



Mongolia EITI Activities report

June 2013- June 2014

Mongolia EITI National Council, Working group and Secretariat

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One. A summary of implemented policy, activities and results between second half 2013- first half of 2014;

1.1.Summary of meetings of Mongolia EITI National Council and Working group

National Council

The National Council met on December 23, 2013, on which Mr. N.Altankhuyag, Prime Minister of Mongolia attended and made an extensive speech.¹

Mr. N.Altankhuyag, Prime Minister of Mongolia asked the National Council to work actively, asked stakeholders to cooperate actively for transparency and require strongly companies, which have not reported for EITI.

The decisions of meeting as follows:

1. The meeting supported and endorsed Mongolia EITI Reconciliation Report for 2012 made by the consortium of UK based Moore Stephens and Mongolian Dalaivan audit company.
2. The meeting decided that the report be placed at web site of Mongolia EITI Secretariat, Ministry of Finance, Ministry of Mines, Mongolian National Mining association, Open society forum and should have a shorter version for public disclosure.
3. The meeting agreed to deliver this report along with progress of Mongolia EITI 2013 work plan, and proposed 2014 Work plan to EITI Board not later than December 31, 2013 and assigned Secretariat to do so.
4. The press office of Cabinet Secretariat is instructed to cooperate with EITI Secretariat on dissemination of Mongolia EITI Reconciliation report 2012.
5. It is recommended that those Government entities and companies which have discrepancies as result of 2012 Reconciliation Report, should give explanation publicly not later than January 31, 2014.
6. It was decided to review before January 31, 2014 the scoping of Reconciliation report and make relevant decisions in this regard before EITI law is passed.
7. The Working group should report to Prime Minister on turnout of members of National Council to this meeting.
8. The consortium is recommended to include local payments and revenues to Mongolia EITI 2012 Reconciliation report in comprehensive manner.
9. The Ministry of Environment and Green development is assigned to make an introduction of received deposits of environmental rehabilitation in 2012 and report to the National Council..
10. The meeting assessed implementation of Mongolia EITI 2013 Work plan as sufficient.
11. The Ministry of Mining is assigned to finish drafting of EITI law and submit to State Great hural (Parliament) within 1st quarter of 2014.
12. The Working group is assigned to complete production of electronic reporting and test it in the 2nd quarter of 2014, and report to the National Council.
13. The Secretariat is required to establish EITI information cabinets in selected aimags and report in the 3rd quarter of 2014.
14. The Secretariat is required to organize a press conference on Mongolia EITI 2013 activities and progress before January 15th, 2014.
15. The Mongolia EITI Work plan for 2014 is endorsed with comments and recommendations given by the Members of National Council.²

¹ The brief content of speech is attached.

16. The Working group is assigned with task to carry out monitoring over progress of the Work plan quarterly.
17. The Procedure on local EITI structure, organization and working guide of sub- council is endorsed as the recommendations including comments and proposals of Members of National Council.
18. The Secretariat is assigned to deliver recommendations of procedure on local EITI structure, organization and working guide of sub council to aimag, capital city, soum and district not later than January 15th 2014..

Working group

Mongolia EITI Tripartite working group met once in October, twice in December 2013, and once in March 2014.

The decisions of each meeting as follows:

October 23, 2013

The agenda of meeting was as following, but because of low turnout only the first topic was introduced and no decision is taken.

1. A progress report of Mongolia EITI Reconciliation report 2012 by representatives of consortium of UK Moore Stephens and Mongolian Dalaivan audit Mr. Radihoule and Ts.Jigden.
2. A progress of implementation of Mongolia EITI Work plan for 2013
3. A draft of Mongolia EITI Work plan for 2014
4. A draft of procedure and guidelines of activities of aimag EITI sub council, and proposal to establish cabinets
5. Introduction of training program to members of Working group and take comments and proposals from them.

December 3, 2013

The decisions of meeting as follows:

1. After introduction and discussions of draft report of Mongolia EITI Reconciliation for 2012, it was recommended to the consortium to include some comments and proposals of the Members, update reconciliation work, check data, wording, context, and complete the work within the contracted timelines, prepare final version of the report and submission to National Council meeting.
2. It is recommended to complete the Mongolia EITI Reconciliation report 2012 before a meeting of National Council and agree with the Secretariat, and allow to transfer 80% of total payment to audit consortium.
3. It is recommended to complete below mentioned tasks specified in attachments to the Contract by December 15th, 2013:
 - a. Separate sheet on study work on donations specifying each of them. хандив тусламжийн;
 - b. Separate sheet on disaggregation of payments and revenues per aimag and Government institute;
 - c. Propose suggestions of possible settlements of discrepancies related to company and Government institutes;

² The Mongolia EITI 2014 Work plan is attached.

4. Check general information on minerals production and deposits, licenses with relevant authorities and finalize the report, and prepare for publication.
5. It is recommended to members of Working group and representatives of members to report to higher managers and directors about findings of Mongolia EITI 2012 Reconciliation made by auditor consortium, and their recommendations, and request their formal approval, then submit their approval to constituency chief, and constituency chiefs are requested to submit final approval to the Secretariat not later than December 6th, 2014.
6. It is recommended to members of Working group to include proposals to annual work plan of organizations and companies where related or relevant, which revealed faced complications, identified violations, failures and lessons during reconciling Mongolia EITI 2012 Report, which outlined them on disaggregated principle.
7. The Secretariat is assigned to report on implementation of 2013 Work plan to National Council and include findings of Members of Working group to the report.
8. The Secretariat is assigned to report on draft 2014 Work plan to National Council and include findings of Members of Working group to the report and edit it.
9. It is agreed to carry out a study work on overlapping of recommendations outlined from every year EITI Reconciliation report produced by auditor consortium, to list acceptable recommendations by each Constituency and include into the Work plan for 2014, for which chiefs of Constituency will work out it and submit to the Secretariat not later than December 10th.

December 13, 2013

The decisions of meeting as follows:

1. It is agreed comments and recommendations of the members of Working group on local council procedure will be given before 15.00 pm, December 17th, and be processed and integrated by Ms.Bayarsaikhan, coordinator CSO coalition, Ms. Delgermaa, communication manager of the Secretariat, and be submitted to National Council meeting.
2. It is agreed to postpone a topic about study work on implementation of recommendations from Reconciliation reports as CSO has not completed yet the work, and be submitted back to Working group whenever possible.
3. As a topic is postponed, whenever it is discussed by the Working group then it will be submitted to the National Council.
4. It was approved and includes comments and proposals of members of the Working group.

March 11, 2014

The decisions of meeting as follows:

1. All stakeholders accepted the Mongolia EITI Communication strategy and plan of actions and agreed to implement all together.
2. All stakeholders received information on progress about companies reporting and Government reporting for 2013 and information will be published in daily newspapers and website.
3. It is agreed to re-edit including comments and suggestions of members of Working group.
4. It is agreed to name beneficial ownership as specified in Mongolian law on securities.

5. It is agreed to divide awarding as follows: 300.000 MNT to Government institutions, 700.000 MNT to Civil Society organizations, and 316.300 MNT to Mongolia EITI Secretariat..

1.2. Brief about Mongolia EITI Reconciliation Report 2012

The consortium of UK based Moore Stephens and Mongolian company Dalaivan audit was selected as the reconciler for Mongolia EITI Reconciliation Report for 2012 and signed the Contract and started the work at the end of July, 2013. The Reconciliation covered payments and revenues between 200 companies and relevant Government institutions, and was completed by early December. The Reconciliation report was overviewed 2 times by the Working Group and finally had be endorsed by Mongolia EITI National Council on December 23, 2013.

General part

Mongolia extractive industries produced 67% of total domestic industrial product, 18% of national gross domestic product and 90% of total export in 2012.

Crude oil. The production of crude oil resumed in 1998, 10.58 million barrels of crude had been extracted and 9,89 million of them were exported to People's Republic of China, as Mongolia does not process crude oil and has not yet refinery.

Mongolia was named as crude oil producing country in 2010, only block No.19 and field 97'PSC have proven reserves of 272 million tons of crude oil.

So far, there are 2 oil producing fields in Mongolia, one is in south-east Gobi region, named as Zuunbayan, where the crude was being produced between 1953-1969, and the production launched again in 2007, 2.66 million tons of crude was produced as of February 29, 2012.

New field named as Tamsag basin had first oil in 1998, now it most active oil field. The estimate done in Tamsag basin, 2.07 million tons of oil reserves is available The oil production of Mongolia reached 3.6 million tons in 2012, and increases per annum about 10%.

Coal. Mongolia has large deposits of coal, and is the number 10 by size of the coal reserves in the world. Geological probable reserves are 173.3 billion tons, which represents 10% of world discovered reserves, and proven reserves are 21.5 billion tons of coal.

Mongolia produced 31 million tons and exported 20.9 million tons in 2012, which represents 47% of total Mongolian export.

Copper. The proven copper reserves of Mongolia is 84.1 million tons, and Mongolia has leading positions in this aspect. The export of Mongolian copper concentrate reached 574 thousand tons, and there are operating 2 giant mines Erdenet and Oyutolgoi³.

Gold. Mongolia produced 6 tons of gold, 2.8 tons of which had been exported and earned 122 million USD. The famous Boroo gold mine is situated 100 km northward from Ulaanbaatar, capital city, and which started production in 2003, is approaching to diminish reserves. The Mine is most famous rock mine. Copper mine Oyutolgoi has also reserves of gold, which are estimated about 1.800 tons.

³Statistical yearbook , National Statistical Committee.

The dominant of gold producers are small and medium sized, they operate mainly on alluvium fields, and produce the majority of gold produced in Mongolia.

Because of environmental issues the law on banning exploration and exploitation of minerals in forestland and water basin, gold production decreased as this law affects more on gold production.⁴

Uranium. There are large uranium deposits in Mongolia, with estimated reserves between 30 and 62 thousand tons. At present, there are 15 strategic deposits in Mongolia, including 2 uranium deposit, one is in Mardai, and other is in Dashbalbar, both in Dornod aimag.

The government implementing agency Nuclear energy authorities reported that 15 companies have paid exploration license fee amounting to MNT 2.9 billion.⁵ Now, Mongolia has become important country producing gold, copper, molybdenum, uranium and other.

For 2012, 1511 companies, which have license for minerals, 11 companies, which have Production sharing agreement in crude oil, and 5 companies having license in uranium exploration, overall 1527 companies issued EITI reports and the Government produced the report on revenues from 1829 companies.

Out of 200 companies, which participated in the Reconciliation, Erdenet copper mines paid most payment, i.e. MN 519.7 billion, and if list top payers, then Oyutolgoi MNT 201,9 billion, Energy resurs MNT 111,9 billion, PetroChina Dachin Tamsag MNT 104,8 billion, MAK MNT 86,1 billion, Erdenes MGL MNT 80,1 billion, Tavantolgoi MNT 58,5 billion, Bold tumor Yeruu gol MNT 37,9 billion, and Southgobi sands MNT 37,7 billion.

The total amounts of 200 reconciled companies, which paid over MNT 40 million (reconciliation selection threshold of total paid taxes, payments and other payments on annual basis) MNT 1.594 trillion, equaling to 33% of revenue stream of the State budget.

The share of type of payment in total payments is given in this report and 32% of all paid taxes and payments belongs to the royalties for utilization of minerals, 13.75% was for VAT, 12.07% was for corporate income tax.

Reconciliation of central and local payments, and revenues

The payments distributed between central and local budgets were given also in the report, and 93% of all reconciled revenues was collected at the central budget, and 6% at local budget, 1 % was paid to Government institutions as donations.

The report also indicates that Umnugobi aimag received 67%, Orhon aimag received 14% and Bulgan aimag received 9% out of the total MNT 73.8 billion, paid to local budget.

Donations and rehabilitation expenses

The report reveals the total donations provided to Government institutions was MNT 14.5 billion, and 39% of which or MNT 5.6 billion was funded to Ministry of Health, 27% or MNT 3.8 billion was given to Umnugobi aimag, 8% or MNT 1.1 billion was to Hovd aimag, also 8% or MNT 1.1 billion was to Selenge

⁴Source: Mongolian Mineral authorities.

⁵Source: Nuclear energy agency, October 28, 2013.

aimag. The remaining 20% or MNT 2.7 billion was provided to other aimags and Government institutions.

The natural rehabilitation expenses including deposits equaled to MNT 1,2 billion and total donation to government organizations equaled to MNT 26 billion.

Unresolved discrepancies

In 2012, the total unresolved residual differences on payments amounted to KMNT 360,966 representing 0.02% of total payments reported by government entities and every differences reason is stated to the final report. For example, Reporting template not submitted by the extractive company; Supporting documents do not match government entity report; Missing extractive company detail by payment; Missing government entity detail by payment; Tax not reported by the extractive company; Tax not reported by the government entity; Detail of payments could not be used; Exchange rate difference; Not material difference <MNT 100K.

Mongolia EITI National Council approved the final EITI Reconciliation Report for the year of 2012 and recommended to companies and government entities belong to unresolved discrepancies to release the reason of those discrepancies for public by the 31st January of 2014. Reconciler made an interesting conclusion on unresolved discrepancies in 2012 report.

The Secretariat sent an official letter to 43 entities which asked appropriate explanations for those discrepancies and received 20 replies and remaining are missing.

Implementation of the Mining Activity Plan by extractive companies

The report includes the survey of Implementation of the Mining Activity Plan by extractive companies. The survey made by following indicators: earth removal; ore mining; ore processing; product output and sales of product and aggregated by types of minerals and by companies. According to ToR, the survey must cover all total 200 companies, but 84 companies' implementation report included to the final report. 32 gold exploiting and 24 coal exploiting companies submitted the implementation report of mining activity plan.

Natural rehabilitation works

71 companies have submitted their environmental protection and remediation report. According to this report, technical remediation is made in 504,2he, soil remediation is 334.1he, biological remediation is 263,3he and its total expense was 11 million MNT.

45 companies paid totally 1,4 billion MNT as an 50% advance for the environmental protection and remediation works and only 1 company reimbursed 15.7 million MNT from previous years advance.

License survey

By the 31st of December 2012, 1823 mining license holding entities were registered and 323 companies have not submitted EITI report. Mineral Resources Authority delivered an official letter together with attachment of 323 companies name lists to the Professional Inspection Authority regarding

By the end of 2012, totally 1853 companies are holding 1237 minerals extracting licenses, 2303 minerals exploring licenses, 14 companies are holding uranium licenses and 16 oil companies are holding 20 product sharing agreement. According to license survey Altandornod mongol LLC holds 63 licenses, Mongolroostsvetmet LLC-34, MAK LLC-34, Centerragold LLC-33, Gobicoal and energy LLC-28, Tethys mining LLC – 27, Gatsuurt LLC – 25, Peabody weansway resources LLC – 23, Tengri terra resource – 23;

Implementation of international standard of auditing and accounting

Survey result shows that 196 companies out of 200 companies follow international standard of accounting, but they were not satisfactory for verifying the EITI report by the independent auditor.

Status of ownership

In terms of ownership status, there were 25 foreign invested, 5 stated owned and remaining were private owned companies out of total 200 reconciled companies.

Local contracts

Reconciler conducted a research on agreement of partnership, water and land usage made between extractive company and local authority in sub-national level. 149 companies noted that they have made above mentioned agreements, but only 32 companies submitted the detailed information of 132 agreements. It includes 4 agreements on environmental protection, 22 on social responsibility, 21 on water usage, 83 on land usage and other.

1.3 Bidding process of selecting auditing consortium for Mongolia EITI Reconciliation Report 2013

The Cabinet Secretariat of Government of Mongolia has approved the Terms of Reference and Evaluation committee on early March of 2014. Mongolia EITI MSWG members participated in process of developing ToR and the Evaluation committee amended and finalized the ToR adding additional requirements based on EITI 2013 standard.

The bid evaluation continued from March to end of May 2014 and finally selected consortium of Ulaanbaatar Audit Corporation LLC, Mongolia and Hart Nurse ltd, UK. But the bidder “Dalaivan audit LLC and Moore Stephens Ltd” UK complained regarding technical evaluation result and requested to make re-evaluation.

1.4 EITI 2013 Reporting process of company and government

MRAM and MEITI Secretariat collaboratively organized several activities to encourage and increase number of reporting companies in 2013 reporting period such as awareness raising trainings, official letters reminding the deadline and advertisements in daily newspapers and news websites etc., As a result 1170 mining companies, 8 petroleum companies, 2 uranium companies totally 1180 companies have submitted the EITI report 2013 by April 11, 2014,

MEITI Secretariat worked with related government organizations regarding Government of Mongolia’s EITI reporting 2013 and the Secretariat received the Government EITI report by 1617 companies in May 12, 2014.

In 2013, Mongolia EITI organized several trainings and outreach activities in Ulaanbaatar city, Darkhan-Uul, Khovd, Govi-Altai, Khentii aimags for around 700 people, 25 trainers trained, educated above 20 journalists. As a result of capacity building training and communications activities reporting companies' number is sudden increased by 3.7 times from 400 to 1500. Moreover, government entities' executive officers accountability is increased and GoM disclosed its revenue by over 1800 extractive companies.

The EITI new standard approved in May 2013 during EITI Sydney international conference requires disclosing not only revenue and payment but also licenses, contracts, beneficial ownership, contextual information of extractive industry, national budget disbursement, transfers to local government and so forth. Therefore, Mongolia EITI Action Plan for the year of 2014 focuses mainly to strengthen current achievements, to implement the EITI new standard as accordingly, to make comparison analysis on previous reports recommendation and its implementation, to improve the usage of EITI report for developing government policies and decision making.

In 2013 and 2014 EITI sub-national councils were established and re-organized in 19 aimags and the capital city. The activities implemented in 2013 mainly focused to strengthen EITI in local level by re-establishing sub-national councils, providing support to develop action plans and programmes. In April 2014, the MEITI Secretariat organized a constructive consultation workshop for head and secretary of 19 EITI sub-national councils and as a result they have 2014-2015 action plan and guidelines and other manuals.

MEITI started to establish sub-council in soum/district level such as in Khan-Bogd and Tsogttsetsii soum of Omnogobi aimag, Zaamar soum of Tuv aimag and practical activities and EITI meetings are organized in those soums.

1.5 EITI reporting and new trends

Year to year number of reporting and reconciling companies are increasing and volume of unresolved discrepancies is decreasing.

| Year | Number of company reported | Number of companies incl in Government report | Reconciliation | Unresolved discrepancy |
|------|----------------------------|---|----------------|------------------------|
| 2006 | 64 | 137 | 25 | 4 billion MNT |
| 2007 | 102 | 184 | 38 | 775 million MNT |
| 2008 | 115 | 184 | 46 | 425 million MNT |
| 2009 | 129 | 363 | 101 | 58 million MNT |
| 2010 | 274 | 477 | 150 | 360 thousand MN |
| 2011 | 301 | 518 | 200 | 75 million MNT |
| 2012 | 1529 | 1829 | 200 | 360 million MNT |
| 2013 | 1180 | 1617 | 250 | |

Production and sales of minerals, implementation of mining activity plan and license allocation report is included in Mongolia EITI Reconciliation Report 2013 and it is aggregated by reconciling companies.

1.6 Public Awareness Rising and Capacity Building activity

Strengthening EITI in local level:

On May 17, 2013 official letter from Senior Advisor to the Prime Minister Mr.Gansukh.L was delivered to all Governors of aimags recommending "to follow up the Government Resolution #222 of 2012, re-

organize or establish EITI sub-council in aimag level and monitor its activity” together with complex attachments about EITI new information and legal documents.

On July 4, 2013 “Sub-council and civil society engagement” capacity building training for head (Deputy Governor of aimag) and secretary (head/ officer of Development Policy Department) of EITI sub-council and local civil society organization is organized in UB and 47 people from 11 aimags participated. The main goal was capacity building and awareness rising about EITI in local level. Before the training MEITI Secretariat has developed “Sub-council working rules/guidance” and received feedback from participants.

Organized EITI 1st regional conferences in 4 regions such as Western in Khovd aimag on August 20th , Eastern in Khentii aimag on October 25th, Northern in Darkhan-Uul aimag on November 27th and Central in Ulaanbaatar city on November 12th. In the regional conferences local authorities, local community and extractive companies are participated and main goal was to implement two-way communications such us to inform EITI new standard, goals, benefits on the other hand to get feedback and consult regarding efficient EITI sub-council structure, governance, linkage between other plans and programmes, type of duties and so forth. Totally 350 representatives from 20 aimags out of 21 participated in the EITI regional conferences and get fundamental knowledge about EITI.

On June 7, 2013 Govi-Altai aimag organized its first EITI Conference in aimag level based on the initiative from civil society organization and some members of MEITI MSWG participated. Totally 250 people participated.

After all comments and feedback during EITI regional conferences, MSWG developed “EITI sub-council’s working rule” and approved by National Council on December 23, 2013.

On April 25, 2014 MEITI Secretariat organized capacity building training for sub-council members named “Result oriented EITI sub-council” in Ulaanbaatar city. During the first half of training, participants obtained key knowledge about EITI mission, vision, result-framework, methodology to develop efficient work plan linked to National EITI work plan etc. On the second half, participants worked together to develop “2014-2015 POA” and consulted regarding financing solutions. Each aimag had a sample POA and recommended to send final POA to the secretariat after finalization at homes. Totally 65 people participated from 19 aimags out of 21.

On May 8, 2014 organized soum/district level “EITI open day” in Zaamar soum, Tuv aimag. To this meeting participated 51 people from central and local government, extractive company and residents and interviewed and broadcasted by Eagle TV. Further this type of soum level meetings will be organized in key mining areas to support sub-council’s communications and partnership.

In the events organized in local level, totally 813 people participated and obtained general knowledge about EITI.

External communications activities:

On June 4, 2013 ASI organized “EIT law” promotion event together with Ministry of Mining in Ulaanbaatar and participated over 100 people.

The Secretariat organized Press Release on “Mongolia EITI 7th Reconciliation Report and National Council Meeting” in Parliament House on February 12, 2014.

According to Communications Strategy contracted with Mongol Mass Media LLC to implement media campaign to increase public awareness about EITI and under the contract 12 TV serials and 5 interviews will be broadcasted and 5 articles will be located in www.news.mn site, 3 events will be interviewed live on TV and implementations are ongoing.

2013 reporting process and reported/not reported companies names are printed in daily newspapers.

Several EITI event interviews broadcasted key media channels such as Bloomberg Mongolia TV, TV9, TV8, Eagle TV and Eco TV.

Participated constantly international and domestic public events such as “Coal Trans” Forum, “Discover Mongolia” Investment Forum, “Open day of Ministry of Mining” and delivered promotional materials.

Re-organizing www.eitimongolia.mn website more user friendly to increase the usage of EITI reconciliation reports and improve public awareness and preparing social media communication activities. Created some info-graphics using EITIRR 2012 data and located on www.ikon.mn news website. Updated the content of EITI brochures and pamphlets.

Internal communications activities:

Facebook closed group is created for EITI trainers to encourage their knowledge and experience sharing. Monthly EITI newsletter is being sent via emails to registered mailing list. Official letter and telephone communication is ongoing with sub-council members and government organizations. Meetings are organized between international and development organizations to support cooperation and consolidate its programmes.

Foreign events and study tours:

In EITI International 6th Conference organized in Sydney, Australia 15 people headed by Minister for Mining Mr.Gankhuyag.G participated from Mongolia EITI National Council and MSWG.

Mrs. Delgermaa.B Communications officer is invited to work in international research team to compare EITI implementation of Mongolia, Norway and Azerbaijan which is hosted by Azerbaijan’s civil society coalition and contributed to prepare “Position Paper” and introduce final findings and conclusion in September, 2013 in Baku, Azerbaijan.

T.Zuunnast, officer of MoM, B.Delgerbayar, CEO of “Petrochina dachin tamsag” LLC, B.Batkhisig, lawyer of civil society organization and Sh.Tsolmon, coordinator of MEITI secretariat are participated in “EITI new standard” international event organized in Astana, Kazakhstan in October 2013.

Trainings

6 trainings were organized named “Let’s prepare better EITI report” for companies and totally 273 people are participated.

With support from EBRD Adam Smith International organized 12 trainings. These are: Training for trainers – 25 people, 2 times for companies – 45 people, 2 times for CSOs – 51 people, 2 times for journalist – 56 people, 1 time for central government organizations – 22 people, 1 time for local government organizations – 24 people, final seminar – 47 people, 2 day training for MSWG on partnership building – 24 people and totally 294 people participated.

Two. Process of implementing EITI Standard requirements;

2.1. Mongolia EITI included 11 tasks related to implementing EITI new standard into the plan of action for the year of 2014. These are: contextual information, production and sales, license registration and allocation, significant exploration activities, extractive industry's contribution to economy, product sharing agreement study, local transfers, social expenditures, and infrastructure provisions. Abovementioned surveys are made by for the year of 2012 and going to attach to the Mongolia EITI 7th Reconciliation Report.

One of the major steps toward encouraging better transparency in Mongolia is "Budget law of Mongolia" is being implemented from the 1st of January 2013 and according to this law 5 principles need to be followed such as to ensure budget sustainability, to ensure budget complexity and accuracy, to implement appropriate financial and budget management, to ensure transparency and accountability.

Furthermore to ensure budget transparency, following procedures are legally embedded in law such as to engage general public to all budgeting procedures by having their recommendations and comments, considering their comments, providing chance to monitor, and informing etc.,

Now in Mongolia all budgetary entities prohibited to receive donations except medical, educational and cultural organizations. General budget governor's are allowed to receive donations amounted below 50% of approved budget amount. In case of continuing fund limited projects and programmes, organizing trainings for human resource capacity building, budgetary entity is allowed to receive donations only from non-state or local owned legal entity through their general budget governor.

As a result of implementing EITI in Mongolia, very important principle about transparency is included in "State policy on mining sector for the year of 2014-2025" strategic document approved by Great Ikh Khural in January 2014. For instance: ..."article 1.1: State policy on mining sector aims to support transparent and accountable mining industry based on private sector and to establish economically sustainable multi-sectoral institution to meet national essential interest in near and midterm", "To ensure better legal background of mining sector will support international initiatives such as EITI, Responsible mining initiative and impact assessment on social and economical aspects etc.,"

In terms of support local development and protect local community interests firstly, prior to extracting minerals to create clear and understandable condition between investors and residents, increase local governor's role and responsibility to communications activities regarding social and economic contribution of mining projects, secondly, to disclose contracts made for social development during extracting period between investing company and local governor and to ensure multi-stakeholders participation to it.

Finally in terms of policy on mining sector management, functioning and human resource issues, "to improve government organizations' service quality, transparency, openness, and efficiency and to inform to general public all mining sector related government organizations' working system, license allocation, its standard and duration and to ensure civil society monitoring".

Three. Overview of activities implemented by Mongolia EITI National Council and Working group in accordance with recommendations given by Validation and Reconciliation Reports;

3.1.National Council Meeting

Mongolia EITI National Council chaired by the Prime Minister of Mongolia meeting is organized once in 2013 and it proves that NC meeting and its activity is sustained.

3.2.MSWG meeting

Mongolia EITI MSWG meeting is organized 3 times in the second half of 2013 and once in the first half of 2014. MSWG activity is becoming more sustainable.

3.3.EIT law progress

Working group on developing EIT law draft and concept note is established and submitted the concept note to the Ministry of Justice and approved in May, 2014.

EITI new standard's all requirements are embedded in EIT law draft and some unique articles belong to EITI sub-national council, it's financing and organizational issues are included into the law draft according to countries specification. The EIT law draft is going to be submitted to the State Great Khural's autumn session.

3.4. EITI sustainable financial resource issues

The Government of Mongolia is providing some financial resources to support the implementation of EITI in Mongolia and annual EITI Reconciliation report is being funded by government budget from the year of 2010. 201,1 million MNT disbursed in 2012, 183 million MNT in 2013 and 200 million MNT is planned to disburse in 2014.

The Secretariat operational costs are funding by World Bank Trust Fund and current fund is finished in May 2014 and next fund planned to be started from September 2014.

3.5. Recruiting Communications Officer

From December 1st of 2011 the Secretariat is recruited Communications Officer and Mr.Batbayar was worked as a CO. He was professional in journalism and had an advanced English knowledge but because of his illness, the secretariat is re-advertised the open position and Mrs Delgermaa, former Finance Officer, was selected as a Communications Officer and she started from March 2013.

She enrolled in EITI Communications training hosted by GIZ during EITI 6th International Conference in Sydney, Australia and in online course for 8 weeks under the subject "Communications Science" in Amsterdam University and obtained the certificate.

3.6. Follow up on recommendations of Mongolia EITI Reconciliation Report 2012

Auditor was recommended to re-define materiality threshold and this will be followed up under the e-reporting system implementation.

Recommended not include non-extractive companies in reconciliation report and to conduct scoping survey prior to auditing. Currently additional fund for scoping survey is limited.

Recommended to review the type of revenue streams such as, to exclude donations from mandatory to voluntary. At the moment, extractive companies are donating for social development and local community preferably use this type of information at the local level. In that case, this recommendation is not acceptable for current situation.

Recommended to provide guidelines by each payments and this will be followed up under the e-reporting system implementation.

Reconcilers express different positions on payments, charges and service fees. According to recommendation in 2011 Reconciliation Report, some not necessary, not material service fees and charges are excluded from the EITI reporting template and templates are updated.

Recommended to unite 3 templates of companies for 1 template, but it might be bring confusion on filling templates.

Recommended to create tax payers unique number and General Department of Taxation need to follow up on it.

Four. Status of implementation of Work plan including the impact and outcome of implemented objectives;

In 2013, totally 42 activities are planned and out of this 33 activities are fulfilled which is equals to 80% of implementation.

Activities that not fulfilled mainly belong to EIT law draft and television serials. Because of main goal was to achieve some progress on drafting EIT law, planned timeframe was not followed strictly. As a result, the concept note is approved by Ministry of Justice in March, 2014.

In 2013, totally 45 activities are planned and out of this 25 activities should be fulfilled by the first half of year. Currently 7 activities are implemented.

Five. Narrative accounts of efforts to strengthen EITI implementation including any actions to extend the detail and scope of EITI reporting or to increase engagement with stakeholders;

MSWG conclusion on EITI implementation process

5.1. Mongolia has produced 7 EITI Reconciliation Reports and number of companies reporting is increasing on the other hand unresolved discrepancies are decreasing. Taxes and payments are disclosed and under the EITI reporting process several additional issues are covered in the EITI report. Mongolia's strategic policy on EITI implementation and implementing activities and its result reports are included in the EITI report. Here is need to emphasize that key factor of abovementioned achievement is Mongolia pays more attention to have flexible strategic policy and work plan and to encourage multi-stakeholders' engagement in whole process of EITI implementation.

5.2. Government, company and civil society initiative and participation is being constructive in EITI implementation process.

5.3. Although EITI is sustainably implemented in Mongolia, we recognize that opportunity is limited for great changes due to limited financial resource and unclear legal environment. It is still difficult to make decisions regarding unresolved discrepancies.

5.4. It is important that annual Mongolia EITI Reconciliation Report is being publicized within one year which was before two year.

5.5. It is definitely required to take more effort, time and fund for training and communications activities. For instance, to organize trainings for civil society organizations, to organize more advanced training for companies' accountants, to promote EITI report for local community more understandable way and today still appropriate and efficient structure is not created.

Six. Report preparation and approval date: June 16, 2014