ROADMAP ON STATE-OWNED ENTERPRISES DISCLOSURES IN MONGOLIA

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Natural Resource Governance Institute

Contents

Cover image: by NRGI

1. Background

This report outlines a roadmap for improving state-owned enterprises disclosures in Mongolia's extractive sector. It builds upon key findings and recommendations from the scoping study on disclosures of mining sector state-owned enterprises (SOEs) in Mongolia under global and domestic standards. The scoping study and this roadmap were developed by the Natural Resource Governance Institute (NRGI) with the support and funding of the Extractive Industries Transparency Initiative (EITI) International Secretariat and the European Bank for Reconstruction and Development.

Key challenges

The scoping study highlighted the following challenges in disclosures by mining SOEs in Mongolia.

- **Inconsistent information**: Data from different sources on the same SOE related issue (e.g., number of SOEs, government stake) can be conflicting or incomplete, reducing data credibility and hindering informed policy decision-making.

- **Uneven data quality**: EITI collects diverse information, but quality and completeness vary across data types and companies. Tax and payments data are generally of good quality, while information on beneficial ownership and commodity sales, for example, is weaker in terms of quality and comprehensiveness. EITI reconciliation reports lack detailed analysis of non-payments data quality.

- **Disconnected systems**: Govenment and other disclosure systems lack connection. For instance, Glass Accounts portal holds valuable SOE-related information, but it is not linked to other government or EITI data systems, in addition to not covering all SOE categories.

- **Limited information in open data format**: Most SOE data from various sources, including Glass Accounts, is not available in open, machine-readable formats (e.g., financial reports disclosed as images instead of the open data).

- **Lack of discussion on SOE reporting standards:** To date, the EITI Mongolia has not addressed specific aspects of mandatory and optional SOE reporting requirements under the 2023 EITI Standard. The draft EITI Law could be a platform for these discussions, but is not the only platform.

Recommendations

The scoping report highlighted the following recommendations to EITI stakeholders.

- **Multi-stakeholder engagement:** Organize meetings with MSWG members to discuss these findings, develop actions for EITI to take, and create a roadmap for implementation.
- **Data integration and streamlining:** Convene meetings with the Ministry of Finance (Glass Accounts), tax authority, State Property and Policy Coordination Committee, and Erdenes Mongol on aligning and streamlining data collection, reporting and exchange.
- **Enhanced EITI Reporting:** Develop recommendations to modify EITI reporting templates and online systems for comprehensive, accurate, and timely reporting by all mining SOEs.
- **Strengthening SOE information quality assurance**: Revise terms of reference for EITI reconciliation report consultants to emphasize quality assurance of SOE-related information.

In summary, while Mongolia has undertaken initiatives to improve SOE disclosures, significant challenges remain. Implementing these recommendations will be crucial for achieving comprehensive SOE transparency, meeting EITI Standard requirements, and fostering public trust and accountability.

2. Roadmap

This section provides a roadmap with actionable steps for the MSWG and the Government to improve SOE disclosures in Mongolia.
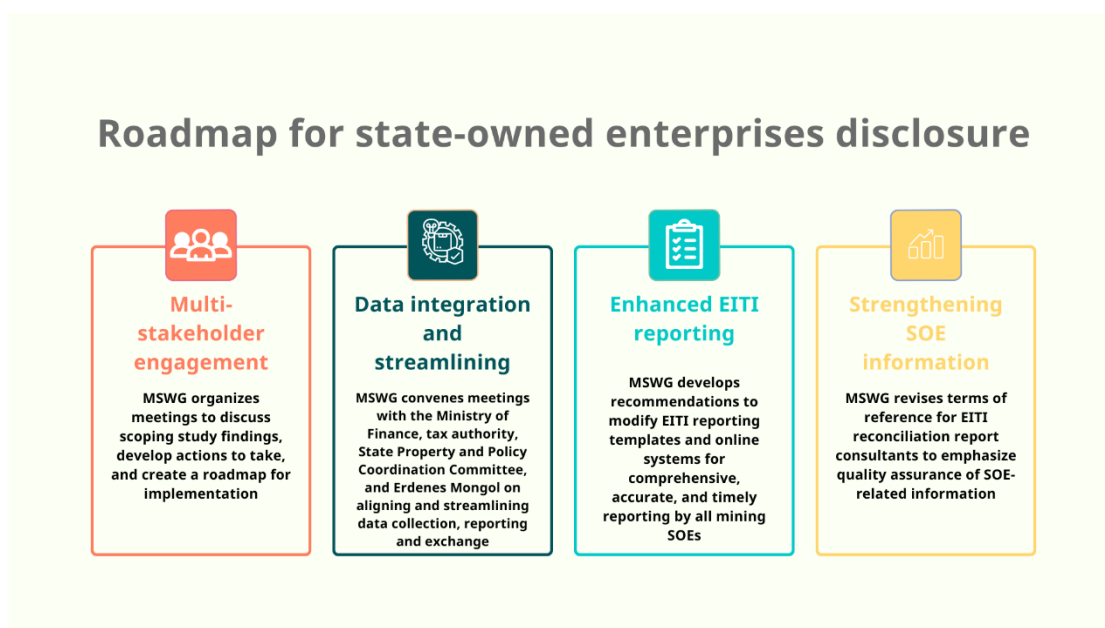
STEP 1. Multi-stakeholder engagement

The EITI Multi-Stakeholder Working Group (MSWG) should organize meetings to discuss scoping study findings, determine actions to undertake, and finalize a roadmap with an actionable implementation plan.

ACTIONS:

- MSWG organizes a series of high-level roundtable discussions focused on specific themes related to SOE reporting challenges identified in the scoping study.

    - Invite key stakeholders to each discussion, including representatives from the State Property and Policy Coordination Committee, Ministry of Finance and Erdenes Mongol.

    - Facilitate discussions on potential solutions and improvements for:
        - Adjusting EITI reporting templates to ensure that all information that are prescribed by the EITI Standard are fully collected. For instance, information on SOE transportation activities, contracts transparency, GHG emissions, and gender pay gap should be integrated into the SOE reporting templates.
        - Developing a clear definition of SOEs for EITI reporting and public disclosure purposes, considering different ownership and legal structures as well as low materiality thresholds, with the aim to create a comprehensive and regularly updated list of all SOEs.

- Enhancing EITI reconciliation reporting to focus on SOE information quality assurance, including on beneficial ownership of partners and vendors of SOEs.
- Ensuring a greater representation of major SOEs including Erdenes Mongol and its subsidiaries in all EITI related activities and leading on optional disclosure requirements.
- Promoting a full dislcosure of audit reports for SOEs.
- Exploring options for connecting EITI data with other reporting structures including those intended at allowing Sovereign Wealth Fund activity transparency and monitoring and disclosing beneficial ownership information for SOE partners and vendors.
- Exploring knowledge sharing opportunities with companies experienced in GHG emissions reporting with the aim of all key companies collecting and reporting such data, and simplifying and mainstreaming EITI data with relevant sources of information by the government and the industry.

- MSWG develops a joint action plan that outlines specific actions, timelines, and responsible parties for implementing identified improvements. This should include plans for cooperation with anticorruption bodies that focus on the development, disclosure and implementation of anticorruption policies of SOEs as well as developing a framework to monitor the compliance of EITI with the 2023 EITI Standard amendments pertinent to SOEs that include tracking of quasi-fiscal expenditures and resource backed loans.

STEP 2. Data integration and streamlining

MSWG convenes meetings with the Ministry of Finance (Glass Accounts), tax authority, State Property and Policy Coordination Committee, and Erdenes Mongol on aligning and streamlining data collection, reporting and exchange.

ACTIONS:

- MSWG establishes a sub-working group including relevant stakeholders such as Ministry of Finance and Mongolian Tax Authority.

- The sub-working group works collaboratively with the Ministry of Finance, Tax Authority, State Property and Policy Coordination Committee and Erdenes Mongol on automatic

retrieval of relevant data from tax and/or Glass Accounts by the EITI online system to improve data quality and reduce reporting burden by companies.

– MSWG identifies examples of good practices in one or two mining SOEs' reporting under the Glass Accounts law and through their systematic disclosures on their websites and documents these examples of good practices on the EITI Mongolia website.

– MSWG collaborates with Erdenes Mongol to identify and summarize key terms of the resource-backed loan involving Erdenes Silver Company and Erdenes Mongol, including quasi-fiscal expenditures. This summary should be published on the Erdenes Mongol website and republished on EITI Mongolia website.

STEP 3. Enhanced EITI Reporting

MSWG should develop and follow up on recommendations to modify EITI reporting templates and online systems for comprehensive, accurate, and timely reporting by all mining SOEs.

ACTIONS:

– MSWG develops recommendations to modify EITI reporting templates aimed at covering all SOEs in line with the EITI Standard.

– EITI Secretariat submits new EITI reporting templates for SOEs to the National Statistics Office for approval.

– EITI Secretariat develops a clear and comprehensive guidance for SOEs on how to complete new EITI reporting templates.

– EITI offers capacity building activities for SOE managers responsible for EITI reporting.

– EITI promotes all SOEs reporting using Glass Accounts framework. Specifically, EITI encourages SOEs with partial state ownership who may not be subject to certain disclosure requirements by law to report fully under the Glass Accounts.

STEP 4. Strengthening SOE information quality assurance

MSWG revises terms of reference for consultants preparing EITI reconciliation reports to emphasize quality assurance of SOE-related information

ACTIONS:

- MSWG facilitates discussion on revising terms of reference for EITI reconciliation reports to strengthening SOE information quality assurance, including verifying information disclosed on contracts and its amendments, beneficial ownership of partners of SOEs, and quasi-fiscal activities of SOEs.

- MSWG identifies gaps in the information disclosed through EITI and other sources, and aims to explain key differences and actions that need to be taken to address such gaps.