporting templates guideline to mining companies which are absences in training and responsible for reporting.

Dissemination and promotion.

The Secretariat has updated the system and design of Mongolia EITI website, including beneficiary owner web site and updated information will be inserted into to Portal.

All current news has been posted at this site, such as the vacancy notice for Secretariat's Communications specialist, invitation for feedback for updating reporting templates, invitation for tender bid for 2019 EITI Report, updating information on composition of new National Council and MSG, publishing new templates, Mongolia 2018 EITI Report, produced by BDO.

After the EITI National Council endorsed Mongolia EITI 2019 or 14th Report produced by Grant Thornton audit LLC, the Secretariat published the Report both Mongolian and English version, and with attachments. Also, the Secretariat published 2020 Work plan implementation, 2021 EITI Work Plan in Mongolian and English.

Meetings of the Multi-Stakeholders Group.

The National Secretariat under direction of MMHI organized the very 1st of 2020 or the 50th meeting Mongolia EITI Multi-Stakeholders Group on January 29, 2020, which agreed and updated Mongolia EITI 2020 work plan, outlined there will be 2 meetings of National Council, and 5 meetings of MSG, i.e. there will be very frequent consultations over the year. We have plan to organize above meetings by online due to quarantine for Covid-19.

⁸ This is a face-to-face meeting, organized before Lockdown of November 11th.

The National Secretariat under direction of MMHI organized another meeting on August 31, 2020 No. 51st meeting of Mongolia EITI Multi-Stakeholders Group (MSG), but on-line meeting, basically discussed implementation of Mongolia EITI 2020 work plan, and second topics is postponed due to presenter's illness.

The National Secretariat under direction of MMHI organized the last meeting of 2020, on December 15th, 2020 No. 52nd meeting of Mongolia EITI Multi-Stakeholders Group (MSG). It was on-line meeting and discussed implementation of Mongolia EITI 2020 work plan, draft 2021 Work Plan, draft Mongolia EITI 2019 or 14th meeting presented by Grant Thornton LLC, and third topic was on presentation of Communication specialist, who was asked to work more on recommendations of MSG members to improve the product.

The National Secretariat under direction of MMHI organized a correspondence meeting No. 19 of EITI National Council, between December 22-30, 2020, which endorsed implementation of Mongolia EITI 2020 work plan, draft 2021 Work Plan, draft Mongolia EITI 2019 or 14th meeting presented by Grant Thornton LLC.

Updating Mongolia EITI E- portal.

The National Secretariat uploaded into the portal, data of 3260 licenses and Production sharing agreements of 2019⁹, of which, 1100 had been semi-automatically uploaded, 108 had been manually uploaded, and remaining had been automatically uploaded in first quarter of 2020, therefore it was possible for both Companies and Government Organizations to create their 2019 EITI Reports accordingly.

Visual graphics at the www.eitimongolia.mn are updated, E-portal was updated to identify errors, has now function to warn subscriber on occurred error, and mandates reporter to input data on production and sale.

There is ongoing updating old and inputting components of new templates, which are run manually and also the portal is a bit out dated in terms of interfaces, and should be simultaneously updated therefore it takes longer time than planned and expected.

Financial reporting of Mongolia EITI Secretariat.

Financial report on 2019 state budget financing has been produced and incorporated into the Prime Ministerial package, published at Glass account website and delivered to the National Audit Office in the first quarter of 2020.

Also in the quarter, the financial report of EBRD Grant for 2019 has been produced and delivered to MOF and EBRD, closed relevant accounts in accordance with the procedure of MOF.

Data of the Secretariat' glass account and E-procurement had been transferred from the Prime Ministerial package to the package of Minister of Mining and Heavy Industry, and the procurement plan is published at www.tender.gov.mn

⁹ <https://e-reporting.eitimongolia.mn/>

The Secretariat's 2020 state budget disbursement with all details is approved in the first half of 2020 by MMHI and State treasury, so is the breakdown.

As Glass account law requirement, the Secretariat is updating published data at the website on a monthly basis. Documents of the meeting of EITI Mongolia National Council and Multi-Stakeholder group and letters have been archived. Report on properties for 2019 had been produced and delivered to MOF and Agency of State Property policy and Regulation.

Recruiting Communication specialist and Communication strategy.

Ms.Baigal was selected and recruited as Communication specialist, and drafted Mongolia EITI Training module, Stakeholders mapping, Communication strategy and communication platforms and presented to Mongolia EITI MSG in December 15th and received some recommendations to improve the products, it is expected be discussed and finalized on January 14-15.

Progress of implementation of Output III: Average 70 percent.

Highlight of progress of achievement of this output- the most Subnational councils have enacted 2020 Work plan. The online training courses for subnational and companies were successfully organized even though quarantine for Covid-19. Now seminars in the countryside are planned to organize and expect TA support us to organize it.

Total evaluation for the fourth quarter of 2020.

Items	Output	Highlight of progress
I	Commitment to the Extractive Industries Transparency Initiative standard maintained and improved.	Mongolia EITI 2019 or 14 th Report produced by Grant Thornton audit LLC and endorsed by the EITI National Council, covering 171 companies, with a lowest discrepancy of 25 mio MNT, 1458 companies, 5 agencies, 19 provinces and 8 districts have reported for EITI and, new templates, meeting requirements to EITI 2019 Standard are approved, and 633 companies have produced a report under the new templates. 291 companies have disclosed data of Beneficial ownership by new template of reporting. ¹⁰
II	Legislation to improve transparency in extractive industry identified	TA of ADB activities to produce the draft law have advanced. The concept of the law has been approved by the new Government and New law draft has been finalized and at the stage of public discussions and international and national legal experts are recruited and launched activities.
III	Review of opportunities for better information dissemination and public monitoring of extractive industry activities conducted.	The most Subnational councils have enacted 2020 Work plan. We successfully organized online training courses. A communication specialist has produced several products as per TORs and which are expected to be approved in Early January 2021.

¹⁰ Mongolia EITI 2019 or 14 Report, <http://eitimongolia.mn/en/reconciliation-report> , Appendix 21b.

Overall Progress Rate of the Project		EITI project team has implemented the Work plan even though some issues of lockdowns due to COVID19. There is a high probability of further lockdowns caused by pandemic, which again delay implementation of the Project, Work Plan.
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Planned Activities for the first quarter of 2021

Seems, the current complicated situation, caused by Covid-19 may ease in Mongolia, due to upcoming vaccination effort at the end of First Quarter and Second Quarter.

If the situation allows, certainly EITI Mongolia will keep implementing normal activities.

The Project team of EITI Mongolia will prepare for 2020 EITI Reporting, which is planned to be a flexible one as EITI Board recommended, establish new Evaluation team, organize EITI reporting by extractive companies under new template, communicate Subnational Councils for intensifying joint efforts to improve EITI at local level, activate and finalizing Law drafting.

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