



Mongolia Extractive Industries Transparency initiative Annual Activities Report

2015

Mongolia EITI National Council, Working group and Secretariat

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Date of approval of this Report;

ONE. 2015 ACTIVITIES AND RESULTS;

1.1.Overview of meetings of National Council and Working group

National Council

Mongolia EITI Council having functions to organize, monitor and coordinate implementation of EITI in Mongolia met 3 times, January, June and December 2015. The one in January was for scheduled for 2014, was organized due to with delay of formation of New Government in Mongolia. The decisions of each meeting are given below.

January 13, 2015¹

Agenda and decisions are as follows:

1. Mongolia EITI 2013 or 8th Report was discussed and endorsed.
2. Mongolia EITI activities report for 2014 was reviewed and approved as sufficient.
3. Mongolia EITI Work plan for 2015 was endorsed with some amendments from members.

June 4, 2015²

Agenda and decisions are as follows:

Clare Short, chair of EITI attended this meeting and expressed her opinion that she was proud of successful implementation of EITI in Mongolia, requested three stake holders actively cooperate.

Mr.Batsuuri, chairman of economic standing committee of Mongolian great state hural participated in this meeting, paid respect to distinguished guests, and expressed his support for law on transparency in mineral resources sector.

The meeting heard, discussed first findings and results of 3 technical group of 5, which were established by National Council meeting dated January 13, instructed to finalize the work. These 3 were for a/to insure contract transparency in mineral resources sector, b/to verify EITI Report by audit c/equal tax law treatment of entities engaged in mining sector, clear calculation of royalties and benchmarks.

December 18, 2015³

Agenda and decisions are as follows:

1. Mongolia EITI 2014 or 9th Report was discussed and endorsed. Relevant decisions for the further activities are given.
2. It considered implementation of Mongolia EITI 2015 activities sufficient.
3. Mongolia EITI 2016 Work plan was endorsed in principle, and included some amendments to the Plan.
4. It endorsed amendment to working procedure of Mongolia EITI National Council.
5. It declared that 2016 should be year of resolving issues relating activities of Subnational councils, make them sustainable and effective and capacity building.

Working group

¹ Details of meetings are given at website of Mongolia EITI Secretariat, eitimongolia.mn.

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³Details of meetings are given at website of Mongolia EITI Secretariat, eitimongolia.mn.

The Mongolia EITI Working having functions to implement EITI met 3 times, May, October, December 2015. The decisions of each meeting are given below.

May 25, 2015⁴

Agenda and decisions are as follows:

1. Mongolia EITI electronic reporting was approved with relevant procedure guidelines.
2. The amendment to procedural instructions of EITI National Council and Working group was accepted and approved.
3. It heard progress of preparatory work for official visit of Clare Short to Mongolia.
4. It heard preliminary results and findings of 5 technical group established following decisions of meeting of National Council, dated January 13, and decided to present to National Council.

October 8, 2015⁵

Agenda and decisions are as follows:

1. It discussed performance of aimag, capital, soum and district subnational councils, their further activities and decided to establish technical group to study and found financing options of subnational councils..
2. It discussed and approved amendments to reporting templates on EITI, asked to submit to National Statistical Committee, have relevant decision.
3. It heard work of production of Mongolia EITI 2014 Report and asked to act faster to complete.
4. It heard introduction of 7th International EITI Conference and decided to nominate delegates name shortly.

December 11, 2015⁶

Agenda and decisions are as follows:

1. The draft Mongolia EITI 2014 Report was discussed and would be submitted to National Council for endorsement, with some recommendations to be completed before meeting of National Council.
2. It heard preliminary 2015 activities report of Mongolia EITI, and proper explanations and decided to submit to National Council.
3. It heard draft of Mongolia EITI 2016 Work plan, comments and proposals are integrated, decided to submit to National Council.

1.2.Summary of Mongolia EITI 2014 or 9th report

The consortium of KPMG Mongolia and KPMG France was selected as Independent administrator for Mongolia EITI 2014 or 9th Report, and commenced contract work by early July 2015.

The reconciliation covered payments of 236 companies and revenues of Government, inception seminar was organized early July, the inception was produced by August, initial reports were

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presented to Working Group meeting in October, to Mongolia EITI National Forum in Early November, and to pilot validation, and the draft was presented to Working Group in December, it was supported and submitted to National Council and endorsed on December 18, 2015.

General Section

The extractive industries in Mongolia produced 17.1% of GDP of Mongolia for 2014, it represented 60% of industrial output and 89% of export volume.

It shows that the Government of Mongolia received from only reconciled companies engaged in extractive industries 1632 billion MNT as revenues, and 565 billion was royalties, 286 billion was oil income, 201 billions were corporate income taxes.

The total number of employment of Mongolia for 2014 was 1,070,000 persons, 41,300 out of them was engaged in mining sector, represented 3,7% from total number of persons, which decreased by 20% from previous year. As for the reconciled companies, only 80 of them disclosed number of employment. They informed the independent administrator that they have 26,900 working persons, 991 out of them foreigners, which represents less 10%.

The number of companies supposed to report for 2015 EITI was 1573, but 988 out of them reported electronically and represented 57%, which decreased by 200 companies or 12% from previous year.

The total sum payment of reported 988 companies was 1650 billion MNT, but the total sum of revenues of Government from 1573 companies was 1920 billion MNT, and after scoping and definition of materiality 236 companies were reconciled, which represented 98.8% of major revenue streams of 2014. As the result of reconciliation, adjusted Government sum was 1579 billion MNT, adjusted Companies sum was 1582 billion MNT, and unexplained discrepancies was 581 million MNT.

Reasons of discrepancies as follows, 1/Companies did not report a payment to Mongolia EITI in e-reporting, 2/Payments were overly reported, 3/reported in wrong revenue stream, 4/returned payments were not adjusted, 5/Payments were made on behalf of another company, 6/Payments related to activities other than extractive industries, such as construction work, 7/Payments were netted-off, 8/Some companies included into Government report have not operated in 2014, 9/Reporting in MNT whereas initial template requirement was in thousands of MNT.

Major revenues related to unexplained discrepancies were VAT and corporate income taxes.

Donations as per 2012 report was 13,1 billion MNT, as per 2013 Report was 39,2 billion MNT, almost tripled from previous, but as per 2014 report 19 billion MNT and decreased from the previous year.

The Petroleum law passed in 2014, made legal regulation more clear. By the law, the license is needed to have petroleum exploration and exploitation, and initially exploration license is for 8 years, with possible extension 2 times, 2 years each⁷.

It is estimated that 1557 companies hold 2736 licenses and operating both exploration and exploitation activities covering 57 types of minerals in 2014. Size of territory belonging to these 2736 licenses is 11 million hectares. As for petroleum, 17 companies are engaged and have 22 Production sharing agreements, as uranium exploration, then 15 companies are engaged and have 57 licenses.

⁷ Details of meetings are given at website of Mongolia EITI Secretariat, eitimongolia.mn.

Mongolia EITI 2014 report reveals registration, granting of mineral licenses, contribution of extractive industries to Mongolian economies, budget revenues, allocations, disbursement, revenues of sovereign funds, disbursement, infrastructure investment, barter of goods, donations, beneficial ownerships as per requirements of EITI standard and gives relevant findings with studies and level of progress of Mongolia.

The report also covers implementation annual mining work of companies, natural rehabilitation work carried out by companies.

Participation of Companies

Generally, a participation of companies in reconciliation process was good except those companies, which have not replied to the Independent administrator. So, namely, there were companies Erdenes shahsirt mining resurs LLC, Yushengming, Ugalzan tsamhag, Mongolbolgargeo, Special Mines, Gangar invest, Gan-il. The revenues received from companies and reported by the Government was 1051 million MNT. Companies like Ugalzan tsamhag, Mongolbolgargeo again ignored this work, repeatedly do not report for EITI.

Participation of Government institutions

Participation of Government institutions was sufficient level.

Recommendations of Mongolia EITI 2014 Report are as follows:

1. Perform a comprehensive review of areas where the E-reporting IT platform, related IT controls at the second stage and the IT environment may be strengthened and improved;
2. Involve the MSG and the IA in determining the form and extent of contextual information to be collected through the E-reporting system, and in the design of the templates for collection of such information;
3. Promote a better understanding by companies of the EITI requirements, reporting process and overall importance of the EITI;
4. Distinguishing extractive industries business activity from other types of business activities;
5. Assess how to disaggregate revenue streams between projects where possible, in order to report at the project level;
6. Mongolia EITI Secretariat or a Government body should establish, maintain regularly update a database containing a complete and accurate list of contacts especially within e-reporting system ;
7. Provide clear, direct instructions and guidance to every item and revenue stream requested for reporting;
8. Encourage SOEs to disclose all the information required by the EITI Standard 3.6 and to understand the barriers and limitations which may prevent such disclose.
9. Introduce a form of assurance over government reported data in the future and strengthen the process in this area;
10. Place increased emphasis on the need for limited assurance on reported financial data and contextual information under the EITI process, and to highlight this to companies;
11. Improve the cadaster data available for viewing publically and maintain information in the cadaster in line with EIT standard, such application date, issuance and expiry dates;
12. Select and involve the IA much earlier in the process, in order to provide input on a range of topics which will impact the reconciliation process, contextual information gathering and preparation of the Report.

1.3 Selection of Independent Administrator for Mongolia EITI 2014 Report

The ToRs for Independent Administrator for Mongolia EITI 2014 Report was approved by the Secretariat of Mongolian Government late February, 2015 and the Evaluation Committee was formed at the same time. Mongolia EITI Working Group reviewed ToRs electronically before approval, amended and finalized it as EITI Standard required.

The selection was commenced from March till late May, and the consortium of KPMG Mongolia and KPMG France was selected as Independent administrator for Mongolia EITI 2014 or 9th Report, but one of bidders the consortium of UK based Moore Stephens and Mongolian audit company Dalaivan challenged the selection and officially complained to MoF of Mongolia.

The content of complaint was there was hesitation over assessment of technical proposals and asked to double check the results. MoF has reviewed all data decided there was no evidence of such complaint and approved the final assessment, and therefore, the Contract was concluded in the middle of June, the work incepted Early July and completed by the middle of December.

1.4 Organization activities for 2014 Company and Government reporting

In order to facilitate to Companies in reporting 5 workshop had been organized in March and May, 200 representatives of companies attended the workshops.

The Secretariat jointly MRAM, PAM organized these workshops, also published announcement for companies on EITI reporting requirement 10 times at 2 central daily newspapers, disseminated messages to 2411 subscribers of cell phones of 4 operators 3 times. As result 992 companies, i.e. 552 companies with exploitation, 417 companies with exploration licenses, and 12 companies with petroleum PSA, 11 companies with uranium licenses produced report electronically for 2015.

The Secretariat published names of over 600 companies, which have not reported for 2014, 2 times in April and October at 2 central daily newspapers.

The Secretariat worked with MoF and GDTA, organized and gave all necessary guidelines, as results 42 Government institutions at all level produced EITI report for 2014 electronically, which is covering revenues from 1573 companies, i.e. 920 companies with exploitation license, 633 companies with exploration license, 16 companies with petroleum PSA, 15 companies with uranium licenses by the 25th of April, 2015.

The Government EITI 2014 report is covering absolute majority of companies engaged in extractive industries.

1.5 EITI reporting

There is general tendency that the number of companies reporting for EITI is increasing and discrepancies are decreasing,

Year	Number of companies produced report	Number of companies On which Government Produced report	Number of Companies participates In National Report	Unexplained discrepancies
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 MNT
2011	301	518	200	75 million MNT

2012	1529	1829	200	360 million MNT
2013	1198	1617	250	36 million MNT
2014	992	1573	236	581 million MNT

1.6 Promotion and dissemination of Mongolia EITI 2013

In accordance with Mongolia EITI 2013 Report 5 technical groups had been established and first findings and preliminary results had been submitted to National Council and Working group and received some feedbacks. Activities related to Contract transparency are ongoing and now it is concentrated on creating a website for Contract transparency, other activities disclosure of all funds accumulated at special account as deposit for environment rehabilitation work, which is done, and findings were delivered to National Audit office, used for training of their local and rural staff, and activities related to updating EITI reporting templates, and finalized, and submitted to National Statistical Committee, and the templates had been updated accordingly.

All the training, local discussions, open days and regional conferences were using data created by Mongolia 2013 Report, which were conducted in aimag and soum such as Tuv, Dornogobi aimag, Bayangol of Selenge aimag, Bumbugur soum of Bayanhongor aimag, Airag soum of Dornogobi aimag, booklets of these events were produced by the Secretariat. The reports of Bayanhongor aimag and Selenge aimags were based on the same report, but produced jointly by GIZ and Mongolian Mining journal.

Based on beneficial ownership data from 2013 Report, the Secretariat created dynamic infographics, which shows data per person, group of persons, country of origin and other information about 230 companies and are available at the Secretariat website, and received positive assessments from users.

The Secretariat website was redeveloped into user friendly, simple and easy to understand manner, has now complete set menu of content as per 2013 Report. This web site had 7513 users.

1.7 Activities to improve public awareness and EITI promotion, and capacity build-up

1.7.1 On national level capacity build-up

Within objective to improve capacity build-up of Civil society organizations, training on methodology how to process information for local citizens was organized for representatives of 24 CSO, combined indoor and distant training on collection of funds for environment rehabilitation, disbursement and efficiency was organized jointly with National Audit office and 14 auditor and experts from process audit department of National Audit office, and 47 officers of 11 aimags and capital city audit branches.

Mongolia EITI National Forum was organized first time, in November, jointly with Ministry of Mining, Open Society forum, Natural Resources Governance institute, and it took 2 days, and 250 persons from Government, extractive industries, Civil society organizations, local community and authorities, international organizations, researchers and specialists attended it. The main decision of forum was to elaborate strategy of Mongolia EITI 2020, make 2016 – the year of improving capacity of subnational councils. Open society forum and Natural Resources Governance Institute contributed for successful organization financially.

1.7.2 On local level capacity build-up

Jointly with Mongolian Mining Journal and GIZ, the project for local information network was implemented, which trained 52 journalists from 16 aimags.

The Northern EITI 2nd conference was organized in June, in Mandal soum of Selenge aimag, Western EITI 2nd conference was organized in July, in Bayanhongor city of Bayanhongor aimag, Southern EITI 1st Conference was organized in Sainshand city of Dornogobi aimag, local authorities, company, civil society and citizens discussed transparency of mining sector and EITI subnational activities. The conferences were attended by 382 delegates from 12 aimags and 24 soums.

For the dissemination of EITI information, EITI Open days were organized in Tuv aimag center, Bayangol soum of Selenge aimag, which attended by Clare Short, Bumbugur soum of Bayanhongor aimag, Airag soum of Dornogobi aimag in May, June and September, and 280 people attended these activities.

Jointly with Ulaanbaatar city EITI Council, the training on implementation of EITI at local level, participation of local authorities, functions and obligations was organized to governors and deputy governors of 8 districts.

A lot of efforts, time and finances were disbursed for local level, there is some progress is happening. Especially, Mongolia Civil society coalition is conducting numerous activities. For sustainability, there should be clear financial regulation and availability of funds from all sides.

1.8 Media, information and public awareness:

Jointly with Cabinet Secretariat, the press conference on National Council meeting No.12 was organized in House of Government in January 2015. The news about conference was transmitted through TV channels such as Mongolian National Broadcaster, UBS, Eagle, Parliament, Star TV and estimated that 11.000 viewers watched the news. Also relevant news was posted in 8 different portals.

Jointly with Mrs.Oyunchimeg, who is hosting famous TV live interview program of Mongolian National Broadcaster "Time and opinion", basically about Mongolian politics, society and economics, organized live program where Mr.Tsolmon participated, explained why EITI is necessary and what we do. Also jointly with her team, 40 minute program about Transparent mining was produced broadcasted, which showed what impact mining activities have, how local authorities and community think about mining in Burgehangai soum of Bulgan aimag, Zaamar soum of Tuv aimag, both are famous with gold production area.

Along with MM agency of Mongolian National Broadcaster under contract, all out- reach EITI activities had been broadcasted by this national TV channel, also by prime time news "Wheel of time", and in total there were 7 times of broadcasting, estimated there 320.000 viewers watched them.

Jointly with Bloomberg TV under contract, there were interview with Clare Short, Mr.Alгаа, president of Mongolia national mining association, other important participants were guests of interviews. Also, Mongolia EITI National Forum was broadcasted live and received positive responses from public.

Jointly with newspaper National mail, 9 publications about EITI, 5 announcements were published in this newspaper. Also newspaper Daily news published information about 746 companies, which have not reported for EITI 3 times, announcement to report for EITI 6 times.

“Mongolian Mining Journal” cooperated and published materials about EITI in their May, June and September editions.

Portal www.ikon.mn cooperated and published at their site infographics about Mongolia, based on 2013 Report..

Mongolia EITI participated in Mongolian investment conference Discover Mongolia and organized as tradition exhibition and display of achievements, disseminated printed materials to guests and participants.

For public, EITI brochures 2300 copies, EITI standard 900 copies, legal book 500 copies, shorter version of Mongolia EITI 2013 Report 300 copies, EITI report of aimags Tuv Dornogobi, soums of Bayangol, Bumbugur and Airag 1600 copies were produced, printed and disseminated during the events.

1.9 Improvement of internal communication:

The Facebook group of EITI trainers was created to exchange and share promptly new information, experience and outlook.

Mongolia EITI Secretariat www.eitimongolia.mn was updated and redeveloped, and as 2015 the number of guest to this site was 7513. Also secretariat is running facebook, which has 320 likes, twitter, which 169 followers and opened flickr page, which has 1131 photos.

Mongolia EITI newsletter is created on monthly basis, delivered by-email to about 400 users. Also, using cell phone system, SMS was sent to 2411 cellular phone numbers which belong to directors of companies having mineral licenses, about to report for EITI 2014.

1.10 International exchange:

Ms.Clare Short paid official visit to Mongolia and met Mr.Ch.Saikhanbileg, Prime Minister of Mongolia, chairman of Mongolia EITI National Council, briefly exchanged views and emphasized importance of transparency. Ms.Clare Short visited Mongolia in 2012 and 2015, viewed how Mongolia was implementing EITI, met and acquainted with the most representatives of Government, Company and Civil society organizations, listened their opinions, made appropriate conclusions. Her understanding was that Mongolia EITI needs tremendous efforts to fully requirements of EITI Standard.

Mongolia EITI delegated representatives to Pacific EITI regional seminar in Philippines, EITI promotion workshop in Cambodia, trainings in Hungary and Turkey, exchanged with experiences. During Philippines seminar, it was identified that Mongolia EITI is disclosing licenses for many

years, but it is not clear what criteria and procedure used for selection of licenses, Philippines had good practical experience before any mineral project starts there is a consultation ongoing at local places.

The last work under EITI supporting project of EBRD was implemented, which was study tour to Peru. Mongolian EITI 6 delegates visited Peru, and the main practical knowledge was the fact that Peru has the mineral dispute system in place, which is Government institution reporting directly to President of country.

Mongolia received delegates from Indonesia EITI for electronic system, also students from British Columbia university, who made comparative studies over 13 EITI countries and participated in G-7 Fast Track partnership project sponsored and organized by GIZ.

TWO. STATUS OF MEETING OF EACH EITI REQUIREMENTS AND PROGRESS

On implementation of EITI new standard

2.1. On meeting of 2013 EITI report the requirements of EITI standard

The data on legislation, available and disclosed information, and data collection in accordance with international recommendations contextual information on the sector was organized at both central and local level, and integrated data was created and posted in the website.

Jointly with EITI International Secretariat and later with GIZ, workshop for validation preparations, and self-assessment was organized, findings were processed and additional work plan was drafted and approved by Prime Minister of Mongolia, and these works had been implemented. In accordance with this additional work plan MoF, Ministry of Ecology, MRAM, PAM, SOC Erdenes Mongol submitted additional information and they were listed as appendix to 2013 Report, and submitted to pilot validation.

In November 2015, Mongolia undertook a pilot Validation of compliance against the EITI Standard. This report presents the findings and assessment of the pilot. The International Secretariat has applied the standard terms of reference and assessed Mongolia's compliance with the EITI Standard. the Secretariat's preliminary assessment is that requirements 1.4, 3.4, 3.5, 3.6, 3.9, 3.10, 4.1a, 4.1c, 4.1e, 4.2a-c, 5 and 7.2 are unmet. Some of these are assessed as "unmet with limited progress".

The major areas of concern relate to data quality assurance by both government and industry as well as state-owned enterprises, including quasi-fiscal expenditures, financial relations with government and in-kind revenue.

Overall conclusions

Mongolia has been a pioneer in EITI implementation, both in terms of being one of the first countries to implement the EITI as well as in expanding the scope of reporting to the highest number of companies featuring in an EITI Report. It has also expanded reporting to include contributions to environmental funds and reporting by subnational governments, established

subnational EITI councils and made strides to rendering EITI data more accessible through a new online eReporting platform.

Another key strength of EITI implementation in Mongolia has been the extension of EITI reporting to areas not required by the EITI Standard, but that have been considered meaningful in local circumstances. Even before enactment of the 2013 EITI Standard, the MSWG has included information on companies' social expenditures and contributions to environmental rehabilitation funds.

The MSWG has gradually built trust amongst the three stakeholder groups, but it provides more of an oversight capacity than a driver of implementation. This role is fulfilled by the EITI Mongolia (EITIM) Secretariat, which coordinates the work of ad hoc working groups established by the MSWG. The National Council provides high-level steering for the work of the MSWG, but its functioning has often been affected by frequent political change and poor attendance by high-level members. It would now seem timely to revisit the institutional structure of EITI implementation in Mongolia to improve formal MSWG operational oversight and relieve the EITIM Secretariat of some of its leadership responsibilities.

Mongolia presents a complex case for the EITI, given its frequently changing mining taxes, over 1500 companies of which over 400 are producing and the impact of a sharp economic slowdown since mid-2012. With diligent attention to record-keeping, the MSG has extended the scope of reporting to over 1100 companies in recent years, even if only a fifth are reconciled by the Independent Administrator.

This attention to the detail of reconciliation has not always been matched with consideration of the contextual information now required under the transition from the EITI Rules to the EITI Standard. The MSWG appears not to have considered in depth the full scope of contextual information required under the EITI Standard, though such issues as SOEs, if properly addressed, would likely be of great interest not only to public, but to investors and policy makers too. The main gaps in EITI reporting highlighted in this report are related to the quality of data and disclosures around state-owned enterprises (SOEs). The MSWG's engagement in drafting the EITI Report appears to have been limited, with little reference to the requirements of the EITI Standard. While some information surrounding loans to SOEs may be politically sensitive, there is no lack of other publicly available data such as production figures from MRAM.

Given Mongolia's high dependency on mining, there is need for a vibrant national debate about sector management, the level at which the state should participate in the sector and the future prospects of the mining sector in Mongolia

Vibrant debates at the subnational level have not been replicated at the national level, in Ulaanbaatar. There appears to be few links between EITI discussions and policy-making, despite the membership of high-level decision-makers on the National Council.

Recommendations While the following report includes recommendations for specific reforms the MSWG may wish to consider implementing, the following are a list of strategic recommendations that could help Mongolia make greater use of the EITI infrastructure as an instrument to support reforms.

- The composition and structure of the EITI governance institutions could be revisited, with consideration given to reducing the number of representatives on the working-level body, increasing the frequency of working-level meetings and methodically recording and reporting on all discussions (including those of ad hoc working groups).
- The three stakeholder groups should engage in a frank and robust discussion around what issues in the extractive sector the EITI can help address and how. This could lead to a revision of the objectives of EITI implementation and the activities that could help attain these objectives.
- The MSWG is encouraged to further entrench extractive sector transparency in government systems, and take steps to move towards more frequent production of EITI information on a routine basis. As part of the second phase of the e-Reporting project running until end-2016, the MSWG may consider undertaking a study to identify what information required to be disclosed under the EITI Standard is already publicly available and what information is not yet routinely disclosed. Opportunities for providing more EITI data in open data formats could also be explored.
- In preparing the next EITI Report, covering FY2015, the MSWG should find a workable solution to the provision of quality assurance certification for EITI disclosures from both government and companies. The MSWG should work with the General Auditor of Mongolia, the Independent Administrator and industry MSWG members in particular to establish a robust quality assurance framework. The MSWG should consider procuring its next Independent Administrator earlier in the year to allow for sufficient data collection time.
- The MSWG should consider whether to take a more active role in developing recommendations from EITI Reports, and agree relevant follow-up and implementation.
- Outreach and stakeholder consultation mechanisms should be formalised to improve the relevance of MSWG discussions to national debates and key demands of stakeholders beyond the membership of the National Council and MSWG.
- Given the prevalence of social media users in Mongolia, the MSWG could consider alternative means of engaging a larger section of the population in its debates. More outreach online through social networking tools could facilitate greater public participation in EITI-related debates and swifter dissemination of EITI information.

Findings of Pilot validation were discussed at Working meeting on December 2015, the most of them included into 2016 Mongolia EITI Work plan.

2.2. On meeting of 2014 EITI report the requirements of EITI standard

Mongolia Working group, Secretariat and KPMG team worked jointly to make 2014 Report as much as possible to meet requirements of EITI Standard from July till December, for 5 months. As results, Mongolia EITI 2014 or 9th Report covers all necessary information required by the standard, Working group overviewed and National Council endorsed the document.

The National Council decided that all recommendations of this Report were verified as acceptable and could be implemented, and included into Work plan for 2016.

THREE. ACTIVITIES OVERVIEW OF ACTIVITIES CARRIED BY NATIONAL COUNCIL AND WORKING GROUP;

3.1.Meetings of National Council

Mongolia EITI National Council met 3 times in 2015, and only January and June meetings have more than 20 decisions, but implementation status is 30%. For December meeting it is too early.

The major unimplemented activities is passing law on transparency in mineral resources sector, with passing this law there should new procedure on structure, organization, financing mechanism, also introduction of EITI implementation to standing committees of Parliament, verification of Government report by audit, and organizing EITI information centers in some aimags.

3.2.Meetings of Working group

Mongolia EITI Working group met 3 times in 2015, attendance 70%.

More 10 decisions were elaborated by these meetings, and they are more to day-to-day character, so the most of them implemented. A lot was done through of work technical sub groups, therefore Working group was not overcharged this year.

3.3. Deliberation of EITI related draft law in Parliament

Mongolian Parliament decided by voting to deliberate law on transparency in mineral resources sector or EITI in February, established working group at the Economic standing committee for the first hearing, The working group met 2 times, now it is unclear how to move forward.

3.4. EITI Sustainable financial sources

Since 2010 the Government of Mongolia finances costs of annual reconciliation report and is doing well in this regard, since then, and it disbursed 201,1 million MNT in 2012, 183 million MNT in 2013, 220.1 million in 2014, and 169 million MNT in 2015. It is projected to spend 255 million MNT in 2016.

Financing of the Secretariat operational costs is still funded by MDTF from World bank, which is now just over by December 31, 2015 and disbursement is about 480 million MNT. The estimated expenses for 2016 work is 153,5 million MNT.

3.5. Second phase of EITI electronic reporting system

Under EBRD financing (300.000 euro) the second phase of electronic reporting is commenced and ongoing. As result of this project, Mongolia EITI electronic system will be interconnected with Tax and mineral authorities system, there will faster exchange of information, new possibility for data processing including graphs and tables. Also this project will allow comparing and processing data in between. It will be completed by September 2016.

FOUR. IMPLEMENTATION OF WORK- PLAN 2014, SIGNIFICANCE OF ACHIEVED OBJECTIVES

4.1. Mongolia EITI Work plan for 2015 had 50 activities and 47 out of them were achieved completely, and success rate is 90%.

4.2. The main failed work was approval of EITI draft law, organization of discussion of donations and investment, organization seminar of EITI Standard and legal framework

FIVE. FURTHER ACTIVITIES TO BE CARRIED OUT AND IMPROVE INVOLVEMENT OF STAKE-HOLDERS

Conclusion of Mongolia EITI Working Group on EITI performance

- 5.1. Mongolia has produced 8 EITI Reconciliation Reports and number of companies reporting is increasing on the other hand unresolved discrepancies are decreasing..
- 5.2. The participation of stake-holders in EITI implementation varies from constituency to constituencies, and participation of Government is mediocre, companies are less active and civil society organizations have good participation, this unequal approach should be corrected.
- 5.3. Further, the use of EITI reports should be improved, in compliance with Government Resolution 222, EITI reports must be introduced to Economic standing committee, should be used in comparative modes for better policy formulation.
- 5.4. As per proposals and recommendations forwarded by Mongolia EITI National Forum, national strategy, strategic plan till 2020 should be elaborated and make clear objectives to reach.
- 5.5. Although EITI is implemented in Mongolia sustainable way, we have to recognize that opportunity is still limited, as limited financial resource and unclear legal environment do not go beyond.
- 5.6. Implementation of some work, activities in annual work plan must be carried out by professional associations of mining sector, civil society organizations on contract basis, and respectively to minimize overcharge of the Secretariat.

SIX. COMPLICATIONS IN MONGOLIA EITI 2015 IMPLEMENTATIONS, RESPONSES

Mongolia comparatively successfully implements EITI. It faces sometimes financial difficulties in terms of timely arrival of funds.

Generally, the Government participation is good, but participation of top managers of Government institutions is not sufficient.

Participation of representatives of companies is considered not regular. Participation of directors of leading companies is passive. Participation of companies in outreach activities is still not good.

So, participation of top representatives of Government and Companies needs to be improved, for the all stake-holders should cooperate.

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